

**HUDSPETH COUNTY EMERGENCY
SERVICES DISTRICT #2**

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT THEREON
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hudspeth County Emergency Services District #2

Opinions

We have audited the financial statements of the governmental activities and the General Fund of Hudspeth County Emergency Services District #2 (District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Hudspeth County Emergency Services District #2, as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2024, the District adopted new accounting guidance, GASB No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
August 20, 2025

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

In this section of the Annual Financial Report, the management of Hudspeth County Emergency Services District #2 discuss and analyze the District's financial performance for the fiscal year ended September 30, 2024. Please read it in conjunction with the independent auditor's report and the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the District's assets exceeded its liabilities by \$827,875. Of this amount, \$478,457 was unrestricted net position.
- The District's net position decreased by \$92,945, or 10% as a result of this year's operations.
- During the year, the District had total expenses of \$583,379, which were \$92,945 more than the \$490,434 generated in revenues. This compares to last year when revenues exceeded expenditures by \$3,735.
- The General Fund ended the year with a fund balance of \$311,480. The fund balance of the General Fund has \$75,000 as assigned fund balance and \$236,480 as unassigned which is 39% of total General Fund expenditures.
- The resources available for appropriation were \$14,598 higher than budgeted for the General Fund. This is primarily due to increased tax collection activity during the year and grants. Actual expenditures during the year were \$ 109,680 below budgeted expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the government-wide statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The statement of net position presents information on all of the District's assets, whether they serve the current year or future years, and liabilities, regardless of whether they must be paid in the current year or future years, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The statement of activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by federal and state agencies and fees for services (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one governmental fund which is the General Fund.

Governmental Funds - Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances on spendable resources available at the end of the year. Such information may be useful in evaluating a government's near term financing requirements. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the District's general operations and the basic services it provides.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and governmental activities.

Notes to the Basic Financial Statements

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget.

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$920,820 to \$827,875. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$478,457 at September 30, 2024. This decrease in governmental net position was primarily the result of an increase in expenses in conjunction with less revenue from insurance billings and contributions.

TABLE I HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2 NET POSITION		
	Governmental Activities	
	2024	2023
Assets:		
Current and Other Assets	\$ 486,574	\$ 595,730
Capital Assets	368,484	355,190
Total Assets	<u>\$ 855,058</u>	<u>\$ 950,920</u>
Liabilities:		
Current Liabilities	\$ 8,117	\$ 11,034
Noncurrent Liabilities	19,066	19,066
Total Liabilities	<u>27,183</u>	<u>30,100</u>
Net Position:		
Net Investment in Capital Assets, net of debt	349,418	327,039
Unrestricted	478,457	593,781
Total Net Position	<u>827,875</u>	<u>920,820</u>
Total Liabilities and Net Position	<u>\$ 855,058</u>	<u>\$ 950,920</u>

Key factors related to the District's financial performance over the last year include the following:

- The District is focusing on getting facilities in place and fully operational and as such, capital outlay is a large expense for the District. The allotment for the largest service provider was increased during the 23-24 fiscal year. The District also had an increases in payroll and contract staffing for fiscal year 23-24, along with a large increase in legal fees. Tax collections compared to the tax levied are very high, helping ensure that the District has operating funds available as they continue to grow. However, insurance billings and contributions for the District decreased during fiscal year 23-24.

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

TABLE II HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2 CHANGES IN NET POSITION		
	Governmental Activities	
	2024	2023
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,661	\$ 23,478
Grants - operating	24,109	26,935
Contributions	10,800	21,614
		-
		-
General Revenues:		
Property taxes	437,001	432,488
Penalties and Interest	9,925	15,602
Miscellaneous Revenue	6,938	920
Total Revenue	490,434	521,037
Expenses:		
Public Safety	583,379	517,302
Total Expenses	583,379	517,302
Change in Net Position	(92,945)	3,735
Net Position - Beginning	920,820	908,895
Prior Period Adjustment		8,190
Net Position - Ending	\$ 827,875	\$ 920,820

The cost of all governmental activities this year was \$583,379. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$437,001. The remaining activity was funded by contributions, grants, charges for services, penalties & interest, and miscellaneous revenue with a decrease in net position of \$92,945 for current year activities.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$311,480, which decreased over last year's total of \$440,042. Included in this year's total change in fund balance is a decrease of \$128,562 in the District's General Fund. This overall decrease is primarily due to increases in expenditures such as capital outlay, legal fees, and payroll and contracted staffing.

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

BUDGET

The District adopted a budget of \$715,647 for the year ended September 30, 2024. Actual expenditures on a budgetary basis for the General Fund were \$605,967, which was \$109,680 below the budgeted expenditures of \$715,647. Actual revenue on a budgetary basis was \$477,405 compared to budgeted revenue of \$462,807. Although there were some line items that were over budget, overall the District was under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The District had capital purchases during the year of \$83,927 for two generators, rescue equipment, other equipment, and a truck.

At the end of fiscal year 2024, the District had \$368,484 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure.

<p style="text-align: center;">TABLE III HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2 CAPITAL ASSETS</p>		
	Governmental Activities	
	2024	2023
Land	\$ 27,510	\$ 27,510
Buildings and Improvements	280,378	280,378
Vehicles and Equipment	637,211	553,284
Totals at Historical Cost	945,099	861,172
Less: Accumulated Depreciation	(576,615)	(505,982)
Net Capital Assets	<u>\$ 368,484</u>	<u>\$ 355,190</u>

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Debt

At year end, the District had \$19,066 in outstanding debt, as shown in the table below. More detailed information about the District's debt is presented in the notes to the financial statements.

TABLE IV HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2 DEBT		
	Governmental Activities	
	2024	2023
Loans Payable	\$ 19,066	\$ 28,151
Total Debt Payable	\$ 19,066	\$ 28,151

CURRENTLY KNOWN FACTS

The District adopted the September 30, 2025 budget for expenditures in the amount of \$625,074 and budgeted revenues in the amount of \$438,030 on September 20, 2024. The adopted tax rate was \$.08660, which is the same rate as the previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the funding it receives. For questions concerning any information provided in this report or requests for additional financial information, contact Hudspeth County ESD #2 at 915-964-2372 or 401 W. Main St., Dell City, Texas, 79837.

FINANCIAL STATEMENTS

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT # 2

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

SEPTEMBER 30, 2024

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 261,409	\$ -	\$ 261,409
Due from Financial Institution	24,123	-	24,123
Due from other governments, net	28,387	-	28,387
Accounts receivable - insurance billings, net	5,239	-	5,239
Property tax receivable, net	167,416	-	167,416
Capital Assets:			
Land	-	27,510	27,510
Buildings, net	-	159,612	159,612
Vehicles and equipment, net	-	181,362	181,362
Total Assets	\$ 486,574	\$ 368,484	\$ 855,058
Liabilities			
Accounts payable and payroll taxes payable	\$ 7,678	\$ -	\$ 7,678
Accrued interest payable	-	439	439
Current portion of long term debt	-	-	-
Non-current portion of long term debt	-	19,066	19,066
Total Liabilities	7,678	19,505	27,183
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	167,416	(167,416)	-
Total Deferred Inflow of Resources	167,416	(167,416)	-
Fund Balance/Net Position:			
Fund Balance			
Assigned	75,000	(75,000)	
Unassigned	236,480	(236,480)	
Total Fund Balance	311,480	(311,480)	
Total Liabilities and Fund Balances	\$ 486,574		
Net Position			
Investment in capital assets, net of related debt		349,418	349,418
Unrestricted		478,457	478,457
Total Net Position		\$ 516,395	\$ 827,875

The accompanying notes are an integral part of these financial statements.

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Adjustments	Statement of Activities
REVENUES:			
Program:			
Charges for services - insurance billings	\$ 7,454	\$ (5,793)	\$ 1,661
Grants - operating	24,109	-	24,109
General:			
Property taxes	418,179	18,822	437,001
Penalties and Interest	9,925	-	9,925
Contributions	10,800	-	10,800
Other income	6,938	-	6,938
Total revenues	477,405	13,029	490,434
EXPENDITURES/EXPENSES:			
Public Safety			
Service Providers:			
Sierra Blanca EMS	46,500	-	46,500
Desert Haven EMS	29,000	-	29,000
Sierra Blanca Volunteer Fire Department	29,000	-	29,000
Desert Haven Volunteer Fire Department	26,986	-	26,986
Dell Valley Volunteer Fire Department	29,000	-	29,000
Payroll and related burden	83,859	-	83,859
Accounting and auditing	20,614	-	20,614
Appraisal District Fees	28,079	-	28,079
Auto equipment and maintenance	22,032	-	22,032
Building maintenance and supplies	33,846	-	33,846
Contract Staffing	61,226	-	61,226
Fuel	10,527	-	10,527
Insurance	16,718	-	16,718
Legal	26,656	-	26,656
Medical Supplies	3,782	-	3,782
Office Supplies	5,701	-	5,701
Other operational	10,646	-	10,646
Training and travel	11,254	-	11,254
Utilities	16,614	-	16,614
Depreciation expense	-	70,633	70,633
Capital Outlay	83,927	(83,927)	-
Debt service:			
Principal payments	9,085	(9,085)	-
Interest payments	915	(209)	706
Total expenditures/expenses	605,967	(22,588)	583,379
Net Change in Fund Balance/Net Position	(128,562)	35,617	(92,945)
Fund Balance / Net Position, October 1, 2023	440,042	480,778	920,820
Fund Balance / Net Position, September 30, 2024	\$ 311,480	\$ 516,395	\$ 827,875

The accompanying notes are an integral part of these financial statements.

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

RECONCILIATION OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS TO THE FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total Fund Balances - Governmental Funds (general fund)	\$	311,480
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$861,172, and the accumulated depreciation was \$505,982. In addition, long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		326,391
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position.		84,136
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes recognizing unavailable revenue from property taxes as revenue. The net effect of this reclassification and recognition is to increase net position.		176,501
The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position		(70,633)
Total Net Position of Governmental Activities	\$	<u>827,875</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balance - Governmental funds (general fund)	\$	(128,562)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net position.		84,136
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and adjusting current year revenue to show revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to decrease net position.		22,114
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(70,633)
Change in Net Position of Governmental Activities	\$	<u>(92,945)</u>

The accompanying notes are an integral part of these financial statements.

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District was created in a public vote on November 8, 2011. The District is a taxing entity, and a political subdivision of the State of Texas, formed under the provisions of Article III, Section 48-e of the Texas Constitution. The enabling statute for the District is in chapter 775 of the Texas Health and Safety Code. The District is administered by a Board of Commissioners (the Board), appointed by the Commissioners of the County of Hudspeth, Texas, that serves as the authoritative and legislative body of the entity. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a special purpose government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

The mission of the District is to provide emergency life support assistance to persons living within the geographic boundaries of the District, assist in promoting safety and good health practices within the District, support the local school district by being present at athletic events as requested, participate in civic events as requested, and support Hudspeth County Emergency Management.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the District's nonfiduciary activities. These statements include all activities of the District. The fund based financial statements (i.e. the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) report information of the District at the fund level. The District only has one fund, the general fund. As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide Financial Statements – These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

Unavailable revenue from property taxes arises only under modified accrual basis of accounting. The governmental funds report this unavailable revenue as deferred inflow of resources, which is recognized as revenue in the period that the amounts become available.

Cash

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds during the period of the contract. The pledge requirement of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The District is required by the **Public Funds Investment Act** (Government Code Chapter 2256) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District does not have any investments, and therefore, has not adopted an investment policy.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. In the government-wide financial statements, delinquent property taxes are recorded as revenue when levied net of estimated refunds and uncollectible amounts.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual or project cost of more than \$5,000 and an estimated useful life (or lease/SBITA term) in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of the receipt.

Right-to-use assets are recorded at the present value of their future payments over the non-cancelable agreement. In a governmental fund, the full amount of the right-to-use asset is reported as an expenditure in the year the agreement is executed.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are being depreciated using the straight-line method over the following estimated economic useful lives:

Asset Class	Estimated Useful Lives
Buildings and Improvements	10-40
Vehicles	5-10
Other Equipment	7-10

Lease assets and SBITAs are amortized in systematic and rational manner over the shorter of the agreement or the useful life of the underlying asset. The amortization expense is combined with depreciation expense for financial reporting purposes.

Fund Balance

The District has adopted the fund balance classifications prescribed by GASB. In accordance with District policy, fund balances are classified based on the circumstances that apply as follows:

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Administrator.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

The District has not formally adopted a minimum fund balance policy.

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net Position is classified and displayed in three components, of applicable, as follows:

Investment in capital assets, net of related debt - consists of capital assets, net accumulated depreciation, reduced by any outstanding debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both externally restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Insurance Billings

The District charges a fee for transporting patients to the local area hospital. Fees are based upon agreed rates with the insurance companies as well as with Medicare and Medicaid. The District has contracted with a third party agency to handle the billings of insurance from the government as well as from insurance companies and private individual pay.

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Data

The official budget was prepared for adoption for the general fund. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to September 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning October 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end.

New Accounting Policies

The District implemented GASB No. 100, *Accounting Changes and Error Corrections - an amendment of GASB No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections and to provide more understandable, reliable, relevant, consistent, and comparable information for making or assessing accountability.

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

B. BANK DEPOSITS

During the year ended September 30, 2024, and at year end, District cash deposits were covered by FDIC insurance or pledged collateral held by the District's agent bank in the name of the District. At fiscal year end, the book value of the District's deposits was \$261,409 and the bank balance was \$278,022.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to them. The District does not have a deposit policy for custodial credit risk other than state statutes. As of September 30, 2024, the District's bank balance of \$278,022 was covered primarily by Federal Deposit Insurance Corporation (FDIC), with the amount exceeding FDIC limits covered by collateral securities pledged by the District's depository, Pecos County State Bank, Fort Stockton, Texas. As such, the District was not exposed to Custodial credit risk during the year.

Credit Risk and Concentration of Credit Risk:

Credit risk and concentration of credit risk are not applicable to deposits.

Interest Rate Risk:

Interest rate risk is not applicable to deposits..

Foreign Currency Risk:

The District is not exposed to foreign currency risk because the District does not receive payments in foreign currency nor invest in foreign currency.

C. RECEIVABLES

Receivables consist of the following at September 30, 2024:

	From Property Tax	From Insurance Billing	From Other Governments	From Financial Institution
Amount due	\$ 186,018	\$ 112,019	\$ 28,387	\$ 24,123
Less allowance	(18,602)	(106,780)	-	-
Net amount due	<u>\$ 167,416</u>	<u>\$ 5,239</u>	<u>\$ 28,387</u>	<u>\$ 24,123</u>

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

D. PROPERTY TAXES

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Allowances for uncollectibles are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$0.0866 to fund general operations. The rate was levied on property with an assessed value totaling \$508,993,832. The District currently does not collect an I&S tax as they have no bonded indebtedness.

E. CAPITAL ASSETS

Capital asset activities during the year ended were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 27,510	\$ -	\$ -	\$ 27,510
Total Non-Depreciable Assets	27,510	-	-	27,510
Depreciable Assets:				
Buildings and Improvements	280,378	-	-	280,378
Vehicles and Equipment	553,284	83,927	-	637,211
Total Depreciable Assets	833,662	83,927	-	917,589
Less Accumulated Depreciation:				
Buildings and Improvements	106,771	13,995	-	120,766
Vehicles and Equipment	399,211	56,638	-	455,849
Total Accumulated Depreciation	505,982	70,633	-	576,615
Total Depreciable Assets, Net	327,680	13,294	-	340,974
Total Capital Assets, Net	\$ 355,190	\$ 83,927	\$ -	\$ 368,484

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED SEPTEMBER 30, 2024****E. CAPITAL ASSETS (Continued)**

Depreciation was charged to governmental activities as follows:

Public Safety	\$ 70,633
Total Depreciation	<u>\$ 70,633</u>

F. DEBT

Long-term obligation activities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Loans Payable	\$ 28,151	\$ -	\$ (9,085)	\$ 19,066	\$ -
	<u>\$ 28,151</u>	<u>\$ -</u>	<u>\$ (9,085)</u>	<u>\$ 19,066</u>	<u>\$ -</u>

During the year ended September 30, 2016, the District entered into a long term financial agreement with Dell Telephone Cooperative, Inc., to partially finance the purchase of an ambulance. The financing covered 46% of the purchase price, with another 46% paid by a grant from the state of Texas, and the remaining 8% paid by the District at the time of the purchase. The loan was in the amount of \$100,000, bearing zero interest over ten years. In accordance with US GAAP, interest was imputed at 3.25%, bringing the loan proceeds to \$84,224, payable in ten equal annual installments of \$10,000, payable in January of each year beginning in 2017, and maturing in January of 2026.

Subsequent to year end, the District entered into a loan payment deferral agreement with the lender. The loan payment due in January 2025 has been deferred to November 2025. See subsequent event note.

Maturity requirements on loans outstanding at year end are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2026	\$ 19,066	\$ 934	\$ 20,000
Total	<u>\$ 19,066</u>	<u>\$ 934</u>	<u>\$ 20,000</u>

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

G. NET POSITION / FUND BALANCE

As of September 30, 2024, the unrestricted balance in net position was \$478,457.

As of September 30, 2024, the District had assigned fund balance of \$75,000 for the construction of a new facility. No commitments/contracts have been made related to this potential construction.

H. COMMITMENTS AND CONTINGENCIES

The District participates in grant programs which are governed by various rules and regulations of grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any monies received may be required. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants.

I. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage of, and destruction of assets; errors and omissions; and natural disasters. The District purchases real and personal property, automobile, general liability, errors and omissions, and worker's compensation insurance through Volunteer Firemen's Insurance Services (VFIS). The District remains exposed to any losses that exceed the resources and commercial insurance of VFIS. There have been no significant reductions of insurance coverage from the previous years and no claims or losses have been incurred that were not covered by insurance as of September 30, 2024. There is no liability due to any claim or suit.

J. LITIGATION

During the normal course of business, the District may become subject to various legal claims. As of September 30, 2024, management was not aware of any such claim which would have a material adverse effect on the financial statements.

K. RELATED PARTY TRANSACTIONS

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and they are required to abstain from any discussion or voting regarding the matter. During fiscal year 2023-2024, management was aware of one related party relationship between a current board member and the Chief of one of the District's providers, Desert Haven EMS. The board member abstains from voting on any items regarding that business relationship or any discussion regarding that entity. Management is not aware of any other material related party transactions that occurred during the 2023-2024 fiscal year.

(Continued)

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

L. SUBSEQUENT EVENT

Subsequent to year end, the District entered into a loan payment deferral agreement with Dell Telephone Cooperative. The annual payment of \$10,000 that was due January 2025 has been deferred to November 2025. The purpose of the deferral is to assist in funding consulting fees for the establishment of a fire services division for Hudspeth County ESD #2. This deferral will allow the District to allocate necessary resources to enhance emergency services for the community.

M. NEW ACCOUNTING PRONOUNCEMENTS

The District has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Program:				
Charges for Services - Insurance Billings	\$ 20,000	\$ 20,000	\$ 7,454	\$ (12,546)
Grants - Operating	12,000	12,000	24,109	12,109
General:				
Property Taxes	403,707	403,707	418,179	14,472
Penalties and Interest	4,500	4,500	9,925	5,425
Contributions	21,600	21,600	10,800	(10,800)
Other income	1,000	1,000	6,938	5,938
Total Revenues	462,807	462,807	477,405	14,598
EXPENDITURES				
Service Providers:				
Sierra Blanca EMS	46,500	46,500	46,500	-
Desert Haven EMS	29,000	29,000	29,000	-
Sierra Blanca Volunteer Fire Department	29,000	29,000	29,000	-
Desert Haven Volunteer Fire Department	29,000	29,000	26,986	2,014
Dell Valley Volunteer Fire Department	29,000	29,000	29,000	-
Payroll and related burden	90,147	90,147	83,859	6,288
Accounting and auditing	14,000	14,000	20,614	(6,614)
Appraisal District Fees	26,000	26,000	28,079	(2,079)
Auto equipment and maintenance	20,000	20,000	22,032	(2,032)
Building maintenance and supplies	20,000	20,000	33,846	(13,846)
Contract Staffing	61,500	61,500	61,226	274
Fuel	17,000	17,000	10,527	6,473
Insurance	17,000	17,000	16,718	282
Legal	15,000	15,000	26,656	(11,656)
Medical Supplies	12,000	12,000	3,782	8,218
Office Supplies	2,300	2,300	5,701	(3,401)
Other operational	10,600	10,600	10,646	(46)
Training and travel	13,000	13,000	11,254	1,746
Utilities	17,600	17,600	16,614	986
Contingency	32,000	32,000	-	32,000
Capital outlay	175,000	175,000	83,927	91,073
Debt service:				
Principal payments	9,085	9,085	9,085	-
Interest payments	915	915	915	-
Total Expenditures	715,647	715,647	605,967	109,680
Excess (Deficiency) of Revenues Over (Under) Expenditures	(252,840)	(252,840)	(128,562)	124,278
OTHER FINANCING SOURCES (USES)				
Contributions and Donations	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(252,840)	(252,840)	(128,562)	124,278
Fund Balance - October 1 (Beginning)	440,042	440,042	440,042	-
	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 187,202	\$ 187,202	\$ 311,480	\$ 124,278

HUDSPETH COUNTY EMERGENCY SERVICES DISTRICT #2

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2024

Budgets and Budgetary Accounting

The District is required to prepare annually a budget of anticipated revenues and expenditures for the General Fund before the beginning of the fiscal year. The District's administration determines budgetary funding priorities and the budgets are prepared on the same basis of accounting that is used for reporting in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted prior to the expenditure of funds. The 2024 budget was adopted September 20, 2023.

The District's administration performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommend to the Board. The Board must approve amendments to the budget and such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. There were no budget amendments during the year.

Unexpended appropriations lapse at year-end. Encumbrance accounting is not utilized.

Budgetary Basis of Accounting

The District's budget is prepared on a modified accrual basis of accounting.

Expenditures in Excess of Appropriations

Several expenditure line items were over budget. However, in total, expenditures were under budget by \$109,680.