

**KERR COUNTY
EMERGENCY SERVICES DISTRICT #1
ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
DISTRICT OFFICIALS
SEPTEMBER 30, 2024

PRESIDENT	CHRIS HUGHES
VICE-PRESIDENT	JAMES WOOD
TREASURER	KEITH ANDERSON
SECRETARY	KATHY SIMMONS
ASSISTANT TREASURER	BILL AYCOCK

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

District Commissioners
Kerr County Emergency Service District #1

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Kerr County Emergency Service District #1, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Kerr County Emergency Service District #1, 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 Kerr County Emergency Service District #1 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Kerr County Emergency Service District #1's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 opinion. 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 risks 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 Kerr County Emergency Service District #1'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 Kerr County Emergency Service District #1'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.

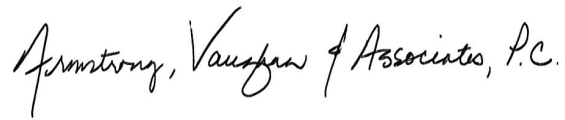
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 auditing standards generally accepted in the United States of America, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kerr County Emergency Service District #1's basic financial statements. The comparative fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.
April 30, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Kerr County Emergency Service District #1’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2024. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$838 thousand at September 30, 2024.
- During the year, the District’s expenses were \$16 thousand more than the \$142 thousand generated in taxes and interest income.
- No new debt was issued in 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District’s Annual Financial Report

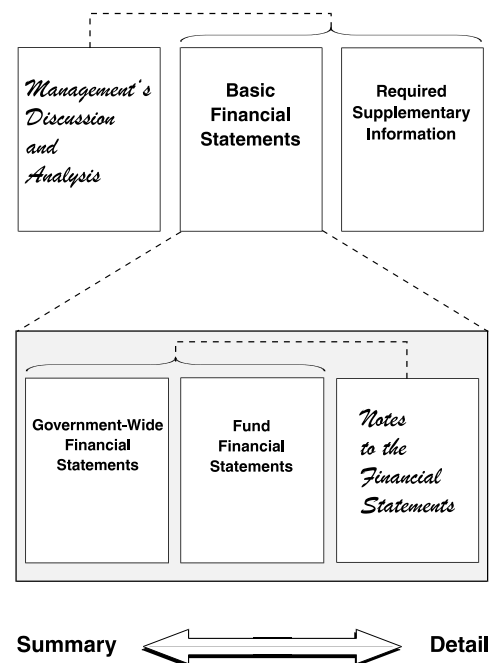


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements		
		Fund Statement
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	• Statement of net position • Statement of activities	• Balance Sheet • Statement of revenues, expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how they have changed. Net position—the difference between the District’s assets and liabilities—is one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District’s tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District’s basic services are included here, such as emergency services and general administration. Property and taxes finance most of these activities.

Fund Financial Statements

The District has the following kinds of funds:

- *Governmental funds*—All of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District’s combined net position was \$838 thousand at September 30, 2024. (See Table A-1).

Table A-1
Statement of Net Position

	Governmental Activities		Total Percentage Change
	2024	2023*	
Current Assets	\$ 670,671	\$ 619,997	8%
Capital Assets	478,165	545,799	-12%
TOTAL ASSETS	1,148,836	1,165,796	-1%
Current Liabilities	38,038	3,045	1149%
Long-Term Liabilities	272,315	308,000	-12%
TOTAL LIABILITIES	310,353	311,045	0%
Net Invested in Capital Assets	478,185	545,799	-12%
Unrestricted	360,298	308,952	17%
TOTAL NET POSITION	\$ 838,483	\$ 854,751	-2%

*2023 restated for the effects of a prior period adjustment

Changes in Net Position

- The District’s total revenues were \$142 thousand. The District’s revenue comes from taxes and interest income. This total was similar to the prior year.
- The total cost of all programs and services was \$158 thousand, an increase of \$27 thousand. Maintenance and supply purchases for the Ingram VFD increased during 2024.

Table A-2
Changes in District's Net Position

	Governmental Activities		Total Percentage Change
	2024	2023*	
General Revenues			
Property Taxes	\$ 140,642	\$ 144,362	-2.6%
Interest	1,570	407	285.7%
Total Revenues	<u>142,212</u>	<u>144,769</u>	-2%
Expenses			
General Administration	33,922	37,211	-9%
Emergency Services	103,957	90,867	14%
Interest on Debt	20,601	3,559	479%
Total Expenses	<u>158,480</u>	<u>131,637</u>	20%
Change in Net Position	(16,268)	13,132	-224%
Beginning Net Position	<u>854,751</u>	<u>841,619</u>	
Ending Net Position	<u>\$ 838,483</u>	<u>\$ 854,751</u>	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General fund reported similar revenues to the prior year and budget. Expenditures were \$3 thousand less than 2023. In 2023, a principal payment was made to retire old debt. That expenditure was replaced in 2024 with increased maintenance and supply support to the Ingram VFD.

General Fund Budgetary Highlights

Revenues exceeded the budget by \$9 thousand. Expenditures were over budget by \$45. Overall, fund balance increased \$50 thousand compared to a budgeted increase of \$41 thousand.

DISTRICT'S CAPITAL ASSETS

The District purchases capital assets for the Ingram VFD to utilize for emergency response. No significant purchases were made in 2024. Capital assets consist of the following types:

Table A-3 Capital Assets			
	2024	2023	Percentage Change
Land	\$ 100,000	\$ 100,000	0.0%
Vehicles & Equipment	1,514,315	1,514,315	0.0%
Buildings & Improvements	297,422	297,422	0.0%
Less: Accumulated Depreciation	(1,433,572)	(1,365,938)	5.0%
Totals	<u>\$ 478,165</u>	<u>\$ 545,799</u>	-12.4%

DISTRICT'S LONG TERM DEBT

In 2023, the District executed an agreement to purchase a fire truck. A loan was taken out for \$308,000 to partially fund the purchase. The proceeds of the loan are held in escrow until delivery of the truck. Interest on the loan was incurred in 2024, but the first principal payment is not until 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The projected revenues for the 2025 budget are similar to the 2024 levels as the no new revenue tax rate was approved. Spending is also similar, however the ESD will begin paying on the BNC International Tanker loan (both a down payment as well as a principal and interest payment). The District does not anticipate any significant changes to services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Kerr County Emergency Service District #1 citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrator at PO Box 387, Ingram, TX 78025.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
 - Governmental fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 339,233
Restricted Cash - Equipment Purchase	308,020
Property Taxes Receivable, net	9,163
Prepaid Expenses	<u>14,255</u>
<i>Total Current Assets</i>	<u>670,671</u>
 <i>Capital Assets:</i>	
Land	100,000
Buildings & Improvements	297,422
Vehicles & Equipment	1,514,315
Accumulated Depreciation	<u>(1,433,572)</u>
<i>Total Capital Assets</i>	<u>478,165</u>
TOTAL ASSETS	<u>1,148,836</u>
 LIABILITIES	
<i>Current Liabilities:</i>	
Accrued Interest Payable	2,353
Long Term Debt Due within One Year	<u>35,685</u>
<i>Total Current Liabilities:</i>	<u>38,038</u>
 <i>Noncurrent Liabilities:</i>	
Long Term Debt Due in More Than One Year	<u>272,315</u>
<i>Total Noncurrent Liabilities:</i>	<u>272,315</u>
TOTAL LIABILITIES	<u>310,353</u>
 NET POSITION	
Net Investment in Capital Assets	478,185
Unrestricted	<u>360,298</u>
TOTAL NET POSITION	<u><u>\$ 838,483</u></u>

The accompanying notes are an integral part of these statements.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30, 2024

Functions and Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Administration	\$ 33,922	\$ -	\$ -	\$ (33,922)
Emergency Services	103,957	-	-	(103,957)
Interest on Debt	20,601	-	-	(20,601)
Total Governmental Activities	<u>158,480</u>	<u>-</u>	<u>-</u>	<u>(158,480)</u>
Total Primary Government	<u>\$ 158,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(158,480)</u>
General Revenues:				
Property Taxes				140,642
Interest Income				<u>1,570</u>
Total General Revenues				<u>142,212</u>
Change in Net Position				(16,268)
Net Position at Beginning of Year				841,566
Prior Period Adjustment				<u>13,185</u>
Net Position at End of Year				<u>\$ 838,483</u>

The accompanying notes are an integral part of these statements.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2024

ASSETS

Cash and Cash Equivalents	\$ 339,233
Restricted Cash - Equipment Purchase	308,020
Property Taxes Receivable, net	9,163
Prepaid Items	<u>14,255</u>

TOTAL ASSETS	<u><u>\$ 670,671</u></u>
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**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND FUND BALANCES**

Liabilities:

Accounts Payable	<u>\$ -</u>
<i>Total Liabilities</i>	<u>-</u>

Deferred Inflows of Resources:

Unavailable Property Tax Revenue	<u>9,163</u>
<i>Total Deferred Inflows of Resources</i>	<u>9,163</u>

Fund Balance:

Nonspendable Prepaid Items	14,255
Restricted for Equipment Purchase	308,020
Unassigned	<u>339,233</u>
<i>Total Fund Balance</i>	<u><u>661,508</u></u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 670,671</u></u>
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The accompanying notes are an integral part of these statements.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 661,508
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds.	(2,353)
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Property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the funds statements.	9,163
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Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	478,165
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, not reported in the governmental funds.	<u>(308,000)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 838,483</u>
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The accompanying notes are an integral part of these statements.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

REVENUES

Property Taxes	\$ 140,124
Interest Income	1,569
TOTAL REVENUES	<u>141,693</u>

EXPENDITURES

Current:

Maintenance and Supplies	36,323
Insurance and Bonding	27,616
Administrative	1,589
Tax Appraisal and Collection	1,241
Professional Fees	3,476

Debt Service:

Interest	<u>21,293</u>
TOTAL EXPENDITURES	<u>91,538</u>

Net Change in Fund Balance	50,155
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Fund Balance at Beginning of Year	290,168
Prior Period Adjustment	<u>321,185</u>
Fund Balance at End of Year	<u><u>\$ 661,508</u></u>

The accompanying notes are an integral part of these statements.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 50,155
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Amounts reported for governmental activities in the Statement of Activities are different because:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change of property tax receivable reported in the statement of activities does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund.	519
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(67,634)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Accrued Interest	692
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ (16,268)
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The accompanying notes are an integral part of these statements.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kerr County Emergency Service District #1 is a political subdivision of the State of Texas created in 1990 after a public election. The District was provide stable funding to assure the communities within its boundaries the resources to support fire prevention, fire fighting, and other emergency services.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

A. THE FINANCIAL REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District. Governmental activities are supported entirely by property taxes.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds. The General Fund is the District's only fund and meets the criteria as a *major governmental fund*.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2023, and became due October 1, 2023 have been assessed to finance the budget of the fiscal year beginning October 1, 2023.

Expenditures generally are recorded when an expense is incurred.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the District and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes. Primary expenditures are for general administration, emergency services and management.

The District has no other major governmental funds.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the District.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

F. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based on historical trends.

Property taxes are levied based on taxable value at January 1 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property taxes receivable for prior year's levy is shown net of the allowance for doubtful accounts.

G. UNAVAILABLE REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources).

Property taxes levied in October are used to finance the following calendar year and are also reflected as property taxes levied for future periods.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

H. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified basis of accounting. Unavailable revenues from property tax receivables are deferred and recognized as an inflow of resource, the unavailable revenue will be recorded as a property tax revenue in the period the amounts become available.

I. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment and vehicles, are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical costs if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Estimated Life</u>
Vehicles & Equipment	10-15 years
Buildings	30 years

J. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

J. FUND EQUITY (CONT.)

Committed – Represents amounts that can only be used for a specific purpose determined by a formal action of the government’s highest level of decision-making authority. The District Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitations.

Assigned – Represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed. The District Commissioners may make assignments through formal documentation in the minutes. The District Commissioners are the only entities that may make assignments at this time.

Unassigned – Represents the residual balance that may be spent on any other purpose of the District.

When an expenditure is incurred for a purpose in which multiple classifications are available, the District considers restricted balances spent first, committed second, assigned third, and unassigned fourth.

K. NET POSITION

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

NOTE 2 -- CASH AND INVESTMENTS

At September 30, 2024, the District’s cash exceeded the coverage provided by FDIC by \$89,233.

NOTE 3 -- AD VALOREM (PROPERTY) TAXES

The District has contracted with the Kerr County Tax Assessor-Collector to collect taxes on its behalf. Taxes become delinquent February 1. Delinquent taxes not paid by July 1 are turned over to attorneys for collection action. For fiscal year 2024, the assessed tax rate for the District was \$0.012800 per \$100 on an assessed valuation of \$1.09 billion. An allowance for uncollectible property taxes of \$176 has been established by management as of September 30, 2024.

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 4 -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Buildings	297,422	-	-	297,422
Vehicles & Equipment	1,514,315	-	-	1,514,315
Less: Accumulated Depreciation	<u>(1,365,938)</u>	<u>(67,634)</u>	<u>-</u>	<u>(1,433,572)</u>
	<u>\$ 545,799</u>	<u>\$ (67,634)</u>	<u>\$ -</u>	<u>\$ 478,165</u>

Depreciation was charged to emergency services on the statement of activities.

NOTE 5 -- LONG-TERM DEBT

In August 2023 the District entered into a financed purchase of a BME International Tanker. The amount financed was \$308,000 and payments are due each August 11 through 2031. The interest rate is 6.913%. The loan proceeds were placed in escrow until the truck is delivered. Changes in long-term debt were as follows:

<u>Governmental Activities</u>	<u>Balance 10/1/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2024</u>	<u>Due Within One Year</u>
Note Payable	\$ 308,000	\$ -	\$ -	\$ 308,000	\$ 35,685
	<u>\$ 308,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,000</u>	<u>\$ 35,685</u>

The annual requirements to amortize all long-term debt as of September 30, 2024, including interest payments, are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 35,685	\$ 21,293	\$ 56,978
2026	38,152	18,826	56,978
2027	40,789	16,188	56,977
2028	43,609	13,368	56,977
2029	46,624	10,354	56,978
2030-2031	<u>103,141</u>	<u>10,814</u>	<u>113,955</u>
	<u>\$ 308,000</u>	<u>\$ 90,843</u>	<u>\$ 398,843</u>

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 6 -- LITIGATION

The District is not aware of any pending or likely litigation that would have a significant impact on these financial statements.

NOTE 7 -- SERVICE PROVIDER AGREEMENTS

The District is currently engaged with the volunteer fire department of Ingram to provide fire services within the boundaries of the District. The District provides discretionary payments towards repairs and maintenance expenditures for Ingram Volunteer Fire Department. The District also purchases capital items such as trucks and facilities that are owned by the District and used by the Ingram Volunteer Fire Department. The relationship between the City Service Provider and the District is renewed annually, and may be terminated by either party during the annual renewal process.

NOTE 8 -- COMMITMENT

The District entered into a contract to purchase a BME International Tanker for \$464 thousand. The purchased is expected to occur in 2025 and be paid from a combination of local funds and loan proceeds.

NOTE 9 -- RISK MANAGEMENT

The Kerr County Emergency Service District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. To cover this risk the District contracts with the Volunteer Firemen's Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts.

NOTE 10 -- PRIOR PERIOD ADJUSTMENT

The District has recorded two adjustments to the 2023 financial statements. In previous years, the District did not report an asset for unexpired insurance premiums. This adjustment had the effect of increasing the 2023 fund balance and net position by \$13,185. In addition, the cash received from the note issued in 2023 was not reported in the general fund. This adjustment had the impact of increasing fund balance by \$308,000.

	General Fund	Governmental Activities
Beginning Fund Balance/Net Position, as previously recorded	\$ 290,168	\$ 841,566
Unreported Escrow Account	308,000	-
Unrecorded Prepaid Insurance	13,185	13,185
Beginning Fund Balance/Net Position, restated	<u>\$ 611,353</u>	<u>\$ 854,751</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budget Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 132,163	\$ 132,163	\$ 140,124	\$ 7,961
Interest Income	480	480	1,569	1,089
TOTAL REVENUES	<u>132,643</u>	<u>132,643</u>	<u>141,693</u>	<u>9,050</u>
EXPENDITURES				
Current:				
Maintenance and Supplies	20,000	20,000	36,323	(16,323)
Insurance and Bonding	31,100	31,100	27,616	3,484
Administrative	6,000	6,000	1,589	4,411
Tax Appraisal and Collection	1,600	1,600	1,241	359
Professional Fees	11,500	11,500	3,476	8,024
Debt Service				
Interest	21,293	21,293	21,293	-
TOTAL EXPENDITURES	<u>91,493</u>	<u>91,493</u>	<u>91,538</u>	<u>(45)</u>
Net Change in Fund Balance	41,150	41,150	50,155	9,005
Fund Balance - Beginning	290,168	290,168	290,168	-
Prior Period Adjustment	-	-	321,185	321,185
Fund Balance - Ending	<u>\$ 331,318</u>	<u>\$ 331,318</u>	<u>\$ 661,508</u>	<u>\$ 330,190</u>

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2024

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board and as such is a good management control device.

Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures did not exceed appropriations by a significant amount for the year ended September 30, 2024.

The District does not use encumbrances.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial information not required by the GASB or considered a part of the basic financial statements. Such information includes:

- Comparative Fund Statements – General Fund

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
COMPARATIVE BALANCE SHEETS - GENERAL FUND
SEPTEMBER 30, 2024 AND 2023

	2024	Unaudited* 2023
ASSETS		
Cash and Cash Equivalents	\$ 339,233	\$ 290,168
Restricted Cash - Equipment Purchase	308,020	308,000
Property Taxes Receivable (net)	9,163	8,644
Prepaid Items	14,255	13,185
	<u>14,255</u>	<u>13,185</u>
TOTAL ASSETS	<u><u>\$ 670,671</u></u>	<u><u>\$ 619,997</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	9,163	8,644
<i>Total Deferred Inflows of Resources</i>	<u>9,163</u>	<u>8,644</u>
<i>Fund Balance:</i>		
Nonspendable Prepaid Items	14,255	13,185
Restricted for Equipment Purchase	308,020	308,000
Unassigned	339,233	290,168
<i>Total Fund Balance</i>	<u>661,508</u>	<u>611,353</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND RESOURCES AND FUND BALANCE	<u><u>\$ 670,671</u></u>	<u><u>\$ 619,997</u></u>

*Restated for the effects of a prior period adjustment

KERR COUNTY EMERGENCY SERVICE DISTRICT #1
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE
GENERAL FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	Unaudited* 2023
REVENUES		
Property Taxes	\$ 140,124	\$ 135,718
Interest Income	1,569	407
TOTAL REVENUES	<u>141,693</u>	<u>136,125</u>
EXPENDITURES		
<i>Current:</i>		
Maintenance and Supplies	36,323	13,289
Insurance and Bonding	27,616	26,580
Administrative	1,589	4,195
Tax Appraisal and Collection	1,241	1,891
Professional Fees	3,476	4,545
<i>Debt Service:</i>		
Principal	-	42,964
Interest	21,293	1,330
TOTAL EXPENDITURES	<u>91,538</u>	<u>94,794</u>
Excess of Revenues over Expenditures	50,155	41,331
OTHER FINANCING SOURCES		
Issuance of Note Payable	-	308,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>308,000</u>
Net Change in Fund Balance	50,155	349,331
Fund Balance - October 1	<u>611,353</u>	<u>262,022</u>
Fund Balance - September 30	<u><u>\$ 661,508</u></u>	<u><u>\$ 611,353</u></u>

*Restated for the effects of a prior period adjustment