

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

SBNG
CERTIFIED PUBLIC ACCOUNTANTS

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

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**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

September 30, 2023

Our discussion and analysis of El Paso County Emergency Services District #1's ("the District") financial performance provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2023. We encourage readers to consider this information in conjunction with the basic financial statements, which begin on Page 17.

Fund-based financial reporting and government-wide reporting are not viewed as being in conflict; however, they are not comparable. A significant portion of this analysis focuses on the changes in the government-wide statements, while still providing information on the District's fund-based comparative changes.

FINANCIAL HIGHLIGHTS 2023

- Total assets increased by approximately 114% due to capital asset additions, and increases in cash and cash equivalents, and investments due to an increase in general revenues.
- Total liabilities increased by 153% due to two new loans issued to the District for the construction of a new headquarters building and the purchase of a fire truck.
- Total net position of \$15,627,454 increased by \$6,181,331, which represents an increase of 65% for the year ended September 30, 2023, as a result of increases in general revenues.
- Amounts invested in capital assets, net of related debt amounted to \$4,738,576. This represents an increase of 49% for the year ended September 30, 2023, which is mainly due to the District making principal payments toward its long-term debt, as well as purchasing more capital assets.
- Unrestricted net position, available to meet the District's ongoing obligations, totaled \$10,888,878. This represents an increase of 74% for the year ended September 30, 2023. The increase is attributed to an increase in general revenue.
- At September 30, 2023, the District's governmental fund statements show a combined ending fund balance of \$28,077,786, an increase of \$21,800,067 or 347% due to increased tax revenues and proceeds from other financing sources such as proceeds from loans that remain committed for construction projects at year end.
- Program revenues amount to \$783,686, a decrease of 25% from the prior year.
- General revenues amounted to \$11,393,542, an increase of 57% from the prior year.
- Total revenues in the general fund amounted to \$12,163,101, an increase of 47% from the prior year.
- The District expended \$3,119,612 in capital expenditures for equipment and new construction.
- The District had \$5,212,211 in net program expenses related to governmental activities. This represents a 60% increase from prior year.
- Total expenses amounted to \$5,995,897, an increase of 39.6% from the prior year mainly due to an increase in salaries and related expenses such as employee benefits.
- The District uses the general fund to maintain its financial records and a Special Revenue fund to maintain the financial records of its component unit, Horizon Volunteer Fire Department, Inc.
- The District had a net pension asset of \$32,475 at September 30, 2023, related to its participation in the Texas County and District Retirement System pension plan. This represents a decrease of \$5,923 over the prior year's net pension asset.

(Continued)

FINANCIAL HIGHLIGHTS 2023 (CONTINUED)

- Deferred outflows of resources and deferred inflows of resources related to pensions amounted to \$177,051 and \$225 at September 30, 2023, respectively. This represents an increase of \$104,168 and a decrease of \$16,002 from deferred outflows of resources and deferred inflows of resources, respectively, reported in the previous year.
- Total revenue and other financing sources of the general fund, amounted to \$32,148,101, which exceeded the final budgeted revenue by 274%. The total expenditures and transfers of the general fund amounted to \$10,348,034, which exceeded the final budgeted appropriations by 0.37%.
- During the year ended September 30, 2023, the District transferred \$688,923 to the Horizon Volunteer Fire Department to fund its stipend and employee retention program.
- Subsequent to year-end, on November 2, 2023, the District entered into an agreement with ZMFU II, Inc. for a loan in the amount of \$1,415,000, with an interest rate of 5.05% and a maturity date of September 30, 2033.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include:

- Government-wide financial statements on Pages 17-18.
- Fund financial statements on Pages 19-22.
- Notes to the financial statements on Pages 23-53.

This report also contains required supplementary information and related notes on Pages 54 through 63.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the financial position of the District and are similar to private sector financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements appear on Pages 17 through 18 of this report. One of the most important questions asked about the District is whether its finances as a whole, are better off or worse as a result of the year's activities. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These two statements report the District's *net position* and changes in assets and liabilities. The District's net position can be interpreted as the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are indicators of whether its *financial health* is improving or deteriorating. Net position is shown in two categories: 1) invested in capital assets, net of related debt, and 2) unrestricted. To assess the *overall health* of the District other non-financial factors need to be considered. These include but are not limited to changes in the District's jurisdiction, the availability of funds to pursue capital projects, changes in local and regional demographics, macroeconomic factors, and continuing local government support.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Activities presents information showing how the District's net position changed during the fiscal year ended September 30, 2023. It provides a breakdown of revenues and expenses by function. All changes in net position are reported as soon as the underlying event which contributes to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods. Examples of such items include revenues earned and expenses incurred but not yet paid, all of which will produce changes in cash in a future fiscal period.

The Statement of Net Position and the Statement of Activities attempt to distinguish functions of the District that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees (*business-type activities*). The governmental activities function of the District includes public safety (fire protection). The District does not engage in any business-type activities. The District's government-wide financial statements also intend to present information about the District's long-term liabilities resulting from employee benefit plans. During the year ended September 30, 2023, the District participated in the Texas Emergency Services Retirement System ("TESRS"), a defined-benefit pension plan, and the Texas County and District Retirement System ("TCDRS"), a statewide, agent multiple-employer, public employee retirement system.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has governmental funds. The governmental funds financial statements are on Pages 19 through 22.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions of those reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The focus of governmental funds is narrower than that of government-wide financial statements. Therefore, it can be useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations have been provided as a link between the governmental fund statements and the government-wide financial statements to assist in this comparison.

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GOVERNMENTAL FUNDS (CONTINUED)

The District maintains its activities in the general fund.

The District uses a special revenue fund to maintain the activities of Horizon Volunteer Fire Department, Inc (“HVFD”).

The District has no proprietary funds or fiduciary funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and governmental fund financial statements. The notes to the financial statements can be found on Pages 23 through 53 of this report.

OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this reporting package also presents certain required supplementary information concerning the District's budgetary comparison schedules for its General Fund and Special Revenue Fund, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions. The required supplementary information can be found on Pages 54 through 63.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1
Net Position (In Thousands)
September 30,

	<u>2023</u>	<u>2022</u>
Current and other assets	\$28,464.7	\$ 6,598.5
Capital assets	<u>17,083.4</u>	<u>14,691.8</u>
Total assets	<u>45,548.1</u>	<u>21,290.3</u>
Deferred outflows of resources	<u>177.1</u>	<u>72.9</u>
Long-term obligations	(29,867.6)	(11,818.6)
Other liabilities	<u>(229.9)</u>	<u>(82.2)</u>
Total liabilities	<u>(30,097.5)</u>	<u>(11,900.8)</u>
Deferred inflows of resources	<u>(0.2)</u>	<u>(16.2)</u>
Net position:		
Investment in Capital assets, net	4,738.6	3,185.2
Unrestricted	<u>10,888.9</u>	<u>6,261.0</u>
Total net position	<u>\$15,627.5</u>	<u>\$ 9,446.2</u>

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For the year ended September 30, 2023, net position of the District's activities increased 65.44% or \$6,181,331. Unrestricted net assets, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$6,260,952 to \$10,888,878 at the end of fiscal year 2023. The increase is attributed to an increase in general revenues.

Table 2
Changes in Net Position for 2023
Compared to Previous Year Activity
(In Thousands)

	<u>Year Ended September 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Program revenues:			
Operating grants	\$ 12.3	\$ 184.4	\$ (172.1)
Charges for services	771.4	856.2	(84.8)
General revenues:			
Property taxes	5,096.1	4,012.0	1,084.1
Sales taxes	5,447.0	3,221.5	2,225.5
Investment earnings	833.1	1.1	832.0
Other	<u>17.4</u>	<u>27.5</u>	<u>(10.1)</u>
Total revenues	<u>12,177.3</u>	<u>8,302.7</u>	<u>3,874.6</u>
Program expenses:			
Public safety	4,952.3	3,899.7	1,052.6
Debt issuance costs	101.0	34.3	66.7
Interest on long-term debt	<u>942.7</u>	<u>359.6</u>	<u>583.1</u>
Total expenses	<u>5,996.0</u>	<u>4,293.6</u>	<u>1,702.4</u>
Change in net position	<u>\$6,181.3</u>	<u>\$4,009.1</u>	<u>\$2,172.2</u>

For the year ended September 30, 2023, property taxes increased due to an increase in the assessed value of properties and commercialization in the area. As the economy recovered from the COVID-19 pandemic and commercial development expanded within its jurisdiction, sales tax revenue for the District also increased, which amounted to an increase in general revenues. Interest expense increased due to two new loans that were acquired during the year, of which interest payments were made during the current year. The increase in public safety expenses is attributed to an increase in number of personnel, cost-of-living adjustments for the salaries of the District employees, and an increase in repairs and maintenance costs for the District's rolling stock of vehicles.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Table 3 presents the total cost of each of the District's programs, as well as each program's net cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the District by each of these functions.

Table 3
Governmental Activities
(In Thousands)
Year Ended September 30,

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
General government	\$4,952.3	\$3,899.7	\$4,168.6	\$2,859.0
Debt issuance costs	101.0	34.3	101.0	34.3
Interest on long-term debt	<u>942.7</u>	<u>359.6</u>	<u>942.7</u>	<u>359.6</u>
Total expenses	<u>\$5,996.0</u>	<u>\$4,293.6</u>	<u>\$5,212.3</u>	<u>\$3,252.9</u>

The increase in general government expenses observed from 2022 to 2023 resulted from the increased salaries to District employees and the increase in number of personnel. The overall increase in expenses is also attributed to an increase in repairs and maintenance expenses for the District's rolling stock of vehicles.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted above, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As mentioned earlier, the General Fund is the chief operating fund of the District. The District's governmental fund statements show an ending fund balance of \$28,077,786 for the year ended September 30, 2023. The balance increased 347.3% or \$21,800,067 for 2023 in comparison with the preceding year's fund balance. Ending unassigned fund balance in the amount of \$9,041,026 constitutes unassigned, undesignated fund balance, which is available for spending at the District's discretion at September 30, 2023.

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FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Table 4 presents the fund balance of the general fund and an analysis of significant changes in the fund balance.

**Table 4
Changes in Year-End Fund Balance
(In Thousands)
September 30,**

	<u>2023</u>	<u>2022</u>	<u>Percent Change</u>
General Fund	\$ <u>28,077.7</u>	\$ <u>6,277.7</u>	<u>347.3%</u>

The 347.3% increase in the general fund balance observed at September 30, 2023, can be primarily attributed to increased tax revenues and proceeds from other financing sources that remained committed for new building construction at the end of September 30, 2023.

Revenue Source

Table 5 presents a detail of the governmental fund revenues for the fiscal year ended September 30, 2023, along with a comparison with the governmental fund revenues for the corresponding preceding fiscal year.

**Table 5
Total Governmental Fund Revenues
Year Ended September 30,**

	<u>2023 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 2022</u>	<u>Percent Increase (Decrease)</u>
Proceeds from loan	\$19,985,000	62.2%	\$15,740,000	370.8%
Property taxes	5,081,923	15.8%	1,078,374	26.9%
Sales taxes	5,447,017	16.9%	2,225,493	69.1%
Charges for services	771,377	2.4%	(84,941)	(9.9)%
Grant income			(158,840)	(100.0)%
Contributions	12,309	0.0%	(13,215)	(51.8)%
Investment earnings	833,104	2.6%	831,976	73,756.7%
Other income	<u>17,371</u>	<u>0.1%</u>	<u>(10,114)</u>	<u>(36.8)%</u>
Total	<u>\$32,148,101</u>	<u>100.0%</u>	<u>\$19,608,733</u>	<u>156.4%</u>

The increase in property taxes is due to increased value of property. The decrease in grant income is due to CARES and ARPA funding being received during the prior year, and no grants being received in current year. The decrease in charges for services is attributed to a decrease in completed commercial construction during the year ended September 30, 2023. The decrease in contribution income is due to the decrease in pension contributions from El Paso County. The increase in investment earnings is due to the District investing in local government pools during the year ended September 30, 2023.

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GENERAL FUND BUDGETARY HIGHLIGHTS

Table 6 shows the variance between the final budget and the actual results for the fiscal year ended September 30, 2023:

Table 6
Final Budget Versus Actual Results
(In Thousands)
General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$4,976.4	\$4,976.4	\$ 5,081.9	\$ 105.5
Sales taxes	2,855.3	2,855.3	5,447.0	2,591.7
Charges for services	766.8	766.8	771.4	4.6
Proceeds from loan			19,985.0	19,985.0
Contributions			12.3	12.3
Investment earnings			833.1	833.1
Other income	_____	_____	<u>17.4</u>	<u>17.4</u>
	<u>\$8,598.5</u>	<u>\$8,598.5</u>	<u>\$32,148.1</u>	<u>\$23,549.6</u>
Expenditures:				
Total general government	<u>\$10,310.3</u>	<u>\$10,310.3</u>	<u>\$10,348.0</u>	<u>\$ (37.7)</u>

The number of calls for the year ended September 30, 2023 amounted to 4,888 and were comprised of the following:

<u>Number of Calls</u>	<u>September 30, 2023</u>
Fire	177
Rescue and medical emergency	3,318
Other	<u>1,393</u>
	<u>4,888</u>

Total calls for September 30, 2023 increased by 13% in relation to the preceding fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's financial statements present capital assets in two categories: those assets subject to depreciation (such as buildings and equipment) and those not subject to depreciation (such as land). At September 30, 2023, the District had \$17,083,424 invested in capital assets, net of depreciation. This represents a net increase (including additions and deletions) of \$2,391,605, or 16% compared to the previous year. The net increase is primarily due to the various purchases of equipment, the purchase of a new fire truck, and construction costs for the new headquarters building.

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The fire station, located at 14151 Nunda, is one building with eleven apparatus bays. The building is used to house the Horizon Volunteer Fire Department, Inc. and District staff. The building contains a large conference room that is used for Fire Department trainings, Board of Commissioners meetings and can also be utilized for an Emergency Management Center and a disaster relief center. In preparation for unforeseen disasters, the building has been supplied with a back-up generator to power vital portions of the building. It also contains a day room, large kitchen/dining room, a covered private patio, a large exercise room, and sleeping quarters for the firefighters. Office space is dedicated to the dispatch office, Fire Chief's office, Assistant Chief's office, Line Officers' office, Administrator's office, and an office shared by the Fire Department Administrative Assistant, Public Relations Specialist and Infection Control Nurse.

Fire Station #2 is located at 12361 Paseo Del Este and is one building with three apparatus bays. The building is used as a fully operational fire station, with no administrative offices. This building is equipped with a back-up generator that powers the entire station in preparation for unforeseen disasters. It also contains a dayroom/kitchen, officers' quarters, female dorm, fire fighters dorm and an exercise room.

Fire Marshal office is located at 14171 Nunda Ave. and is one building that houses the Fire Marshal, Assistant Fire Marshal and Deputy Fire Marshal staff.

Rolling stock is comprised of the following:

- (1) 1984 Forklift 2002 Freightliner Class A Pumper
- (2) 1997 Freightliner Class A Pumper
- (3) 2002 Freightliner Class A Pumper
- (4) 2005 Pierce Tanker
- (5) 2005 Logistics Cargo Trailer
- (6) 2007 Pierce Quint Truck
- (7) 2008 Light Tower
- (8) 2009 Pierce Brush Truck
- (9) 2009 Chevrolet Tahoe – Command/Staff Vehicle
- (10) 2013 Top Hat Trailer
- (11) 2014 Ford F350 – Quick Response Vehicle
- (12) 2014 Chevrolet Tahoe – Fire Marshal/Staff Vehicle
- (13) 2014 Pierce Class A Pumper
- (14) 2015 Pierce Heavy Rescue Pumper
- (15) 2016 Chevrolet Silverado – Command/Staff Vehicle
- (16) 2016 Chevrolet Silverado – Quick Response Vehicle
- (17) 2016 Chevrolet Tahoe – Fire Marshal/Staff Vehicle
- (18) 2018 Ford Escape – Fire Marshal/Staff Vehicle
- (19) 2018 Ford Escape – Fire Marshal/Staff Vehicle
- (20) 2018 Chevrolet Silverado – Quick Response Vehicle
- (21) 2019 Polaris Ranger – Search and Rescue
- (22) 2019 Lamar Trailer
- (23) 2019 Pierce Brush Truck
- (24) 2021 Car Hauler Tilt Trailer
- (25) 2020 Boom Lift

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

- (26) 2020 Polaris Ranger
- (27) 2021 Chevrolet Silverado – Quick Response Vehicle
- (28) 2021 Ford Explorer – Staff Vehicle
- (29) 2022 Polaris Ranger
- (30) 2022 Ford F150 – Fire Marshal/Staff Vehicle
- (31) 2023 Chevrolet Silverado – Command/Staff Vehicle
- (32) 2023 Chevrolet Silverado – Quick Response Vehicle
- (33) 2023 Pierce Tiller

Equipment that is readily available to fire personnel:

- (1) SCBA Pack/RIT (71)
- (2) Breathing Air
- (3) Air Compressor (2)
- (4) Denon Encoder (2)
- (5) Extractor (2)
- (6) Lifepak/AED (16)
- (7) Matrice Drone (1)
- (8) Mavic II DJI Drone (2)
- (9) Handheld Radio w/battery (80)
- (10) Porta Count (3)
- (11) Portable Rope Rescue equipment
- (12) Rope Rescue System (3)
- (13) Thermal Image Camera (7)
- (14) Truck Radio (27)
- (15) Zoll Autopulse w/battery, charger and case (7)
- (16) AMK -22 Cutter (4)
- (17) AMK-30 CRT Spreader (5)
- (18) 800 Trunking radio system – allows interoperability with other departments
- (19) Ampkus extrication tools (4 sets)
- (20) Dispatch digital conversion equipment for communication with other departments
- (21) 26 ton lift kit with air cushion (2)
- (22) 17 lift bag
- (23) SPX-PPTX, Super X Deluxe 4 point kit for vehicle stabilization (2)
- (24) Water rescue equipment
- (25) MCT for call information, hydrant, mapping, GPS (15)
- (26) Air monitoring equipment (7) and calibration system (1)
- (27) Dry suits for Special Rescue Team (12)
- (28) Ballistic vest (31)
- (29) Bulletproof vests (4)

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

Capital assets held by the District at the end of the current year and prior year are summarized in Table 7 as follows:

Table 7
Capital Assets, Net of Accumulated Depreciation

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 5,220,137	\$ 5,220,137
Buildings and improvements	7,905,662	8,091,138
Heavy trucks	2,422,144	740,223
Equipment	625,594	589,717
Construction in progress	<u>909,887</u>	<u>50,604</u>
Total capital assets, net	<u>\$17,083,424</u>	<u>\$14,691,819</u>

Additional information on the District's capital assets can be found on Page 34 of this report.

At September 30, 2023 and 2022, the District had \$29,835,081 and \$11,780,241 in outstanding long-term debt, respectively, which is an increase of 153%. Long-term debt in September 30, 2023 increased due to two new loans being obtained during the year to purchase a tiller fire truck and to finance the construction of a new headquarters building. Long-term debt held by the District at the end of the current year and the preceding year is summarized in Table 8 as follows:

Table 8
Long-term Debt Outstanding at Year-End
Year Ended September 30,

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Notes payable	\$29,867,556	\$11,818,639
Net pension (asset)/liability	<u>(32,475)</u>	<u>(38,398)</u>
Total long-term debt	<u>\$29,835,081</u>	<u>\$11,780,241</u>

The District's policy is to recognize deferred compensation expense for its employees when paid. More detailed information about the District's long-term liabilities is presented on Pages 35 through 51 of this report.

(Continued)

ECONOMIC FACTORS

The District's taxing jurisdiction consists of the Town of Horizon City, which is 8.7 square miles, and its outlying area making up 139.3 square miles, for a total District size of 148 square miles. Horizon City makes up 23,314 of the total estimated population of 68,000 people within the District. The largest growing areas of the District include Eastlake Estates, Mission Ridge, Emerald Estates, and Paseo Del Este.

The District consists of 5 members serving as the Board of Commissioners, 15 paid employees, and 8 Fire Marshal office positions. The Fire Marshal's office increased their staff to keep up with the rapidly developing commercial business within ESD #1. The Horizon Fire Department has 50 active members. The ESD and Horizon fire combined have 36 Emergency Medical Technicians (EMT's) certified at the basic level, and 9 are certified at the Paramedic level. In addition, the combined department has 39 certified firefighters. Training is conducted every Wednesday by Certified Training Specialists in areas related to Fire Technology and Emergency Medical Services.

The District utilizes 24/7 dispatching services in conjunction with the Horizon City Police Department. This dispatching system utilizes the CAD system. The Dispatching Center is staffed on average with three to four paid dispatchers every shift through the Horizon Police Department.

Training is also made available to firefighters to attend various seminars conducted in Texas and outside the state, as needed. The firefighters are required to attend a designated number of trainings to remain in good standing with the Department, Pension, and State Fireman's and Fire Marshal's Association.

The citizens of the community are fortunate to have the District rated by the Insurance Standards Organization (ISO 2/10 effective November 1, 2016). On August 1, 2020, the District opened Station #2 located at 12361 Paseo Del Este. In January of 2023, the ESD hired eight career Fire Fighters to staff "A" shift with all remaining days staffed by Horizon Volunteer Fire Department with a three-man crew at Station #1 and Station #2 for 24/7 coverage. This allows quick response times, with at least one firefighter being medically certified at each station. With this program being implemented, all calls are being answered. The average response time for a call in the District is 7.35 minutes to be on the scene. Horizon Volunteer Fire Department responded to 4,888 - 911 incidents in the fiscal year. They also head up the County Search and Rescue team with 13 members from HFD of the 36-member team. The Search and Rescue (SAR) team was activated in 11 incidents and 8 drone callouts during this fiscal year.

It is important that the District continue to train its volunteers and procure state of the art equipment in order to be able to provide the citizens of the District with a continued quick and effective response to the needs of the community, as well as to maintain a lower ISO rating.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Board of Commissioners, President, 14151 Nunda, Horizon City, Texas 79928.

Bill Mayberry
Board of Commissioners, President

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
El Paso County Emergency Services District #1
Horizon City, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of El Paso County Emergency Services District #1 (“the District”), a discrete component unit of the County of El Paso, Texas, as of and for the year ended September 30, 2023, 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 each major fund of El Paso County Emergency Services District #1 as of September 30, 2023, 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, and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of El Paso County Emergency Services 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.

(Continued)

To the Board of Commissioners
El Paso County Emergency Services District #1

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

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 El Paso County Emergency Services District #1'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.

Auditors' Responsibility 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 auditors' 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 and *Government 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 and *Government 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 El Paso County Emergency Services 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.

(Continued)

To the Board of Commissioners
El Paso County Emergency Services District #1

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the El Paso County Emergency Services 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, budgetary comparison information, schedule of the District's changes in the net pension liability and related ratios, and the schedule of the District's employer contributions, 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, 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated February 29, 2024, on our consideration of El Paso County Emergency Services' District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Paso County Emergency Services District #1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County Emergency Services District #1's internal control over financial reporting and compliance.

SBNG, PC

El Paso, Texas
February 29, 2024

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

STATEMENT OF NET POSITION

September 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$22,241,022
Investments	4,424,784
Taxes receivable, net	1,738,197
Other receivables, net	3,568
Net pension asset	32,475
Prepaid expenses	24,620
Non-depreciable capital assets	6,130,024
Depreciable capital assets, net of accumulated depreciation	<u>10,953,400</u>
Total assets	<u>45,548,090</u>
Deferred outflows of resources from pensions	<u>177,051</u>
<u>LIABILITIES</u>	
Accrued liabilities	93,360
Accrued interest	136,546
Due within one year:	
Notes payable	1,634,662
Due after one year:	
Notes payable	<u>28,232,894</u>
Total liabilities	<u>30,097,462</u>
Deferred inflows of resources from pensions	<u>225</u>
<u>NET POSITION</u>	
Investment in capital assets, net of related debt	4,738,576
Unrestricted	<u>10,888,878</u>
Total net position	<u>\$15,627,454</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2023

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Change in Net Position</u>
		<u>Charges for Services and Fees</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Public safety	\$4,952,258	\$ 771,377	\$	\$ 12,309	\$(4,168,572)
Debt issuance costs	100,985				(100,985)
Interest on long-term debt	<u>942,654</u>	<u> </u>	<u> </u>	<u> </u>	<u>(942,654)</u>
Total primary government	<u>\$5,995,897</u>	<u>\$ 771,377</u>	<u>\$</u>	<u>\$ 12,309</u>	<u>(5,212,211)</u>
		General revenues:			
		Taxes:			
					5,096,050
					5,447,017
					833,104
					<u>17,371</u>
					<u>11,393,542</u>
					6,181,331
					<u>9,446,123</u>
					<u>\$15,627,454</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2023

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund- HVFD</u>	<u>Total Governmental Activities</u>
Cash and cash equivalents	\$22,217,898	\$23,124	\$22,241,022
Investments	4,424,784		4,424,784
Taxes receivable, net	1,738,197		1,738,197
Other receivables, net	3,568		3,568
Due from other funds	23,124		23,124
Prepaid expenses	<u>24,620</u>	<u> </u>	<u>24,620</u>
Total assets	<u>\$28,432,191</u>	<u>\$23,124</u>	<u>\$28,455,315</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$	\$23,124	\$ 23,124
Accrued liabilities	<u>93,360</u>	<u> </u>	<u>93,360</u>
Total liabilities	<u>93,360</u>	<u>23,124</u>	<u>116,484</u>
Deferred inflows of resources:			
Deferred revenue - property taxes	<u>261,045</u>	<u> </u>	<u>261,045</u>
Total deferred inflows of resources	<u>261,045</u>	<u> </u>	<u>261,045</u>
Fund balances:			
Non-spendable	24,620		24,620
Committed	17,587,674		17,587,674
Assigned	1,424,466		1,424,466
Unassigned	<u>9,041,026</u>	<u> </u>	<u>9,041,026</u>
Total fund balances	<u>28,077,786</u>	<u> </u>	<u>28,077,786</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$28,432,191</u>	<u>\$23,124</u>	<u>\$28,455,315</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2023

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total fund balances of governmental funds in the balance sheet		\$28,077,786
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Governmental capital assets	24,411,690	
Less accumulated depreciation	<u>(7,328,266)</u>	17,083,424
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Notes payable	(29,867,556)	
Accrued interest	<u>(136,546)</u>	(30,004,102)
Taxes receivable not collected within 60 days of the end of the fiscal year are not considered available resources under the modified accrual basis and are reported as deferred inflows of resources in the government funds. Unavailable taxes receivable are reported in the statement of net position on the full accrual basis.		261,045
Pension related deferred inflows and outflows are not due and payable in the current period, and are not available to pay current period expenditures, therefore are not reported in the governmental funds:		
Net pension asset	32,475	
Deferred outflows of resources from pensions	177,051	
Deferred inflows of resources from pensions	<u>(225)</u>	<u>209,301</u>
NET POSITION, GOVERNMENTAL ACTIVITIES		<u>\$15,627,454</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS**

Year Ended September 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund- HVFD</u>	<u>Total Governmental Activities</u>
Revenues:			
Property taxes	\$ 5,081,923	\$	\$ 5,081,923
Sales taxes	5,447,017		5,447,017
Charges for services	771,377		771,377
Contributions	12,309		12,309
Investment earnings	833,104		833,104
Other income	<u>17,371</u>	<u> </u>	<u>17,371</u>
Total revenues	<u>12,163,101</u>	<u> </u>	<u>12,163,101</u>
Expenditures:			
Current:			
Public safety	3,649,575	688,923	4,338,498
Capital outlay	3,119,612		3,119,612
Debt service:			
Debt issuance costs	100,985		100,985
Principal	1,936,083		1,936,083
Interest	<u>852,856</u>	<u> </u>	<u>852,856</u>
Total expenditures	<u>9,659,111</u>	<u>688,923</u>	<u>10,348,034</u>
Excess of revenues over (under) expenditures	<u>2,503,990</u>	<u>(688,923)</u>	<u>1,815,067</u>
Other financing sources:			
Proceeds from loan	19,985,000		19,985,000
Interfund transfers	<u>(688,923)</u>	<u>688,923</u>	<u> </u>
Total other financing sources	<u>19,296,077</u>	<u>688,923</u>	<u>19,985,000</u>
Net change in fund balance	21,800,067		21,800,067
Fund balance at beginning of year	<u>6,277,719</u>	<u> </u>	<u>6,277,719</u>
Fund balance at end of year	<u>\$28,077,786</u>	<u>\$ </u>	<u>\$ 28,077,786</u>

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

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Year Ended September 30, 2023

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net change in fund balance - total governmental funds		\$21,800,067
Governmental funds report capital outlays as expenditures. However, in the government-wide statements, the cost of those assets are depreciated over their estimated useful lives:		
Expenditure for capital outlay	3,119,612	
Less current year provision for depreciation	<u>(728,007)</u>	2,391,605
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		
		1,936,083
Accrued interest expense is reported as an expense in the governmental funds on the modified accrual basis, but is reported as a liability in the statement of net position on the full accrual basis:		
Change in accrued interest expense		(89,798)
Certain property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred on the modified accrual basis in governmental funds:		
Change in deferred property taxes		14,127
The proceeds from notes payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets		
		(19,985,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:		
Change in pension liability, deferred inflows, and outflows		<u>114,247</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 6,181,331</u>

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

NOTES TO FINANCIAL STATEMENTS

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND OPERATIONS

El Paso County Emergency Services District #1 (“the District”) was created for the purpose of saving lives, the protection of property endangered by fires and other emergencies, and to promote the teaching and practices of fire and accident prevention. The District is a taxing entity and is a political subdivision of the State of Texas. The District was formed as provided by Article III, Section 48-e of the Texas Constitution. The District is administered by a Board of Commissioners (“Commissioners”), appointed by the Commissioners of the County of El Paso, Texas, that acts as the authoritative and legislative body of the entity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – As required by generally accepted accounting principles, these financial statements present the activities of the District and its component units. All activities of the District are governmental in nature and are financed through taxes and other non-exchange transactions. Component units are legally separate organizations for which the District is financially accountable or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District’s financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit’s Board, and (i) either the District’s ability to direct the Organization or (ii) the potential for the Organization to provide a financial benefit to or impose a financial burden on the District.

Blended component units, although legally separate entities are, in substance, part of the District’s operations. Accordingly, data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The District is not aware of any entity which would consider itself to be a discrete component unit of the District.

Blended Component Units

Horizon Volunteer Fire Department, Inc. – The Horizon Volunteer Fire Department (“HVFD”) was established to provide first responders to fires, medical emergencies, disasters and terrorist acts, and to protect the lives and property of the residents of the District’s response area. The HVFD was incorporated in the State of Texas in January 2015 and is a non-profit organization under Section 501(c)(4) of the Internal Revenue Code. The HVFD advances public safety through its fire prevention programs by enrolling volunteers. The HVFD administers a modified stipend program to provide incentive compensation to all enrolled volunteers in the form of hourly wages upon completion of a training program. The modified stipend program was originally implemented by the District and was transferred entirely to the HVFD effective June 2015. All stipend pay earned by volunteers is fully reimbursed by the District. All intercompany transactions have been eliminated in the accompanying financial statements.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued) –

Blended Component Units (Continued)

Horizon Volunteer Fire Department, Inc. (Continued) – The HVFD meets the requirements for blending because it is managed as a department of the District and because it does not have additional sources of income other than stipend reimbursements provided by the District. The HVFD’s activities are reported as a Special Revenue Fund of the District. Separate financial statements are not prepared for the HVFD. The HVFD’s fiscal year ends on September 30.

Relationships with Other Governmental Entities

The County of El Paso, Texas – As amended by the Texas 83rd Legislature, Section 775.301 of the Texas Health and Safety Code grants certain control provisions to the Commissioners Court of Counties that border the United States and Mexico and have a population of more than 800,000. Under the statute, the County of El Paso has certain control provisions over the District, which includes the responsibility of appointing a Board of Commissioners, establishing operating policies and procedures for the District, and approving the District’s annual budget and tax rate. Based on the application of the criteria set forth by the Government Accounting Standards Board, management has determined the District to be a discrete component unit of the County of El Paso, Texas.

Government-Wide and Fund Financial Statements –The government-wide financial statements (the statement of net position and the statement of activities) report information on all activities of the District. There are no fiduciary or business-type activities conducted by the District. All activities of the District are governmental in nature and are supported by taxes and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. The District only has one governmental fund.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued) – During the course of operations, the District has activity between its general and its special revenue fund for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Measurement Focus, Basis of Accounting, and Financial 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. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

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

In addition to assets and liabilities, the government-wide statement of net position and the government fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position (or fund balance) that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position (or fund balance) that applies to a future period which will not be recognized as an inflow of resources until that time. Internal activity between the governmental funds is eliminated in the government-wide statements.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting – The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. For the District, the General Fund is used to account for all financial resources of the District, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the by-laws of the District.

Fiduciary Activities – Effective October 1, 2020, the District has adopted GASBS No. 84, *Fiduciary Activities*. The standard establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. Management has evaluated the criteria established by GASBS No. 84 and has not identified any activities or assets that would require to be reported as fiduciary activities as defined by GASBS No. 84.

Revenues: Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, interest and charges for services are considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses/Expenditures – On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash and Cash Equivalents and Investments – For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices (Level 1 investments). The balance of investments was \$4,424,784 at September 30, 2023.

Property Tax Calendar – The District is responsible for the assessment, collection, and apportionment of property taxes. The Board of Commissioners levies property taxes on October 1. The certified tax roll from the El Paso Central Appraisal District reflected taxable values of \$5,026,829,114 for the year ended September 30, 2023. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1, of the year following in which levied. On January 1, of each year, a tax lien attaches to property to secure the payment of tax revenues, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable in the current period.

The District's 2022-2023 effective tax rate was \$.100000 per \$100 of assessed valuation. The District incurred expenditures of \$78,215 for the services provided by the City of El Paso, Texas and \$68,520 for the services provided by El Paso Central Appraisal District for the year ended September 30, 2023.

Allowance for Delinquent Taxes Receivable – Delinquent taxes receivable are evaluated by management throughout the year. The District performs ongoing evaluations and maintains allowances for uncollectible delinquent taxes based on factors surrounding the credit risk, historical trends, and other information of the outstanding amount for each tax levy. The allowance for uncollectible delinquent taxes was \$29,270 for the year ended September 30, 2023.

Allowance for Doubtful Accounts – Other accounts receivable are stated net of an allowance for doubtful accounts. Management periodically evaluates the collectability of its accounts receivable. The allowance for doubtful accounts amounted to \$1,759 for the year ended September 30, 2023.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost) if purchased or constructed and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of the donation. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation is determined using the straight-line method over the following estimated useful lives of the capital assets:

Buildings and improvements	5-40 years
Heavy trucks	10 years
Equipment	3-10 years

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Long-term issuance costs are recognized as debt service expenditures in the current period in both the government-wide financial statements and the governmental financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources.

Deferred outflows of resources represent a consumption of net position (or fund balance) that applies to a future period which will not be recognized as an outflow of resources until that time. The District recognizes deferred outflows of resources related to pensions on its statement of net position.

Deferred inflows of resources represent an acquisition of net position (or fund balance) that applies to a future period which will not be recognized as an inflow of resources until that time. The District has two types of items that qualify for reporting in this category. Unearned revenue from property taxes arises only under the modified accrual basis of accounting and is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes deferred inflows of resources related to pensions on its statement of net position.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reservations of Fund Balance – Unassigned fund balances are available for any purpose; these amounts can only be reported in the District’s general fund. Assigned fund balance includes amounts that are intended to be used for specific purposes but are neither considered restricted nor committed. Fund balance may be assigned by formal action of the Board of Commissioners. At September 30, 2023, \$1,266,372 was assigned for Fire Marshall operations and \$158,094 was assigned for construction and heavy equipment purchases. Committed fund balances include amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Board of Commissioners, the District’s highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by the Board of Commissioners. At September 30, 2023, \$17,587,674 was committed for capital outlay. The non-spendable fund balance includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted into cash. Non-spendable fund balance at September 30, 2023 includes \$24,620 of prepaid expenses to be consumed in future periods.

Fund Balance Flow Assumptions – It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance, and unassigned fund balance is applied last.

Net Position – Equity is classified as net position and displayed in two components:

- 1) Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) Unrestricted net position - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Estimates – The presentation 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/expenditures during the reporting period. Actual results may differ from those estimates.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting – The District is required by the Texas Constitution and the Texas Health and Safety Code to adopt an annual balanced budget for its general fund. The District’s Board of Commissioners officially adopts the annual budget and any amendments. As established by the Texas 83rd Legislature, the Texas Health and Safety Code grants authority and responsibility to the County of El Paso, Texas for reviewing and approving the District’s annual budget and amendments before adoption by the Board of Commissioners. All budgets are prepared on the budgetary basis of accounting as required by Texas law.

DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

At September 30, 2023, the reported amount of the District’s deposits was \$22,241,022 and the bank balance was \$22,933,052. These deposits are held in deposit accounts, money market funds, and intergovernmental investment pools. Cash held in the money market account in the amount of \$17,587,674 has been committed through Board of Commissioner resolution to be used for construction of the new headquarters building.

Statutes require the classification of funds held by the District into three categories.

Category 1 consists of “active” funds - those funds required to be kept in “cash” or “near cash” status for immediate use by the District. Such funds must be maintained as cash, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current two-year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 1) Obligations of the United States of America;
- 2) Certificates of deposit;
- 3) Money market mutual funds; and
- 4) Local government investment pools.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

Investments in collateral mortgage obligations with a maturity date of over 10 years are prohibited. The maximum allowable stated maturity of any authorized investment type cannot exceed two years to maturity. Repurchase agreements, for which no secondary market exists has a maximum maturity of 120 days.

Investment categories are as follows:

- Category 1 Insured or registered, with securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the District's name.

The investment of surplus funds is governed by a policy of the District. Investments in interest-only or principal-only strips of obligations with underlying mortgage-backed security collateral, collateralized mortgage obligations with an inverse floating interest rate or maturity date of over 10 years are prohibited. The maximum allowable stated maturity of any authorized investment type cannot exceed two years to maturity.

Custodial Credit Risk - Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned, or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy is to require full collateralization of all funds on deposit with a depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. Collateral agreements must be approved prior to deposit of funds. The Board of Commissioners approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee. At its discretion, the District may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third-party with whom the District has a current custodial agreement. Management evaluates the exposure to custodial credit risk for deposits exceeding the amount insured by the FDIC by comparing the amounts of cash on-hand to collateral funds. At September 30, 2023, pledged collateral funds securing the District's deposits had a fair market value of \$25,187,978, which exceeded the District's bank balances by \$2,254,926. Management does not believe the District is exposed to any significant credit risk.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

The District’s investment policy does not require that deposits held in intergovernmental investment pools be collateralized.

In addition, the District requires that any deposits in intergovernmental investment pools meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, and are authorized by resolution or ordinance of the Board of Commissioners. Investment pools are also required to meet certain minimum ratings to be monitored on a monthly basis. Any investment pool that fails to meet the minimum required ratings shall be liquidated.

Investments

The District’s investments consisted of intergovernmental investment pools. Investments are reported at net asset value (NAV) per share, which approximates cost. All investments are maintained in one financial institution in the name of the District. Investments in intergovernmental pools do not require pledged securities.

Intergovernmental Investment Pools – TexPool is a local government investment pool established as a trust fund with the Texas Comptroller of Public Accounts as a trustee. Only local governments having contracted to participate in TexPool have an undivided beneficial interest in its pool of assets. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company. TexPool securities are authorized in accordance with the Texas Public Funds Investment Act. The portfolio seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time. Units of TexPool are currently rated “AAAm” by Standard & Poor’s global ratings. TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. Further information regarding TexPool investments can be found at www.texpool.com.

Investments consisted of the following at September 30, 2023:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
General Fund	1	\$4,424,784	\$4,424,784
Total		<u>\$4,424,784</u>	<u>\$4,424,784</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

PROPERTY TAX AND OTHER RECEIVABLES

Property tax and other receivables consist of the following at September 30, 2023:

	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net</u>
Governmental activities:			
Property taxes, current	\$ 298,835	\$	\$ 298,835
Property taxes, delinquent	<u>199,949</u>	<u>(29,270)</u>	<u>170,679</u>
Property taxes receivable, net	498,784	(29,270)	469,514
Sales taxes receivable	<u>1,268,683</u>	_____	<u>1,268,683</u>
Total taxes receivable	<u>1,767,467</u>	<u>(29,270)</u>	<u>1,738,197</u>
Other receivables, net	<u>5,327</u>	<u>(1,759)</u>	<u>3,568</u>
Total governmental activities	<u>\$1,772,794</u>	<u>\$(31,029)</u>	<u>\$1,741,765</u>

INTERFUND RECEIVABLES AND PAYABLES

The composition of the District's interfund balances as of September 30, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	<u>\$23,124</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

CAPITAL ASSETS

Capital asset activity for the District for the year ended September 30, 2023 was as follows:

	<u>September 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>September 30, 2023</u>
Non-depreciable capital assets:					
Construction in progress	\$ 50,604	\$ 859,283	\$	\$	\$ 909,887
Land	<u>5,220,137</u>	_____	_____	_____	<u>5,220,137</u>
Total non-depreciable capital assets	<u>\$ 5,270,741</u>	<u>\$ 859,283</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 6,130,024</u>
Depreciable capital assets:					
Building and improvements	\$ 9,437,062	\$ 64,917	\$	\$	\$ 9,501,979
Heavy trucks	4,301,841	1,961,128			6,262,969
Equipment	<u>2,282,434</u>	<u>234,284</u>	_____	_____	<u>2,516,718</u>
	<u>16,021,337</u>	<u>2,260,329</u>	_____	_____	<u>18,281,666</u>
Less accumulated depreciation:					
Building and improvements	1,345,924	250,393			1,596,317
Heavy trucks	3,561,618	279,207			3,840,825
Equipment	<u>1,692,717</u>	<u>198,407</u>	_____	_____	<u>1,891,124</u>
Total accumulated depreciation	<u>6,600,259</u>	<u>728,007</u>	_____	_____	<u>7,328,266</u>
Depreciable capital assets, net	<u>\$ 9,421,078</u>	<u>\$1,532,322</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$10,953,400</u>
Total capital assets	<u>\$14,691,819</u>	<u>\$2,391,605</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$17,083,424</u>

Total provision for depreciation of \$728,007 was charged to public safety of the primary government. Capital assets pledged as security for long-term debt had a net book value of \$4,289,177 as of September 30, 2023.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DEFERRED REVENUE

Deferred revenue in the amount of \$261,045 at September 30, 2023, consisted of property tax revenue received within 60 days following year-end (unavailable to pay liabilities of the current period). Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenue received after 60 days is fully recognized as revenue on the government-wide statements. Deferred revenue at the government-wide level arises only when the District receives resources before it has a legal claim to them.

LONG-TERM DEBT

The following is a summary of changes in governmental activities long-term debt for the year ended September 30, 2023:

	Balance at September 30, 2022	<u>Additions</u>	<u>Reductions</u>	Balance at September 30, 2023	<u>Due Within One Year</u>
Notes payable					
(direct borrowings)	\$11,818,639	\$19,985,000	\$(1,936,083)	\$29,867,556	\$1,634,662
Net pension					
(asset)/liability	<u>(38,398)</u>	<u>5,923</u>	<u> </u>	<u>(32,475)</u>	<u> </u>
	<u>\$11,780,241</u>	<u>\$19,990,923</u>	<u>\$(1,936,083)</u>	<u>\$29,835,081</u>	<u>\$1,634,662</u>

Notes Payable (direct borrowings)

The District entered into a \$18,070,000 note agreement with Truist Bank to finance the acquisition and construction of a fire station. Interest is at 3.98% per annum payable in semi-annual installments, which are specified in the contract. The note matures in August 2042, requires annual principal payments and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District as well as real estate.

\$17,760,000

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

Notes Payable (direct borrowings) (Continued)

The District entered into a \$4,245,000 note agreement with First Security Finance to finance the acquisition and construction of a fire station. Interest is at 2.85% per annum payable in semi-annual installments which are specified in the contract. The note matures in August 2041, requires annual principal payments and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District as well as real estate.	\$ 4,030,000
The District entered into a \$3,000,000 note agreement with Branch Banking & Trust Company to finance the acquisition and construction of a fire station. Interest is at 3.95% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in February 2037 and is secured by real estate and ad valorem taxes levied and assessed on the proceeds of taxable property in the District as well as real estate.	2,605,785
The District entered into a \$4,597,000 note agreement with TIB - the Independent BankersBank to finance the acquisition and construction of a fire station. Interest is at 3.25% per annum and subsequently amended to 2.55% in December 2019, payable in semi-annual installments, which are specified in the contract. The note matures in September 2029, requires annual principal payments and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District as well as real estate.	1,949,000
The District entered into a \$1,877,085 note agreement with Truist Bank to finance the acquisition of a tiller fire truck. Interest is at 4.08% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in August 2032 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.	1,245,000

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

Notes Payable (direct borrowings) (Continued)

<p>The District entered into a \$1,200,000 note agreement with TIB - the Independent BankersBank to finance the acquisition of real property. Interest is at 2.89% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in September 2037, requires annual principal payments and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District as well as real estate.</p>	\$ 988,428
<p>The District entered into a \$1,000,000 note agreement with TIB - the Independent BankersBank to finance the acquisition of real property. Interest is at 3.75% per annum, payable in semi-annual installments, which are specified in the contract. The note matures in August 2037 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District as well as real estate.</p>	786,392
<p>The District entered into a \$733,000 note agreement with TIB - the Independent BankersBank to finance the acquisition of 65 air regulators. Interest is at 1.79% per annum, payable in annual installments, which are specified in the contract. The note matures in September 2025 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.</p>	335,321
<p>The District entered into a \$283,532 note agreement with Holdings, LLC to finance the acquisition of a brush truck. Interest is at 2.190% per annum, payable in annual installments, which are specified in the contract. The note matures in February 2027 and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.</p>	<u>167,630</u>
Total notes payable (direct borrowings)	29,867,556
Less amount due within one year	<u>1,634,662</u>
Amount due after one year	<u>\$28,232,894</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

LONG-TERM DEBT (CONTINUED)

Annual debt service for the outstanding notes payable is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,634,662	\$ 1,035,806	\$ 2,670,468
2025	1,777,176	985,781	2,762,957
2026	1,647,482	932,279	2,579,761
2027	1,709,405	879,694	2,589,099
2028	1,727,853	825,095	2,552,948
2029-2033	7,828,025	3,334,740	11,162,765
2034-2038	7,822,954	1,949,287	9,772,241
2039-2042	<u>5,719,999</u>	<u>540,749</u>	<u>6,260,748</u>
Total	<u>\$29,867,556</u>	<u>\$10,483,431</u>	<u>\$40,350,987</u>

EMPLOYEE PENSION PLANS

Texas County & District Retirement System

Plan Description – El Paso County Emergency Services District #1 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

A brief description of the benefit terms includes the following:

- 1) All full and part-time non-temporary employees participate in the Plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The Plan provides retirement, disability, and survivor benefits.
- 3) TCERS is a savings-based plan. For the District's Plan, 7% of each employee's pay is deposited into his or her TCERS account per year. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (match as of December 31, 2022 is 250%) and is then converted to an annuity.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Plan Description (Continued) –

- 4) There are no automatic cost of living adjustments (“COLAs”). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

- 5) Benefit terms are established under the TCDRS Act. The terms may be amended as of January 1 each year but remain in conformity with the Act.

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 7%. The most recent comprehensive annual financial report for TCDRS can be found at www.tcdrs.org. Membership information is shown in the chart below.

	<u>December 31, 2022</u>
Members:	
Inactive employees entitled to but not yet receiving benefits:	4
Number of employees	17
Average monthly salary	\$3,079
Average age:	48.66
Average length of service in years*:	6.24
Inactive employees:	
Number of benefit recipients:	1
Average monthly benefit:	\$ 84

*Averages reported for active employees

Contributions payable to the Plan at September 30, 2023 were \$25,641.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Net Pension Liability – The Net Pension Liability (“NPL”) is the difference between the Total Pension Liability (“TPL”) and the Plan’s Fiduciary Net Position (“FNP”). The TPL is the present value of pension benefits that are allocated to current members due to past service by the entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic COLAs. In addition, ad-hoc COLA’s are adjusted in the TPL to the extent they are substantially automatic. The FNP is determined on the same basis as the pension plan’s. The Plan’s FNP allocated to the District was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The reported FNP as of December 31, 2022 does not reflect changes to plan investments that occurred subsequent to December 31, 2022.

<u>Net Pension Liability/ (Asset)</u>	<u>December 31, 2022</u>
Total pension liability	\$ 347,080
Fiduciary net position	<u>379,555</u>
Net pension liability/(asset)	<u>\$(32,475)</u>
Fiduciary net position as a percentage of total pension liability	109.36%
Pensionable covered payroll (1)	\$502,183
Net pension liability as a percentage of covered payroll	(6,47)%
Discount rate (2)	7.60%
Long-term expected rate of return, net of investment expense (2)	7.60%
Municipal bond rate (3)	Does not apply

- (1) Payroll is calculated based on contributions as reported to TCDRS.
- (2) This rate reflects the long-term rate of return funding valuation assumption of 7.50% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.
- (3) The Plan’s fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Other Actuarial Assumptions – The actuarial assumptions that determined the total pension liability as of December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Actuarial Methods and Assumptions Used for GASB Calculations – All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2022 funding valuations, except as noted below and throughout this report.

The following are key assumptions and methods used:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay) (1)
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued) –

Salary Increases

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.7% per year for a career employee.

Cost-of-Living Adjustments

Cost-of-living adjustments for El Paso County Emergency Services District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost of living adjustments is included in the funding valuation.

Retirement Age

Average age 61.

Turnover

New employees are assumed to replace any terminated members and have similar entry ages.

Mortality

Depositing members

135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

- (1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Schedule of Changes in Net Pension Liability/(Asset) – The change in the reported net pension liability for the measurement period ended December 31, 2022 is as follows:

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a)-(b)
Balance as of December 31, 2021	\$203,690	\$242,088	\$(38,398)
Changes for the year:			
Service cost	70,557		70,557
Interest on total pension liability	20,805		20,805
Effect of plan changes	24,831		24,831
Effect of economic/demographic gains or losses	28,208		28,208
Effect of assumptions changes or inputs			
Benefit payments	(1,011)	(1,011)	
Administrative expenses		(222)	222
Member contributions		35,153	(35,153)
Net investment income		(26,446)	26,446
Employer contributions		109,559	(109,559)
Other	<u> </u>	<u>20,434</u>	<u>(20,434)</u>
Balance as of December 31, 2022	<u>\$347,080</u>	<u>\$379,555</u>	<u>\$(32,475)</u>

Schedule of Changes in Net Pension Liability/(Asset) – A schedule of changes in Net Pension Liability and Related Ratios, in addition to the information above, includes multi-year trend information and is presented in the Required Supplementary Information section and can be found on Page 60 of this report.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Long-Term Expected Rate of Return – The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon. The valuation assumption for long-term expected return is reassessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
U.S. Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities - Developed Markets	5.00%	4.95%
International Equities - Emerging Markets	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	1.20%

Depletion of Plan Assets/GASB Discount Rate – The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Depletion of Plan Assets/GASB Discount Rate (Continued) – Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when Plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension Plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer, an alternative method to determine the sufficiency of the fiduciary net position in all future years has been used. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Depletion of Plan Assets/GASB Discount Rate (Continued) – Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return of the investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 7.60% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis – The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease <u>6.60%</u>	Current Discount Rate <u>7.60%</u>	1% Increase <u>8.60%</u>
Total pension liability	\$402,729	\$347,080	\$300,530
Less fiduciary net position	<u>379,555</u>	<u>379,555</u>	<u>379,555</u>
Net pension liability/(asset)	\$ <u>23,174</u>	\$(<u>32,475</u>)	\$(<u>79,025</u>)

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Net Pension Expense – Pension expense for the year ended September 30, 2023 is recognized by the District as follows:

<u>Pension Expense/ (Income)</u>	<u>January 1, 2022 to December 31, 2022</u>
Service cost	\$70,557
Interest on total pension liability	20,805
Effect of Plan changes	24,831
Administrative expenses	222
Member contributions	(35,153)
Expected investment on return, net of investment expenses	(24,513)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains and losses	7,282
Recognition of assumption changes or inputs	917
Recognition of investment gains or losses	6,325
Other	<u>(20,434)</u>
Net pension expense	<u>\$50,839</u>

As of September 30, 2023, the deferred inflows and outflows of resources are as follows:

	<u>September 30, 2023</u>	
	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$225	\$ 44,083
Changes of assumptions		5,484
Net difference between projected and actual earnings		28,670
Contributions made after measurement date	<u>—</u>	<u>98,814</u>
	<u>\$225</u>	<u>\$177,051</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas County & District Retirement System (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31,

2023	\$113,309
2024	14,380
2025	14,200
2026	18,391
2027	8,204
Thereafter	<u>8,342</u>
	<u>\$176,826</u>

Texas Emergency Services Retirement System

The District offers a retirement plan to eligible employees under the Texas Emergency Services Retirement System ("TESRS").

Plan Description – TESRS administers a cost-sharing multiple employer pension system ("the System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

The System is governed by a Board of Trustees composed of nine members. Of the nine-member Board of Trustees, at least five Trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One Trustee may be a retiree of the pension system, and three Trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2021 ("the measurement date"), there were 239 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas Emergency Services Retirement System (Continued)

Plan Description – On August 31, 2021, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,843
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,706
Active Participants (Vested and nonvested)	3,571

Benefits Provided – Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body’s average monthly contribution over the member’s years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member’s surviving spouse and dependent children.

Funding Policy – Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. The State is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas Emergency Services Retirement System (Continued)

Funding Policy (Continued) – The Board rule defining contributions was amended effective July 27, 2014, to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2020, Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to fifteen years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Contributions Required and Contributions Made – The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate.

During the Plan year ended August 31, 2022, a total of \$35,524 in contributions were made to the System on behalf of ESD#1. Total contributions made to the System subsequent to the measurement period and prior to September 30, 2023 totaled \$22,309 and are presented as an expense in the accompanying statement of activities for the fiscal year ended September 30, 2023.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

EMPLOYEE PENSION PLANS (CONTINUED)

Texas Emergency Services Retirement System (Continued)

Payments by a Non-Employer Third-Party – The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). As established in Section 775.301 of the Texas Health and Safety Code, the Commissioners’ Court of El Paso Texas County (“the County”) approves the District’s annual fiscal budget and may establish procedures regarding the District’s procurements and activities. Accordingly, the County is considered the controlling governing body of the District for purposes of adopting TESRS’s funding policy and thus, is required to make minimum contributions to TESRS. The payments provided to TESRS by El Paso Texas County meet the criteria of a special funding situation as defined in GASB statement 68, and thus are recognized as revenue by the District when paid by the County to TESRS in accordance with GASB 68, Paragraph 58.

During the fiscal year ended September 30, 2023, pension contributions from the County made to TESRS on behalf of the District totaled \$12,309. The District made voluntary contributions to the Plan of \$10,000 in the fiscal year ended September 30, 2023. Since the County pays 100% of the required contributions into the Plan, the County carries 100% of the net pension liability related to the Plan; therefore, additional GASB 68 reporting requirements for the Plan apply to the County and not the District.

DEFERRED COMPENSATION PLAN

On September 1, 2020, the District established a 457(b) non-qualified Deferred Compensation Plan for employees to be eligible to receive benefits. The Plan is administered by National Benefit Services, LLC and is a defined contribution plan. Under the terms of the Plan, all employees are eligible to participate as of their first day of employment with the District without limit to their salary deduction contributions. There are no employer contributions under the Plan. Employee contributions into the Plan become 100% vested immediately. The Plan was made retroactively effective to January 1, 2020.

District Management has no ability to direct funds contributed into the Plan. In addition, Management has concurrently adopted the provision of GASBS No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, under which defined contribution pension plans and certain 457 Plans are provided an exemption from being recognized as fiduciary component units. Therefore, Management has concluded that the Plan does not meet the criteria established by GASBS No. 84, *Fiduciary Activities*, which would require the Plan to be recognized as a fiduciary component unit. Accordingly, the Plan assets, liability and fund balance have not been presented as a Pension trust fund in the accompanying financial statements.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

INTERFUND TRANSFERS

The composition of the District’s interfund transfers as of September 30, 2023 is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ <u>688,923</u>

Interfund transfers are exclusively to fund the Horizon Volunteer Fire Department Stipend program and employee retention.

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to volunteer firefighters and natural disaster, for which commercial insurance is carried. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amounts of loss can be reasonably estimated.

During fiscal year ended 2023, the District contracted with VFIS of Texas, Inc. for liability, property, and crime damage. Coverages provided to the District are as follows:

Management Liability Coverage (Each Wrongful Act or Offense)	\$1,000,000
Business Auto Coverage Liability Combined (Each Accident)	\$1,000,000
Commercial Excess Liability (Per Occurrence)	\$1,000,000
Commercial General Liability (Per Occurrence)	\$1,000,000
Commercial Property	\$9,282,239
Fair Labor Standards Act Suit Defense Coverage (Per Occurrence)	\$100,000
Blanket Portable Equipment	Guaranteed Replacement Cost Coverage
Crime Insurance:	
Employee Dishonesty (Per Occurrence)	\$ 100,000
Surety Bond	\$ 100,000
Cyber Liability (Each Event Limit)	\$1,000,000

There were no settlements that exceeded insurance coverage in the last three years.

Workers’ compensation coverage is maintained by paying premiums to Texas Mutual Insurance Company. The premium is calculated based upon accident history and administrative costs.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

ADOPTION OF NEW ACCOUNTING STANDARD

Effective October 1, 2022, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (“SBITA”) (GASB96), which requires recognition of certain subscription assets and subscription liabilities for software subscriptions that were previously classified as intangible assets. A SBITA is defined as a contract that conveys control of the right to use another party’s information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in exchange or exchange-like transaction. The District does not have any arrangements that meet the criteria, and therefore, the standard did not have any effect on the financial statements.

COMMITMENTS AND CONTINGENCIES

The District is party to legal proceedings, which normally occur in governmental operations. For the year ended September 30, 2023, the District was involved in litigation in which the District’s liability will be capped at \$250,000, if found liable. Management and legal counsel evaluated the claim and believe it is unlikely the District will be found liable. Therefore, no liability has been accrued at September 30, 2023.

SUBSEQUENT EVENTS

On November 2, 2023, the District entered into a \$1,415,000 note agreement with ZMFU II, Inc. to finance the purchase of fire apparatus and fire, medical, and communications equipment. Interest is at 5.05% per annum, payable in triannual installments, which are specified in the contract. The note matures in September 30, 2033, and is secured by ad valorem taxes levied and assessed on the proceeds of taxable property in the District.

Management has evaluated events through February 29, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
Revenues:				
Taxes:				
Property taxes	\$ 4,976,382	\$ 4,976,382	\$ 5,081,923	\$ 105,541
Sales taxes	2,855,299	2,855,299	5,447,017	2,591,718
Charges for services	766,800	766,800	771,377	4,577
Contributions			12,309	12,309
Investment earnings			833,104	833,104
Proceeds from loan			19,985,000	19,985,000
Other income			17,371	17,371
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>8,598,481</u>	<u>8,598,481</u>	<u>32,148,101</u>	<u>23,549,620</u>
Expenditures:				
Public safety:				
Fire control and EMS:				
Salaries and benefits	2,772,233	2,772,233	1,927,719	844,514
Material and services	2,584,329	2,549,493	2,410,779	138,714
Capital outlay	2,159,430	2,194,266	3,119,612	(925,346)
Debt service:				
Principal payments	2,154,659	2,210,862	1,936,083	274,779
Debt issuance costs			100,985	(100,985)
Interest payments	639,681	583,478	852,856	(269,378)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>10,310,332</u>	<u>10,310,332</u>	<u>10,348,034</u>	<u>(37,702)</u>
Surplus of revenues over expenditures (excess of expenditures over revenue)	(1,711,851)	(1,711,851)	21,800,067	23,511,918
Fund balance, beginning of year	<u>6,277,719</u>	<u>6,277,719</u>	<u>6,277,719</u>	<u> </u>
Fund balance, end of year	<u>\$ 4,565,868</u>	<u>\$ 4,565,868</u>	<u>\$ 28,077,786</u>	<u>\$23,511,918</u>

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
(CONTINUED)**

Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
Budget basis surplus			\$ 21,800,067	
GAAP basis surplus			21,800,067	
Fund balance, beginning of year			<u>6,277,719</u>	
Fund balance, end of the year			<u>\$ 28,077,786</u>	

See notes to required supplementary information
and independent auditors' report.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
HORIZON VOLUNTEER FIRE DEPARTMENT, INC.**

Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance
	Original	Final		
Revenues:				
Transfers from general fund	\$ 896,538	\$ 896,538	\$ 688,923	\$ (207,615)
Total revenues	896,538	896,538	688,923	(207,615)
Expenditures:				
Public safety:				
Salaries and benefits	896,538	896,538	688,923	207,615
Total expenditures	896,538	896,538	688,923	207,615
Surplus of revenues over expenditures				
Fund balance, beginning of year	_____	_____	_____	_____
Fund balance, end of year	\$ _____	\$ _____	\$ _____	\$ _____

See notes to required supplementary information
and independent auditors' report.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SIGNIFICANT ACCOUNTING POLICIES

Budgetary Basis of Accounting – The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (“GAAP”). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenses are recognized on the cash and encumbrances basis. Revenues are budgeted in the year that receipt is expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

BUDGET PROCESS AND CALENDAR

Budgetary Process – The budgetary process is prescribed by provisions of Title 4, Chapter 102, of the Local Government Code of the Texas Legislature and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, both of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by resolution of the District Board. All funds are required to be budgeted and appropriated. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by resolution of the District Board.

Under the District's by-laws, revenues not specifically related to a particular fund shall be deposited into the District's General Fund. Monies can only be transferred from the General Fund by resolution of the District Board.

Estimated Resources – As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources states the projected revenue of the General Fund. Prior to September 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the official estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about October 1, the estimated resources is amended to include any unencumbered balances from the preceding year. The estimated resources may be further amended during the year if the Board determines that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year ended 2023.

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

BUDGET PROCESS AND CALENDAR (CONTINUED)

Appropriations – An annual appropriation resolution must be passed by September 15 of the preceding year for the period October 1 to September 30. The appropriation resolution fixes spending authority at the fund and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among funds and objects within a fund may be modified during the year only by a resolution of the Board. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriations in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as final budgeted amounts in the schedules of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations.

Lapsing of Appropriations – At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the General Fund and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be re-appropriated.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2023, the following categories exceeded their corresponding budgeted appropriation:

Capital outlay	\$ 925,346
Interest payments	269,378
Debt issuance costs	<u>100,985</u>
	<u>\$1,295,709</u>

Total expenditures exceeded budgeted appropriations for the year ended September 30, 2023. Capital outlay exceeded budgeted appropriations due to a Tiller fire truck being purchased during the year, which was financed with proceeds from long-term debt. Interest payments exceeded budgeted appropriations due to interest payments related to two new notes payable for the headquarters building that were budgeted under debt principal payments, and for the Tiller fire truck expenditures in excess of appropriations were funded with new loans and a revenue surplus of taxes. Debt issuance costs are not budgeted for, therefore costs related to the issuance of the two new loans during the year show a variance in the Budgetary Comparison Schedule on Page 54.

EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2013 - 2017</u>
Total Pension Liability						
Service cost	\$ 70,557	\$ 58,733	\$ 35,394	\$ 20,091	\$ 5,104	N/A
Interest on total pension liability	20,805	12,840	5,953	2,031	413	N/A
Effect of plan changes	24,831	1,088	20,191	8,981		N/A
Effect of economic/demographic losses	28,208	21,206	3,877	3,001		N/A
Effect of assumption changes or inputs		130	8,084		(409)	N/A
Benefit payments/refund of contributions	<u>(1,011)</u>	<u>(1,011)</u>	<u>(1,758)</u>	<u>(249)</u>		N/A
Net change in total pension liability	143,390	92,986	71,741	33,855	5,108	N/A
Total pension liability, beginning	<u>203,690</u>	<u>110,704</u>	<u>38,963</u>	<u>5,108</u>		N/A
Total pension liability, ending	<u>347,080</u>	<u>203,690</u>	<u>110,704</u>	<u>38,963</u>	<u>5,108</u>	N/A
Fiduciary Net Position						
Employer contributions	109,559	102,050	22,470	11,070	2,317	N/A
Member contributions	35,153	29,467	20,092	13,241	2,771	N/A
Investment income net of investment expenses	(26,446)	31,748	3,286	845	57	N/A
Benefit payments/refund of contributions	(1,011)	(1,011)	(1,758)	(249)		N/A
Administrative expenses	(222)	(131)	(56)	(24)	(4)	N/A
Other	<u>20,434</u>	<u>3,718</u>	<u>1,210</u>	<u>828</u>	<u>151</u>	N/A
Net change in fiduciary net position	137,467	165,841	45,244	25,711	5,292	N/A
Fiduciary net position, beginning	<u>242,088</u>	<u>76,247</u>	<u>31,003</u>	<u>5,292</u>		N/A
Fiduciary net position, ending	<u>379,555</u>	<u>242,088</u>	<u>76,247</u>	<u>31,003</u>	<u>5,292</u>	N/A
 Net pension liability (asset)	 <u>\$ (32,475)</u>	 <u>\$ (38,398)</u>	 <u>\$ 34,457</u>	 <u>\$ 7,960</u>	 <u>\$ (184)</u>	 N/A

(Continued)

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(CONTINUED)**

YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Years 2013 - 2017</u>
Fiduciary net position as a percentage of total pension liability	109.36%	118.85%	68.87%	79.57%	103.60%	N/A
Pensionable covered payroll	\$ 502,183	\$ 420,962	\$ 334,865	\$ 264,822	\$ 55,422	N/A
Net pension liability (asset) as a percentage of covered payroll	(6.47%)	(9.12%)	10.29%	3.01%	(0.33%)	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the GASB statements have been implemented.

See independent auditors' report.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED DECEMBER 31, 2022

<u>Year Ended December 31,</u>	<u>Actuarially Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution (Excess)</u>	<u>Pensionable Payroll (2)</u>	<u>Actual Payroll</u>
2013	\$	\$	\$	\$	
2014					
2015					
2016					
2017					
2018	2,317	2,317		55,422	4.2%
2019	11,070	11,070		264,822	4.2%
2020	22,470	22,470		334,865	6.7%
2021	40,286	102,050	(61,764)	420,962	24.2%
2022	53,583	109,559	(55,976)	502,183	21.8%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis.
GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

See independent auditors' report.

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(CONTINUED)**

Methods and Assumptions Used to Determine Contribution Ratios (Continued) –

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected.
	2017: New mortality assumptions were reflected.
	2019: New inflation, mortality and other assumptions were reflected.
	2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule.
	2016: No changes in plan provisions were reflected in the Schedule.
	2017: No changes in plan provisions were reflected in the Schedule.
	2018: No changes in plan provisions were reflected in the Schedule.
	2019: No changes in plan provisions were reflected in the Schedule.
	2020: Employer contributions reflect that the member contribution rate was increased to 6% and the current service matching rate was increased to 170%.
	2021: No changes in plan provisions were reflected in the schedule.
2022: Employer contributions reflect that the current service matching rate was increased to 225%.	

* Only changes that affect the benefit amount and that are effective 2015 and thereafter are shown in the notes to the Schedule.

SBNG

AUDITORS' SECTION

SBNG
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
El Paso County Emergency Services District #1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of El Paso County Emergency Services District #1 (“the District”), a discrete component unit of County of El Paso, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated February 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

To the Board of Commissioners
El Paso County Emergency Services District #1

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SBNG, PC

February 29, 2024
El Paso, Texas

**EL PASO COUNTY EMERGENCY SERVICES DISTRICT #1
(A COMPONENT UNIT OF THE COUNTY OF EL PASO, TEXAS)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of El Paso County Emergency Services District #1.
2. No significant deficiencies or material weaknesses were reported in the audit of the financial statements of El Paso County Emergency Services District #1 as reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of non-compliance material to the financial statements of El Paso County Emergency Services District #1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS
WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"**

Current Year Findings: None

Prior Year Findings: None

See independent auditors' report.