

**NUECES COUNTY EMERGENCY
SERVICES DISTRICT NO. 1**

**Annual Financial Report
For the Year Ended September 30, 2022**

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**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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Report of Independent Auditors

To the Honorable Commissioners – Nueces County Emergency Services District No. 1
Corpus Christi, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nueces County Emergency Services District No. 1 as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nueces County Emergency Services District No. 1, as of September 30, 2022 and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Nueces County Emergency Services District No. 1 and to meet my ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nueces County Emergency Services District No. 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.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement 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 Nueces County Emergency Services District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions, or events, considered in the aggregate, that raise substantial doubt about Nueces County Emergency Services District No. 1's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nueces County Emergency Services District No. 1's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

S. Noel Snedeker, II
Certified Public Accountant
February 27, 2023



NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
P.O. BOX10066
CORPUS CHRISTI, TEXAS 78410
361-241-2452

February 27, 2023

The Honorable Commissioners – Emergency Services District No. 1
Corpus Christi, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Nueces County Emergency Services District No. 1, discuss and analyze the District's financial performance for the fiscal year ended September 30, 2022. Please read it in conjunction with our independent auditors' report on page 1, and the District's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$256,856 as a result of current year's operations.
- During the year, the District's General Fund had expenses that were (\$98,839) more than the \$5,079,167 generated in tax and other revenues for governmental programs and transfers in of \$259,121. This compares to last year when revenues exceeded expenditures by \$182,396.
- Total cost of all of the District's programs was \$5,355,989 which was \$221,974 more than in the prior year.
- The General Fund ended the year with a fund balance of \$ 1,646,509, which is a decrease of (\$98,839) from the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are considered regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we report the District as:

- Governmental activities—Most of the District's basic services are reported here.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. The District's governmental funds account as follows:

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use of modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$3,743,330 to \$4,000,186. This increase in governmental net position was the result, primarily of current year's operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$1,839,546 at September 30, 2022.

Table I
NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
CHANGES IN NET POSITION

	Governmental Activities	
	2022	2021
Current and other assets	\$ 4,766,182	\$ 3,394,277
Capital assets	6,386,385	5,257,798
Total assets	<u>11,152,567</u>	<u>8,652,075</u>
Long-term liabilities	6,405,747	4,521,714
Other liabilities	746,634	387,031
Total liabilities	<u>7,152,381</u>	<u>4,908,745</u>
Net Position:		
Net Investment in Capital Assets	(765,996)	349,053
Restricted for Debt Service	49,950	226,316
Restricted for Construction	2,876,686	1,228,001
Unrestricted	1,839,546	1,939,960
Total Net Position	<u>\$ 4,000,186</u>	<u>\$ 3,743,330</u>

Table II
NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
CHANGES IN NET POSITION

	Governmental Activities	
	2022	2021
General Revenues:		
Maintenance and Operations Taxes	\$4,266,289	\$ 3,914,678
Debt Service Taxes	474,032	677,838
Grants and Contributions not Restricted to Specific Functions	181,754	530,191
Charges for Services	550,559	594,121
Investment Earnings	4,727	939
Miscellaneous	135,484	81,916
Total Revenue	<u>\$5,612,845</u>	<u>5,799,683</u>
Expenses:		
Fire Protection	5,233,540	4,762,141
Loan Interest	122,449	371,874
Total Expenses	<u>5,355,989</u>	<u>5,134,015</u>
Increase (decrease) in Net Position before		
Transfers and Special Items	256,856	665,668
Pror Period Adjustment	-	-
Net Position, Beginning	3,743,330	3,077,662
Net Position, Ending	<u>\$ 4,000,186</u>	<u>\$ 3,743,330</u>

The assessed valuation before exemptions at January 1, 2021 totaled \$6,750,745,378. The current tax rate is \$0.10 per \$100 valuation with a current tax levy of \$4,729,552. The current tax rate is used to finance payment of principal and interest on general long-term debt as well as direct operations.

Through the month of September 2022, the Tax Assessor/Collector's office reports \$4,657,619 of the current levies had been collected. Current tax collections funds were 99.48% of the amount levied. Delinquent taxes in the amount of \$46,392 were collected and reported in the tax year 2021, bringing total collections to \$4,704,011 or 99.46%. Expenditures of the operating fund totaled \$5,437,127 and revenues totaled \$5,079,167.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12 and 14) reported a combined fund balance of \$4,573,145 which is more than last year's total of \$3,199,665. Included in this year's total change in fund balance is an increase of \$1,648,685 in the District's Capital Projects, and a decrease of (\$176,366) in the debt service.

The District's General Fund balance of \$1,646,509 reported on pages 12 and 14 differs from the General Fund's budgetary fund balance of \$1,150,462 reported in the budgetary comparison schedule on pages 16 and 38. This is principally due to the District's actual expenditures spent was less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had \$15,363,904 invested in a broad range of capital assets, including fire facilities, fire trucks, ambulances and equipment.

Debt

At year-end, the District had \$7,152,381 in loans versus \$4,908,745 last year an increase of 45.71 percent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Nueces County is currently 6.3 percent, which is a (5.55%) decrease from the prior year. The County's unemployment rate is higher than the State's average of 4.9 percent. The State of Texas is slightly higher than the national rate of 4.7 percent however the County was 1.6 percent higher than the national rate.
- As compared to last year:
 - School enrollment decreased by 2,810 students.
 - Retail sales were up 43.09% as compared to prior year.
 - County net property taxable value (NTV) increased by 2.98 percent, last year it was up 4.18 percent.
 - Port tonnage increased by 4.60 percent from the prior year to \$122,959,050 in 2021.
 - Population increased by 3.66 percent.

None of these factors were not considered in preparing the District's budget for the 2022/2023 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Nueces County Emergency Services District No. 1 at its accounting office 361-241-2452.

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BASIC FINANCIAL STATEMENTS

NUECES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 4,540,145
Taxes Receivable, Net	227,103
Allowance for Uncollectable	(34,066)
Due from County	33,000
Capital Assets:	
Land Purchase and Improvements	181,783
Buildings, Net	1,382,971
Furniture and Equipment, Net	1,012,409
Construction in Progress	3,809,222
Total Assets	11,152,567
LIABILITIES	
Noncurrent Liabilities:	
Debt Due Within One Year	746,634
Bonds Payable - Noncurrent	6,405,747
Total Liabilities	7,152,381
NET POSITION	
Net Investment in Capital Assets	(765,996)
Restricted for:	
Restricted for Debt Service	49,950
Restricted for Construction	2,876,686
Unrestricted	1,839,546
Total Net Position	\$ 4,000,186

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Primary Gov.
Governmental
Activities

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions		
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Fire Protection	\$ 5,233,540	\$ 550,559	\$ -	\$ (4,682,981)
Interest on Debt	122,449	-	-	(122,449)
TOTAL PRIMARY GOVERNMENT	\$ 5,355,989	\$ 550,559	\$ -	(4,805,430)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,266,289
Property Taxes, Levied for Debt Service				474,032
Grants and Contributions				181,754
Miscellaneous Revenue				135,484
Interest Revenue				4,727
Total General Revenues				5,062,286
Change in Net Position				256,856
Net Position-- Beginning				3,743,330
Net Position - Ending				\$ 4,000,186

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,613,509	\$ 49,950	\$ 2,876,686	\$ 4,540,145
Taxes Receivable	205,639	21,464	-	227,103
Allowance for Uncollectable	(30,846)	(3,220)	-	(34,066)
Due from County	33,000	-	-	33,000
Total Assets	<u>\$ 1,821,302</u>	<u>\$ 68,194</u>	<u>\$ 2,876,686</u>	<u>\$ 4,766,182</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	174,793	18,244	-	193,037
Total Deferred Inflows of Resources	<u>174,793</u>	<u>18,244</u>	<u>-</u>	<u>193,037</u>
FUND BALANCES				
Retirement of Loans or Notes Payable	-	49,950	-	49,950
Construction	-	-	2,876,686	2,876,686
Unassigned Fund Balance	1,646,509	-	-	1,646,509
Total Fund Balances	<u>1,646,509</u>	<u>49,950</u>	<u>2,876,686</u>	<u>4,573,145</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,821,302</u>	<u>\$ 68,194</u>	<u>\$ 2,876,686</u>	<u>\$ 4,766,182</u>

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$	4,573,145
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		349,052
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase (decrease) net position.		(710,706)
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(404,342)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		193,037
Net Position of Governmental Activities	<u>\$</u>	<u>4,000,186</u>

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 4,254,836	\$ 487,061	\$ -	\$ 4,741,897
Intergovernmental Revenue and Grants	181,754	-	-	181,754
Charges for Services	550,559	-	-	550,559
Investment Earnings	4,409	55	263	4,727
Other Revenue	87,609	-	47,875	135,484
Total Revenues	<u>5,079,167</u>	<u>487,116</u>	<u>48,138</u>	<u>5,614,421</u>
EXPENDITURES:				
Public Safety:				
Fire Protection	4,845,068	69,865	-	4,914,933
Debt Service:				
Principal on Debt	592,059	212,047	-	804,106
Interest on Debt	-	122,449	-	122,449
Capital Outlay:				
Capital Outlay	-	-	1,399,453	1,399,453
Total Expenditures	<u>5,437,127</u>	<u>404,361</u>	<u>1,399,453</u>	<u>7,240,941</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(357,960)</u>	<u>82,755</u>	<u>(1,351,315)</u>	<u>(1,626,520)</u>
OTHER FINANCING SOURCES (USES):				
Noncurrent Loans	-	-	3,000,000	3,000,000
Transfers In	259,121	-	-	259,121
Transfers Out (Use)	-	(259,121)	-	(259,121)
Total Other Financing Sources (Uses)	<u>259,121</u>	<u>(259,121)</u>	<u>3,000,000</u>	<u>3,000,000</u>
Net Change in Fund Balances	(98,839)	(176,366)	1,648,685	1,373,480
Fund Balance - October 1 (Beginning)	<u>1,745,348</u>	<u>226,316</u>	<u>1,228,001</u>	<u>3,199,665</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,646,509</u>	<u>\$ 49,950</u>	<u>\$ 2,876,686</u>	<u>\$ 4,573,145</u>

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	1,373,480
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase (decrease) the change in net position.		(710,706)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(404,342)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		(1,576)
Change in Net Position of Governmental Activities	\$	256,856

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #1
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 4,246,139	\$ 4,246,139	\$ 4,254,836	\$ 8,697
Intergovernmental Revenue and Grants	-	-	181,754	181,754
Charges for Services	-	140,000	550,559	410,559
Investment Earnings	-	-	4,409	4,409
Other Revenue	500,000	500,000	87,609	(412,391)
Total Revenues	4,746,139	4,886,139	5,079,167	193,028
EXPENDITURES:				
Public Safety:				
Fire Protection	4,637,286	5,148,086	4,845,068	303,018
Debt Service:				
Principal on Debt	-	592,060	592,059	1
Total Expenditures	4,637,286	5,740,146	5,437,127	303,019
Excess (Deficiency) of Revenues Over (Under) Expenditures	108,853	(854,007)	(357,960)	496,047
OTHER FINANCING SOURCES (USES):				
Transfers In	-	259,121	259,121	-
Total Other Financing Sources (Uses)	-	259,121	259,121	-
Net Change	108,853	(594,886)	(98,839)	496,047
Fund Balance - October 1 (Beginning)	1,745,348	1,745,348	1,745,348	-
Fund Balance - September 30 (Ending)	\$ 1,854,201	\$ 1,150,462	\$ 1,646,509	\$ 496,047

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

NOTES TO FINANCIAL STATEMENTS

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Nueces County Emergency Services District No. 1 (the district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

A. REPORTING ENTITY

The District was created in 1954 as the Nueces County Rural Fire Prevention District. In 2000, the District converted to the Nueces County Emergency Services District No. 1. Nueces County appoints the fire commissioners on a periodic basis. The District covers approximately 80 square miles with three fire stations strategically located within the District. The District conversion allowed the District to increase its ability to tax up to 10 cents per 100 valuation. The District implemented a tax rate of .10 cents per 100 valuation on its original budget adoption.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Nueces County Emergency Services District No. 1 non-fiduciary with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

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

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets. GASB 63 is effective for current fiscal year. The District is reflecting the applicable deferred outflows or inflows as required, net assets have been renamed as net position.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

D. FUND ACCOUNTING

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate accounting entity with a self – balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District’s primary operating fund. It accounts for all financial resources except those that are required to be accounted for in another fund.
2. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds in a debt service fund.
3. **Capital Projects Fund** – The Capital Projects Fund is used to account for capital construction projects.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets.

All governmental fund types use the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one – year availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

E. OTHER ACCOUNTING POLICIES

1. The District reports inventories of supplies at cost including consumable maintenance. Supplies are recorded as expenditures when they are consumed. The District has no reportable inventory at September 30, 2022.
2. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District had \$7,152,381 in debt at September 30, 2022.

3. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.
4. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Building	20
Improvements	
Infrastructure	50
Vehicles	15
Office Equipment	7
Computer Equipment	7

5. The District has no self-insurance plans.
6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. For purposes of the statement of Net Position, cash and equivalents include all demand and time deposits of the District.
9. The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

The current tax levy, reduced by an allowance for uncollectible taxes receivable, is recognized in the accounts when levied October 1, and is recorded as deferred revenue at that time. Such deferred revenues are recognized as revenue in the fiscal year they become available. The allowance is adjusted at the end of each fiscal year to equal one – half percent of the current property tax levy for the ten most recent years plus 100% of its appraised value.

Tax billings and collections are handled via the Nueces County Tax Assessor Collectors office.

Property taxes are measurable but not available and hence are not susceptible to accrual. They are not available because the district has decreed that the taxes levied on October 1 will not be available for expenditures or appropriation until the next year (the year to which they apply.)

Allowances for uncollectible tax receivables within the General are based upon historical experience in collecting property taxes. Uncollectable personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

	General Fund	Debt Service Fund	Total
Delinquent Taxes Receivable	\$ 205,639	\$ 21,464	\$ 227,103
Allowance for Uncollectable Taxes	(30,846)	(3,220)	(34,066)
Net Delinquent Taxes Receivable	\$ 174,793	\$ 18,244	\$ 193,037

10. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* amended GASB Statement No. 27. Statement No. 68 was issued June 2012 and became effective for governmental financial statements of employers for fiscal years beginning after June 15, 2014. Together these statements define how pension liabilities are calculated by plans and reported by employers and other non-employer contributing entities who prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Nueces County Emergency Services District #1 has no pension liabilities at September 30, 2022.
11. The Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Reporting for Postemployment Benefits Other Than OPEBs* by State and Local Government Employers, which became effective for fiscal years beginning after June 15, 2017, requires that certain disclosures regarding postemployment benefits other than OPEBs for employees of the District be included in their financial statements. The Nueces County Emergency Services District #1 has no postemployment Benefits or OPEBs at September 30, 2022.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 181,783	\$ -	\$ 181,783	
Buildings/Infrastructure	2,250,211	915,250	1,334,961	
Furniture & Equip., Trucks Vehicles	8,718,688	7,387,404	1,331,284	
Construction in Progress	2,409,769	-	2,409,769	
Change in Net Position				<u>5,257,797</u>
<u>Long-term Liabilities at the Beginning of the Year</u>				
Bonds Payable	-			
Loans Payable	4,908,745			
Capital Leases Payable	-			
Compensated Absences	-			
Other	-			
Change in Net Position				<u>4,908,745</u>
Net Adjustment to Net Position				<u><u>\$ 349,052</u></u>

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	32,990	32,990	32,990
Other Improvements	-	-	-
Furniture & Equipment	100,487	100,487	100,487
Construction in Progress	1,399,453	1,399,453	1,399,453
Vehicles & Machinery	-	-	-
Total Capital Outlay	<u>1,532,930</u>	<u>1,532,930</u>	<u>1,532,930</u>
<u>Debt Principal Payments</u>			
Bond Principal	-	-	-
Loan Principal	(2,243,636)	(2,243,636)	(2,243,636)
Capital Lease Payments	-	-	-
Other	-	-	-
Total Principal Payments	<u>(2,243,636)</u>	<u>(2,243,636)</u>	<u>(2,243,636)</u>
Total Adjustment to Net Position		<u>\$ (710,706)</u>	<u>\$ (710,706)</u>

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustmentsto Net Position</u>
<u>Adjustments to Revenue and Unearned Revenue</u>			
Taxes Collected from Prior Year Levies	193,037	193,037	193,037
Uncollected taxes(assumed collectible) from Current Year Levy			
Uncollected Taxes (assumed collectible) from Prior Year Levy	(194,613)	(194,613)	
Other			
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
New Bond Issue			
Discount (Premium) on Issuance of Bonds			
Other			
Prepaid Insurance Premiums			
Total		<u>(1,576)</u>	<u>193,037</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The District is required to adopt a legal budget; the District prepares and adopts a budget every fiscal year prior to its October 1 beginning fiscal year. The Commissioners may increase or decrease each line item of the budget; however, the total expenditures cannot exceed the District’s estimate of revenues and available cash unless allowed by special resolution. After the Commissioners have properly adopted the budget, the District’s administration and designees have the responsibility to monitor the expenditures to prevent expenditures from exceeding appropriations and to advise the Commissioners as to the conditions of the various expenditure accounts. The District does not use Encumbrance Accounting. The budget for the General Fund is adopted on a basis consistent with Generally Accepted Accounting principles (GAAP) in all material respects.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Various expenditures line items exceeded appropriations.

C. DEFICIT FUND EQUITY

None

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by (state an appropriate policy, such as, limiting all deposits denominated in a foreign currency to less than 5% of all deposits.)

As of September 30, 2022, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 1,158,756	25.5%	\$ -	\$ -	\$ -	-
Money markets and FDIC Insured Accounts	<u>2,876,685</u>	<u>63.4%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Pools:						
Texas Class	504,703	11.1%	-			-
Total Investment Pools:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cash and Cash Equivalents	<u>\$ 4,540,144</u>	<u>100%</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u> </u>

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2022, the district's investments in (category such as commercial paper) were rated (give appropriate information, for example, A1 by Standard & Poor's, F-1 by Fitch Ratings, etc.) (If a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.)

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually, this limitation is 20%.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires (specify some policy guideline such as "at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis").

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by (state an appropriate policy, such as, "limiting all investments denominated in a foreign currency to less than 5% of all investments".)

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

As of September 30, 2022, the District had the following investments subject to the fair value measurement (The District had no investments).

Investment by Fair Value Level	Fair Value Measurements Using			
	Balance at Sept. 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
U.S. Treasury Securities	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	-	-	-
Total Debt Securities	-	-	-	-
Equity Securities:				
(Describe)	-	-	-	-
Total Equity Securities	-	-	-	-
Venture Capital Investments:				
(Describe)	-	-	-	-
Total Venture Capital Investments	-	-	-	-
Total Investments by Fair Value Level	\$ -	\$ -	\$ -	\$ -
Mutual Funds Total				

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of no investments at September 30, 2022, was determined primarily based on level 2 inputs. The District estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

Investment Accounting Policy

The District’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

C. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

NONE

D. PROPERTY TAXES

The current tax levy, reduced by an allowance for uncollectible taxes receivable, is recognized in the accounts when levied October 1, and is recorded as deferred revenue at that time. Such deferred revenues are recognized as revenue in the fiscal year they become available. The allowance is adjusted at the end of each fiscal year to equal one – half percent of the current property tax levy for the ten most recent years plus 100% of its appraised value.

Tax billings and collections are handled via the Nueces County Tax Assessor Collectors office.

Property taxes are measurable but not available and hence are not susceptible to accrual. They are not available because the district has decreed that the taxes levied on October 1 will not be available for expenditures or appropriation until the next year (the year to which they apply.)

The allowance for uncollectible taxes is equal to one – half percent of the property tax levy for the eleven most recent fiscal years plus 100% of the balance of delinquent taxes due remaining more than eleven years.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

E. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2022 consisted of the following individual fund balances:

	Transfers Out	Transfers In
General Fund:		
Debt Service	259,121	-
Debt Service		
General Fund	-	259,121
Total	259,121	259,121

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2022, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 205,639	\$ 33,000	\$ -	\$ -	\$ 238,639
Major Fund - Debt Service	21,464	-	-	-	21,464
Total - Governmental Activities	<u>\$ 227,103</u>	<u>\$ 33,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,103</u>

Payables at September 30, 2022, were as follows:

	<u>Loans, Leases and Bonds Payable Current Year</u>	<u>Accounts</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 746,634	\$ -	\$ -	\$ -	\$ -	\$ 746,634
Major Fund - Debt Service	-	-	-	-	-	-
Total - Governmental Activities	<u>\$ 746,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746,634</u>

G. GASB 87

The District implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a “long-term” lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

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With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as another financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements. The right-to-use lease asset capitalization level is determined by the Board of Directors. The term of the lease must be the noncancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. This statement had no significant impact to the District.

H. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended September 30, 2022, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Land	\$ 181,783	\$ -	\$ -	\$ 181,783
Buildings/Infrastructure	2,250,211	32,990	-	2,283,201
Other Equipment	2,987,530	33,357	-	3,020,887
CIP	2,409,769	1,399,453	-	3,809,222
Fire Trucks	5,731,158	-	-	5,731,158
Vehicles	337,652	-	-	337,652
Totals at Historic Cost	<u>13,898,103</u>	<u>1,465,800</u>	<u>-</u>	<u>15,363,903</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	915,249	52,110	67,130	900,229
Other Equipment	895,522	70,407	-	965,929
Fire Trucks	6,060,577	217,001	-	6,277,578
Vehicles	768,958	64,824	-	833,782
Total Accumulated Depreciation	<u>8,640,306</u>	<u>404,342</u>	<u>67,130</u>	<u>8,977,518</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,257,797</u>			<u>\$ 6,386,385</u>

Depreciation expense was charged to governmental functions as follows:

Fire Protection \$ 404,343

Total Depreciation Expense \$ 404,343

I. CAPITAL LEASES PAYABLE

The District had no capital leases payable at September 30, 2022.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

J. LOAN OBLIGATIONS PAYABLE

A summary of changes in general long-term debt for the year ended September 30, 2022 is as follows:

DESCRIPTION	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable		Outstanding 9/30/2022	
				Amounts Outstanding 9/30/2021	Issued Retired		
Equipment	3.20%	\$ 1,605,000	\$ 45,174	\$ 1,177,686	\$ -	\$ 220,888	956,798
Equipment	2.66%	3,000,000	-	-	3,000,000	-	3,000,000
Equipment	3.81%	350,773	7,387	156,234	-	156,234	-
EMS Equipment	3.69%	109,391	-	-	-	-	-
Brush Trucks, ATV	2.51%	-	8,558	250,000	-	250,000	-
Fire Station	3.25%	3,450,000	112,091	3,324,825	-	129,242	3,195,583
TOTAL				<u>\$ 4,908,745</u>	<u>\$ 3,000,000</u>	<u>\$ 756,364</u>	<u>\$ 7,152,381</u>

K. DEBT SERVICE REQUIREMENTS – LOANS

Debt service requirements are as follows:

Year Ended September 30	General Obligations		Total Requirements
	Principal	Interest	
2023	627,300	214,720	842,020
2024	646,043	195,978	842,020
2025	665,482	176,538	842,020
2026	684,729	156,575	841,304
2027	446,892	136,007	582,900
Thereafter	<u>4,081,934</u>	<u>730,688</u>	<u>4,812,622</u>
Total	<u>7,152,381</u>	<u>1,610,506</u>	<u>8,762,887</u>

L. COMMITMENTS UNDER OPERATING LEASES

The District had no Operating leases at September 30, 2022.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

M. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Loans	\$ 4,908,745	\$ 3,000,000	\$ 756,364	\$ 7,152,381	\$ 746,634
Total Governmental Activities Long-term Liabilities	<u>\$ 4,908,745</u>	<u>\$ 3,000,000</u>	<u>\$ 756,364</u>	<u>\$ 7,152,381</u>	<u>\$ 746,634</u>

N. DEFERRED INFLOWS OF RESOURCES

Unearned revenue at yearend consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 174,793	\$ 18,244	\$ 193,037
State & Federal Governments	-	-	-
Total Unearned Revenue	<u>\$ 174,793</u>	<u>\$ 18,244</u>	<u>\$ 193,037</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 4,254,836	\$ 487,061	\$ -	\$ 4,741,897
Penalties, Interest and Other	-	-	-	-
Investment Income	4,409	55	263	4,727
Other	819,922	-	47,875	867,797
Total	<u>\$ 5,079,167</u>	<u>\$ 487,116</u>	<u>\$ 48,138</u>	<u>\$ 5,614,421</u>

P. LITIGATION

NONE

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Q. RETIREMENT PLAN

During the 2006 fiscal year, the District authorized a Section 457 Retirement Plan for the benefit of the employees. This Plan is allowed for governmental entities under IRC 501. This plan allows employees to defer income taxation on retirement savings into future years. NCESD#1 is the employer, and they are the administrator and sponsor of the plan and have entered into a retirement plan service agreement to outsource record keeping and related services. The current service provider has been Security Benefit Retirement Plan Services since mid-2012. This fund is held in trust by the 457 Plan for the exclusive benefit of participating employees and their beneficiaries. The deferred compensation is available to participating employees upon separation from service, death, disability, retirement or unforeseeable emergencies subject to the plan documents. The Commissioners have delegated the general administration of the Plan to the service provider but has retained all statutory authority and fiduciary responsibility for major decisions of the 457 Plan. The market value of the Plan at September 30, 2022 was \$1,342,262. During the year the employees contributed \$96,055.16 with a District contribution of \$93,210.24.

During the 2015 fiscal year, the District established a Section 401(A) Retirement Plan with Security Benefit Retirement Plan Services which allows for employer non-elective and matching contributions. The market value of the Plan at September 30, 2022 was \$857,727. During the year employees contributed \$ -0- with a District contribution of \$145,265.

R. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 27, 2023, the date which the financial statements were available to be issued.

The 2020 COVID-19 (Coronavirus) pandemic has caused extensive disruptions to businesses in America and the entire World. In the face of these disruptions, the fluid situation has become difficult to assess the likely impact to not only the economy in America but also the local economy. The District is striving to be highly attuned and is maintaining a heightened state of readiness for the principal risks and increased uncertainties ahead. Given the potential for rapid spreading of the virus, management will be evaluating the current and potential effects on its operations and financial reporting.

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SUPPLEMENTAL SCHEDULES

Nueces County Emergency Services District No. 1
 Budgetary Comparison Schedule - General Fund
 Budget (GAAP Basis) and Actual
 Year ended September 30, 2022

Revenues:	Actual	Budget	Variance Favorable (Unfavorable)
Property Taxes	\$ 4,254,836	\$ 4,246,139	\$ 8,697
Interest Income	4,409	-	4,409
Intergovernmental Rev. & Grants	181,754	-	181,754
EMS Income	550,559	140,000	410,559
Transfer In	259,121	259,121	(0)
Miscellaneous Revenue	87,609	500,000	(412,391)
Total Revenues	<u>5,338,288</u>	<u>5,145,260</u>	<u>193,028</u>
Expenditures:			
Advertising	5,214	5,000	(214)
Building Maintenance	121,494	116,000	(5,494)
Bank Charges	1,382	1,500	118
Bunker Gear	18,426	16,000	(2,426)
Computers	17,310	22,500	5,190
Comm. Equip. / Supplies	9,982	12,000	2,018
Dispatching	0	10,000	10,000
Dues and Subscriptions	25,236	20,000	(5,236)
Equipment Rental	3,146	3,300	154
Fuel / Gas	125,056	125,000	(56)
Insurance General	226,443	169,000	(57,443)
Legal / Accounting	70,775	71,000	225
Public Relations	191	15,000	14,809
Medical Expense	529,633	600,000	70,367
Miscellaneous	8,215	6,000	(2,215)
Office Expense	60,542	61,000	458
EMS Supplies	108,389	99,000	(9,389)
Uniforms	31,703	32,500	797
Training	80,510	67,000	(13,510)
Incentives	9,306	20,000	10,694
SCBA	10,939	12,000	1,061
Tax Collection Fee	67,396	90,000	22,604
Taxes Other	12,995	2,500	(10,495)
Utilities	145,221	142,000	(3,221)
Wages / Salaries	2,396,315	2,458,971	62,656
Payroll Tax Expense	179,070	185,844	6,774
Retirement Expenditure	236,053	330,971	94,918
Truck maintenance	186,276	196,000	9,724
Fire Equipment	34,075	42,000	7,925
Foam	29,989	30,000	11
ESD Special	33,608	75,000	41,392
Other Sources- Grant Match	-	30,000	30,000
Debt Service- Principal	436,007	436,007	0
Debt Service- Interest	156,053	156,053	0
Capital Outlay	60,178	81,000	20,822
Total Expenditures	<u>5,437,127</u>	<u>5,740,146</u>	<u>303,019</u>
Excess of Revenues over expenditures	(98,839)	(594,886)	
Fund Balance October 1, 2021	1,745,348	1,745,348	
Fund Balance September 30, 2022	<u>\$ 1,646,509</u>	<u>\$ 1,150,462</u>	

Nueces County Emergency Services District No. 1
 Budgetary Comparison Schedule - Debt Service Fund
 Budget (GAAP Basis) and Actual
 Year ended September 30, 2021

Revenues:	Actual	Budget	Variance Favorable (Unfavorable)
Property taxes, including penalty and interest	\$ 487,061	\$ 488,592	\$ (1,531)
Interest	55	30	25
Other Income	-	-	
	<u>487,115</u>	<u>488,622</u>	<u>(1,507)</u>
Expenditures:			
ESD Special	69,865	70,000	135
Debt Service - Principal	45,753	46,110	357
Debt Service - Interest	8,558	9,076	518
I & S Interest Pmt- Station	108,024	108,024	0
Debt Service	129,242	129,242	0
I & S Interest Pmt- Equip.	5,868	5,869	1
I & S Principal- Equip.	37,052	37,058	6
Total Expenditures	<u>404,361</u>	<u>405,379</u>	<u>1,018</u>
Excess of Revenues over (under) expenditures	<u>82,755</u>	<u>83,243</u>	
Transfers In (Out)	<u>(259,121)</u>	<u>0</u>	
Net Change in Fund Balance	<u>(176,366)</u>	<u>(176,366)</u>	
Fund Balance October 1, 2021	<u>226,316</u>	<u>226,316</u>	
Prior Period Adjustment	<u>0</u>	<u>0</u>	
Fund Balance September 30, 2022	<u>\$ 49,950</u>	<u>\$ 133,193</u>	

Nueces County Emergency Services District No. 1
 Budgetary Comparison Schedule - Capital Projects Fund
 Budget (GAAP Basis) and Actual
 Year ended September 30, 2020

Revenues:	Actual	Budget	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>
Interest	\$ 263	\$ -	\$ 263
Other Income	47,875	-	
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 48,138	\$ 0	\$ 263
Expenditures:			
Capital Outlay	1,399,453	-	(1,399,453)
Other	-	-	0
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 1,399,453	\$ -	\$ (1,399,453)
Excess of Revenues over (under) expenditures	(1,351,315)	-	
Noncurrent Loans	3,000,000	-	
	<u> </u>	<u> </u>	
Transfers In (Out)	-	-	
	<u> </u>	<u> </u>	
Net Change in Fund Balance	1,648,685	-	
	<u> </u>	<u> </u>	
Fund Balance October 1, 2021	1,228,001	-	
	<u> </u>	<u> </u>	
Fund Balance September 30, 2022	\$ 2,876,686	\$ 0	
	<u> </u>	<u> </u>	