

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

DENTON COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

DENTON COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Denton County Emergency
Services District No. 1
Denton County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Denton County Emergency Services District No. 1 (the "District") as of and for the year ended September 30, 2022, 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 major fund of the District as of September 30, 2022, 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. 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.

Correction of Error

As described in Note 10 to the financial statements, the District's General Fund fund balance and net investment in capital assets as of September 30, 2021, has been restated to correct certain misstatements. Our opinions are 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.

Member of
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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 generally accepted auditing standards 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 generally accepted auditing standards, 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 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 the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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 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.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 15, 2023

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management's discussion and analysis of Denton County Emergency Services District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2022. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current period. All current year revenues and expenses are included regardless of when cash is received or paid.

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS

The combined statements also include 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 has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, costs of assessing and collecting taxes, and general expenditures.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI").

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,859,682 as of September 30, 2022.

A portion of the District's net position reflects its net investment in capital assets (land, buildings, furniture and fixtures, and vehicles less any debt used to acquire those assets that is still outstanding).

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	Summary of the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 442,493	\$ 681,840	\$ (239,347)
Capital Assets	<u>11,394,415</u>	<u>10,950,027</u>	<u>444,388</u>
Total Assets	<u>\$ 11,836,908</u>	<u>\$ 11,631,867</u>	<u>\$ 205,041</u>
Long-Term Liabilities	\$ 8,035,152	\$ 7,027,753	\$ (1,007,399)
Current and Other Liabilities	<u>942,074</u>	<u>611,501</u>	<u>(330,573)</u>
Total Liabilities	<u>\$ 8,977,226</u>	<u>\$ 7,639,254</u>	<u>\$ (1,337,972)</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,569,340	\$ 4,328,871	\$ (1,759,531)
Unrestricted	<u>290,342</u>	<u>(336,258)</u>	<u>626,600</u>
Total Net Position	<u>\$ 2,859,682</u>	<u>\$ 3,992,613</u>	<u>\$ (1,132,931)</u>

*

The following table provides a summary of the District's operations for the year ended September 30, 2022 and September 30, 2021.

	Summary of the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,813,862	\$ 4,111,360	\$ 702,502
City of Denton Reimbursement	406,503	423,328	(16,825)
Other Revenues	<u>436,320</u>	<u>317,058</u>	<u>119,262</u>
Total Revenues	\$ 5,656,685	\$ 4,851,746	\$ 804,939
Expenses for Services	<u>6,789,616</u>	<u>4,829,590</u>	<u>(1,960,026)</u>
Change in Net Position	\$ (1,132,931)	\$ 22,156	\$ (1,155,087)
Net Position, Beginning of Year	<u>3,992,613</u>	<u>3,970,457</u>	<u>22,156</u>
Net Position, End of Year	<u>\$ 2,859,682</u>	<u>\$ 3,992,613</u>	<u>\$ (1,132,931)</u>

*

* As adjusted, See Note 10

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of September 30, 2022, was \$375,829, a decrease of \$233,062 from the prior year. The decrease was primarily due to debt payments and amounts paid for services exceeding property tax revenues and note proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$625,785 more than budgeted revenues. Actual expenditures were \$1,771,804 more than budgeted expenditures due to unbudgeted capital costs and higher than budgeted note principal and interest payments. In addition, note proceeds of \$986,225 were not budgeted. This resulted in a negative budget variance of \$159,794. See budget to actual comparison for further information.

CAPITAL ASSETS

Capital assets as of September 30, 2022, total \$11,394,415 (net accumulated depreciation) and include land, buildings, furniture and fixtures and construction in progress. Construction in progress includes Station 513 engine and Station 514 medic vehicles.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 303,521	\$ 303,521	\$
Construction in Progress	986,257		986,257
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	8,418,140	8,776,205	(358,065)
Furniture and Equipment	370,867	461,238	(90,371)
Vehicles	1,315,630	1,409,063	(93,433)
Total Net Capital Assets	\$ 11,394,415	\$ 10,950,027	\$ 444,388

Additional information on the District's capital assets can be found in Note 5 of this report.

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had long-term debt for notes payable of \$8,825,075. The changes in notes payable of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Notes Payable, October 1, 2021	\$ 7,551,546
Add: Note Proceeds	1,986,225
Less: Principal Paid	712,696
Notes Payable, September 30, 2022	\$ 8,825,075

On October 20, 2021, the District entered into a \$324,225 promissory note with Government Capital Corporation to fund the purchase of a 2020 Ram 5500 Diesel ambulance, secured by ad valorem tax funds. Annual installments of \$71,724 are due each October 20, beginning October 20, 2022, and ending October 20, 2026. The interest rate is 2.395%.

On August 22, 2022, the District entered into a \$652,000 promissory note with Government Capital Corporation to fund the purchase of a fire pumper truck, secured by ad valorem tax funds. Annual installments of \$78,397 are due each August 22, beginning August 22, 2023, and ending August 22, 2032. The interest rate is 3.50%.

On November 1, 2021, the District entered into an assumption agreement with Independent Bank to assume the remaining amount due on a promissory note between Argle Volunteer Fire District and Independent Bank. The amount of the note assumed is \$1,000,000. This note was used to fund the construction of Station 513. The note will be secured by ad valorem tax funds. Annual principal amounts of \$125,000 are due each January, beginning January, 2022, and ending January, 2029. Interest amounts are due monthly. The interest rate is 4.50%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Denton County Emergency Services District No. 1, c/o Coveler & Peeler, P.C., 820 Gessner, Suite 1710, Houston, TX 77024.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 362,083	\$	\$ 362,083
Cash with Denton County	735		735
Receivables:			
Property Taxes	66,664		66,664
Prepaid Expenditure	13,011		13,011
Land		303,521	303,521
Construction in Progress		986,257	986,257
Capital Assets (Net of Accumulated Depreciation)		10,104,637	10,104,637
TOTAL ASSETS	\$ 442,493	\$ 11,394,415	\$ 11,836,908
LIABILITIES			
Accrued Interest Payable	\$	\$ 152,151	\$ 152,151
Note Payable:			
Due Within One Year		789,923	789,923
Due After One Year		8,035,152	8,035,152
TOTAL LIABILITIES	\$ - 0 -	\$ 8,977,226	\$ 8,977,226
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 66,664	\$ (66,664)	\$ - 0 -
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 13,011	\$ (13,011)	\$
Unassigned	362,818	(362,818)	
TOTAL FUND BALANCE	\$ 375,829	\$ (375,829)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 442,493		
NET POSITION			
Net Investment in Capital Assets		\$ 2,569,340	\$ 2,569,340
Unrestricted		290,342	290,342
TOTAL NET POSITION		\$ 2,859,682	\$ 2,859,682

The accompanying notes to the financial
statements are an integral part of this report.

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balance - Governmental Fund	\$	375,829
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		11,394,415
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Deferred inflows of resources related to property tax revenues for the 2021 and prior tax levies became part of recognized revenues in the governmental activities of the District.		66,664
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (152,151)	
Note Payable Within One Year	(789,923)	
Note Payable After One Year	<u>(8,035,152)</u>	<u>(8,977,226)</u>
Total Net Position - Governmental Activities		<u>\$ 2,859,682</u>

The accompanying notes to the financial statements are an integral part of this report.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 4,818,465	\$ (4,603)	\$ 4,813,862
City of Denton Reimbursement	406,503		406,503
Penalty and Interest	35,265		35,265
Investment Revenues	2,901		2,901
Ambulance Fees	73,154		73,154
Miscellaneous Revenues	325,000		325,000
TOTAL REVENUES	\$ 5,661,288	\$ (4,603)	\$ 5,656,685
EXPENDITURES/EXPENSES			
Service Operations:			
District Services -			
Argyle VFD	\$ 4,295,728	\$	\$ 4,295,728
Justin VFD	10,000		10,000
Roanoke Fire Department	324,640		324,640
Accounting and Auditing	7,500		7,500
Administrator	15,000		15,000
Appraisal District Fees	26,822		26,822
Insurance	24,850		24,850
Legal Fees - General	7,201		7,201
Legal Fees - Delinquent Tax Collections	8,425		8,425
Tax Assessor/Collector Fees	20,977		20,977
Depreciation		541,869	541,869
Other	63,363		63,363
Capital Outlay	986,257	(986,257)	
Transfer from AVFD		1,000,000	1,000,000
Debt Service:			
Note Principal	712,696	(712,696)	
Note Interest	377,116	66,125	443,241
TOTAL EXPENDITURES/EXPENSES	\$ 6,880,575	\$ (90,959)	\$ 6,789,616
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,219,287)	\$ 86,356	\$ (1,132,931)
OTHER FINANCING SOURCES			
Note Proceeds	\$ 986,225	\$ (986,225)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (233,062)	\$ 233,062	
CHANGE IN NET POSITION		(1,132,931)	(1,132,931)
FUND BALANCE/NET POSITION - OCTOBER 1, 2021 (AS ADJUSTED)	608,891	3,383,722	3,992,613
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022	\$ 375,829	\$ 2,483,853	\$ 2,859,682

The accompanying notes to the financial statements are an integral part of this report.

**DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balance - Governmental Fund	\$ (233,062)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	(4,603)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(541,869)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	986,257
Governmental funds report principal payments on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected.	712,696
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on long-term debt through the fiscal year-end.	(66,125)
Governmental funds report note payable proceeds as other financing sources. However, in the government-wide financial statements, the issuance of debt increases long-term liabilities and does not affect the Statement of Activities.	(986,225)
Long-term liabilities transferred to the District are recorded as an expense in the Statement of Activities.	<u>(1,000,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (1,132,931)</u>

The accompanying notes to the financial statements are an integral part of this report.

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DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF DISTRICT

Denton County Emergency Services District No. 1 (the “District”) is a political subdivision of the State of Texas. It was created under Texas Health and Safety Code, Chapter 775. The District was established to provide funds for the contracting of emergency services within the boundaries of the District. The District was created in May 2006 but did not begin operations until October, 2008.

The District is empowered, among other things, to support or provide local emergency services, including emergency medical services, emergency ambulance services, rural fire prevention and control services, and other emergency services as authorized by the Texas Legislature. The District may impose a sales and use tax and/or property tax to support or provide these services. In addition to other powers, the District may also own real or personal property, enter into contracts, adopt and enforce a fire code, and provide a fire marshal.

District tax revenues may be used to hire full-time emergency personnel, contract with other entities that have full-time fire and emergency medical departments, and/or purchase new equipment and facilities. The District can also contract with volunteer fire and emergency medical services departments and provide a stable funding source for those entities as well.

The District's present activities consist primarily of the levy of property taxes to generate funds that are provided under contract to emergency services departments in the areas of Argyle, Roanoke and Justin in Denton County.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether 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 primary 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Fund Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one governmental fund that is considered major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, costs of assessing and collecting taxes and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental fund to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital Assets

Capital assets, which include land, buildings, construction in progress and vehicles, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion. Installation costs, professional fees and certain other costs are capitalized as part of the asset.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are capitalized if they have an original cost of \$500 or more and a useful life of one year or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Vehicles and Equipment	10
Furniture and Fixtures	5-7

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Commissioners. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Fund Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. TAX LEVY

The voters of the District approved a maximum tax rate of \$0.10 per \$100 of assessed valuation assessed valuation of taxable property within the District. During the year ended September 30, 2022, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation. The tax rate consisted of \$0.078049 for debt service and \$0.021951 for maintenance. This resulted in a tax levy of \$4,785,802 on the adjusted taxable valuation of \$4,912,099,117 for the 2021 tax year.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. TAX LEVY (Continued)

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$362,083 and the bank balance was \$433,807. The District was not exposed to custodial credit risk at year-end.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of September 30, 2022, the District did not own any investments.

NOTE 5. CAPITAL ASSETS

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 303,521	\$	\$	\$ 303,521
Construction in Progress	<u> </u>	<u>986,257</u>	<u> </u>	<u>986,257</u>
Total Capital Assets Not Being Depreciated	<u>\$ 303,521</u>	<u>\$ 986,257</u>	<u>\$ - 0 -</u>	<u>\$ 1,289,778</u>
Capital Assets Subject to Depreciation to Depreciation				
Buildings and Improvements	\$ 10,520,133	\$	\$	\$ 10,520,133
Furniture and Equipment	706,687			706,687
Vehicles	<u>1,785,006</u>	<u> </u>	<u> </u>	<u>1,785,006</u>
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 13,011,826</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 13,011,826</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 1,743,928	\$ 358,065	\$	\$ 2,101,993
Furniture and Equipment	245,449	90,371		335,820
Vehicles	<u>375,943</u>	<u>93,433</u>	<u> </u>	<u>469,376</u>
Total Accumulated Depreciation	<u>\$ 2,365,320</u>	<u>\$ 541,869</u>	<u>\$ - 0 -</u>	<u>\$ 2,907,189</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,646,506</u>	<u>\$ (541,869)</u>	<u>\$ - 0 -</u>	<u>\$ 10,104,637</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,950,027</u>	<u>\$ 444,388</u>	<u>\$ - 0 -</u>	<u>\$ 11,394,415</u>

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage in the past three years.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. CONTRACTS FOR EMERGENCY SERVICES

In October, 2007, the District entered into agreements with the Argyle Volunteer Fire District, the City of Roanoke and the Justin Volunteer Fire Department for fire and emergency medical services protection. The term of each agreement was one year, with a provision for automatic renewal for additional one year terms. Under the terms of each agreement, the emergency services provider agreed to provide fire services and EMS services to the District. In return, the District agreed to provide funding for such services on a quarterly basis from the tax revenues generated by the District.

NOTE 8. SHORT-TERM LOAN

The District has secured an \$400,000 revolving line of credit at Independent Bank that can be drawn on as needed. It is primarily used to provide funds prior to the receipt of property tax collections each year. During the current fiscal year, the District received and paid \$400,000 fund related to this loan. There was no outstanding balance on the line of credit at September 30, 2022.

NOTE 9. NOTES PAYABLE

On June 21, 2012, the District entered into a \$3,500,000 promissory note with Government Capital Corporation to fund the construction of Station 511, secured by ad valorem tax funds. Annual installments of \$260,193 are due each June 1, beginning June 1, 2013, and ending June 1, 2032. The interest rate is 4.135%.

On March 10, 2017, the District entered into a \$4,600,000 promissory note with Government Capital Corporation to fund the construction of Station 514, secured by ad valorem tax funds. Annual installments of \$342,828 are due each May 1, beginning May 1, 2018, and ending May 1, 2037. The interest rate is 4.08%.

On April 11, 2018, the District entered into a \$623,000 promissory note with Government Capital Corporation to fund the purchase of a 2018 Peirce Velocity fire engine, secured by ad valorem tax funds. Annual installments of \$74,877 are due each April 4, beginning April 4, 2019, and ending April 4, 2028. The interest rate is 3.495%.

On April 12, 2019, the District entered into a \$673,000 promissory note with Government Capital Corporation to fund the purchase of a fire apparatus, secured by ad valorem tax funds. Annual installments of \$82,768 are due each April 12, beginning April 12, 2020, and ending April 12, 2029. The interest rate is 3.95%.

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9. NOTES PAYABLE (Continued)

On February 15, 2021, the District entered into a \$300,000 promissory note with Government Capital Corporation to fund the purchase of a 2020 Ram 5500 Diesel ambulance, secured by ad valorem tax funds. Annual installments of \$64,853 are due each February 15, beginning February 15, 2022, and ending February 15, 2026. The interest rate is 2.65%.

On October 20, 2021, the District entered into a \$334,225 promissory note with Government Capital Corporation to fund the purchase of a 2020 Ram 5500 Diesel ambulance, secured by ad valorem tax funds. Annual installments of \$71,724 are due each October 20, beginning October 20, 2022, and ending October 20, 2026. The interest rate is 2.395%.

On August 22, 2022, the District entered into a \$652,000 promissory note with Government Capital Corporation to fund the purchase of a fire pumper truck, secured by ad valorem tax funds. Annual installments of \$78,397 are due each August 22, beginning August 22, 2023, and ending August 22, 2032. The interest rate is 3.50%.

On November 1, 2021, the District entered into an assumption agreement with Independent Bank to assume the remaining amount due on a promissory note between Argle Volunteer Fire District and Independent Bank. The amount of the note assumed is \$1,000,000. This note was used to fund the construction of Station 513. The note will be secured by ad valorem tax funds. Annual principal amounts of \$125,000 are due each January, beginning January, 2022, and ending January, 2029. Interest amounts are due monthly. The interest rate is 4.50%.

The following is a summary of transactions regarding the note payable for the year ended September 30, 2022:

Notes Payable, October 1, 2021	\$ 7,551,546
Add: Note Proceeds	1,986,225
Less: Principal Paid	712,696
Notes Payable, September 30, 2022	<u>\$ 8,825,075</u>
Notes Payable:	
Due Within One Year	\$ 789,923
Due After One Year	8,035,152
Notes Payable, September 30, 2022	<u>\$ 8,825,075</u>

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9. NOTES PAYABLE (Continued)

As of September 30, 2022, the debt service requirements on the note payable were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 789,923	\$ 350,094	\$ 1,140,017
2024	814,452	319,941	1,134,393
2025	839,910	288,858	1,128,768
2026	866,332	256,811	1,123,143
2027	757,182	223,758	980,940
2028-2032	3,233,045	681,336	3,914,381
2033-2037	1,524,231	189,909	1,714,140
	\$ 8,825,075	\$ 2,310,707	\$ 11,135,782

NOTE 10. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, it was discovered that certain assets had not been recorded in the prior fiscal year. Also, it was discovered that the District did not have direct financing leases with the Argle Volunteer Fire District. The effect of these changes are as follows:

General Fund Fund Balance - October 1, 2021	\$ 1,625,307
Effect of Adjustments	(1,016,416)
General Fund Fund Balance - October 1, 2021, As Adjusted	\$ 608,891
Net Position - October 1, 2021	\$ 1,496,194
Effect of Adjustments	2,496,419
Net Position - October 1, 2021, As Adjusted	\$ 3,992,613

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

DENTON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 4,624,000	\$ 4,818,465	\$ 194,465
City of Denton Reimbursement	406,503	406,503	
Penalty and Interest		35,265	35,265
Investment Revenues	5,000	2,901	(2,099)
Ambulance Fees		73,154	73,154
Miscellaneous Revenues		<u>325,000</u>	<u>325,000</u>
TOTAL REVENUES	<u>\$ 5,035,503</u>	<u>\$ 5,661,288</u>	<u>\$ 625,785</u>
EXPENDITURES			
Service Operations:			
District Services -			
Argyle VFD	\$ 3,625,000	\$ 4,295,728	\$ (670,728)
Justin VFD	10,000	10,000	
Roanoke Fire Department	324,640	324,640	
Auditing	7,000	7,500	(500)
Administrator	15,000	15,000	
Appraisal District Fees	25,000	26,822	(1,822)
Insurance	36,000	24,850	11,150
Legal Fees - General	5,000	7,201	(2,201)
Legal Fees - Delinquent Tax Collections		8,425	(8,425)
Tax Assessor/Collector Fees	20,605	20,977	(372)
Other	23,300	63,363	(40,063)
Capital Outlay		986,257	(986,257)
Debt Service -			
Note Principal & Interest	<u>1,017,226</u>	<u>1,089,812</u>	<u>(72,586)</u>
TOTAL EXPENDITURES	<u>\$ 5,108,771</u>	<u>\$ 6,880,575</u>	<u>\$ (1,771,804)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (73,268)</u>	<u>\$ (1,219,287)</u>	<u>\$ (1,146,019)</u>
OTHER FINANCING SOURCES(USES)			
Note Proceeds	<u>\$ -0-</u>	<u>\$ 986,225</u>	<u>\$ 986,225</u>
NET CHANGE IN FUND BALANCE	\$ (73,268)	\$ (233,062)	\$ (159,794)
FUND BALANCE - OCTOBER 1, 2021	<u>608,891</u>	<u>608,891</u>	
FUND BALANCE - SEPTEMBER 30, 2022	<u>\$ 535,623</u>	<u>\$ 375,829</u>	<u>\$ (159,794)</u>

See accompanying independent auditor's report.

