

**MEDINA COUNTY
EMERGENCY SERVICES DISTRICT # 2**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

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MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2024

DISTRICT OFFICIALS

PRESIDENT	TODD F. SUMMERS
VICE PRESIDENT	JEFFREY L. HOWARD
TREASURER	KENNETH NIGHSWANDER
ASSISTANT TREASURER	JERRY STEVENS
INTERIM SECRETARY/RECORDS MANAGEMENT	KENNETH NIGHSWANDER

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

District Commissioners
Medina County Emergency Services District #2

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 Medina County Emergency Services District #2 as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Medina County Emergency Services District #2'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 Medina County Emergency Services District #2, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Medina County Emergency Services District #2 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Medina County Emergency Services District #2's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medina County Emergency Services District #2's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- 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 Medina County Emergency Services District #2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Medina County Emergency Services District #2's ability to continue as a going concern for a reasonable period of time.

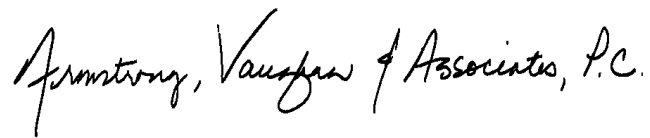
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medina County Emergency Services District #2's basic financial statements. The basic financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The script is cursive and fluid.

Armstrong, Vaughan & Associates, P.C.
February 18, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Medina County Emergency Services District #2’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended September 30, 2024. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$2.1 million at September 30, 2024.
- During the year, the District’s expenses were \$280 thousand less than the \$1 million generated in total revenue for governmental activities.
- The general fund reported a total fund balance this year of \$397 thousand. Of that, \$396 thousand is unassigned. The increase is primarily due to an increase in sales tax revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

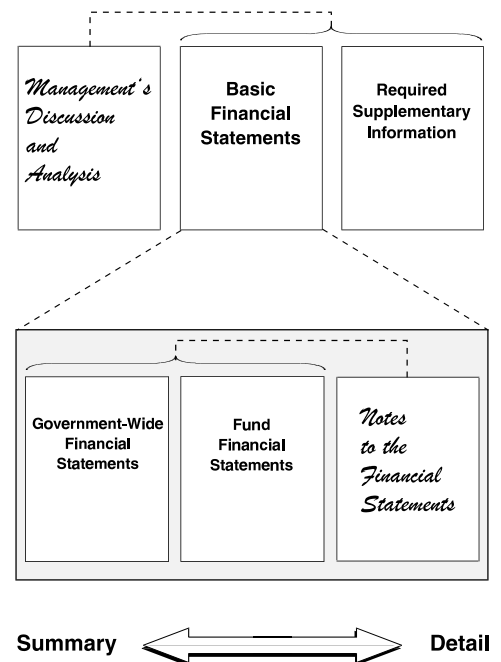


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of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

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements		
		Fund Statement
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary.
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus.
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

Government-Wide Statements

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

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

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

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

Fund Financial Statements

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District’s net position was \$2.1 million at September 30, 2024. (See Table A-1)

Table A-1
Medina County ESD #2 Net Position

	Governmental Activities		Total Percentage Change 2024-2023
	2024	2023	
Current Assets	\$ 510,306	\$ 354,923	44%
Noncurrent Assets			
Property and Equipment	2,871,120	2,833,694	1%
Less: Accumulated Depreciation	(975,630)	(885,422)	10%
TOTAL ASSETS	<u>2,405,796</u>	<u>2,303,195</u>	4%
Current Liabilities	87,231	81,404	7%
Noncurrent Liabilities	<u>229,407</u>	<u>410,161</u>	-44%
Total Liabilities	<u>316,638</u>	<u>491,565</u>	-36%
Net Position			
Investment in Capital Assets	1,586,532	1,461,257	9%
Unrestricted	<u>502,626</u>	<u>350,373</u>	43%
TOTAL NET POSITION	<u>\$ 2,089,158</u>	<u>\$ 1,811,630</u>	15%

Changes in Net position. The District's total revenues were \$1 million. A significant portion, 57.1% comes from property taxes, and 42.7% comes from sales tax.

The total cost of all programs and services was \$727 thousand.

Governmental Activities

- Property tax rates decreased from the prior year rate of \$0.0785 to \$0.0704 per \$100 valuation. But, assessed values of property increased resulting in increased tax revenues of \$573 thousand.

Table A-2

Changes in District's Net Position

	Governmental Activities		Total Percentage Change 2024-2023
	2024	2023	
General Revenues			
Property Taxes	\$ 573,115	\$ 545,349	5%
Sales Tax	427,628	406	105227%
Interest Income	3,072	2,457	25%
Total Revenues	1,003,815	548,212	83%
Expenses			
Emergency Services	402,428	314,543	28%
General Government	305,837	140,317	118%
Interest Expense	18,022	20,676	-13%
Total Expenses	726,287	475,536	53%
Change in Net Position	277,528	72,676	282%
Net Position at Beginning of Year	1,811,630	1,738,954	4%
Net Position at End of Year	\$ 2,089,158	\$ 1,811,630	15%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1 million. The increase in local revenues is a result of sales tax revenue.

General Fund Budgetary Highlights

The District budgeted \$401 thousand for expenditures in the general fund. Actual expenditures were \$271 thousand more than budget amounts in the general fund, with large equipment purchases for the fire department being the primary cause.

Revenues were \$61 thousand more than the final budget amount. Due to sales tax revenue income being \$78 thousand more than expected, and property tax revenue falling short of expectations due to the debt service fund allocation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the District had invested \$1.9 million, net of depreciation, in a broad range of capital assets, including land buildings, vehicles and equipment (See Table A-3). More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table A-3
Capital Assets

	Governmental Activities		Total Percentage Change 2024-2023
	2024	2023	
Land	\$ 50,928	\$ 50,928	0%
Buildings	1,923,643	1,923,643	0%
Vehicles and Equipment	426,481	426,481	0%
Equipment	470,444	432,642	9%
Less: Accumulated Depreciation	(976,006)	(885,422)	10%
Totals	<u>\$ 1,895,490</u>	<u>\$ 1,948,272</u>	-3%

Long Term Debt

At the end of the fiscal year 2024, the District had \$309 thousand in outstanding debt as shown on Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-4
Long-Term Debt

	Governmental Activities		Total Percentage Change 2024-2023
	2024	2023	
Notes Payable	<u>\$ 308,958</u>	<u>\$ 487,015</u>	-36.6%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The property tax rate for fiscal year 2025 was reduced to \$.0687 per \$100 valuation. Appraised value used for the 2025 budget preparation provides an anticipated revenue generation of \$610 thousand.
- General operating fund spending is expected to decrease per the 2025 budget. Expenditures are anticipated to decrease from the actual 2024 expenditures by \$284 thousand.
- If these estimates are realized, the District's budgetary general fund balance is expected to increase by \$474 thousand.

FACTORS AFFECTING FINANCIAL CONDITION

The Insurance Service Office, Inc. (ISO) collects information on municipal fire-protection efforts in communities throughout the United States to help establish an appropriate fire insurance premium for residential and commercial properties based on fire-protection services. Using this information, municipal entities are assigned a Public Protection Classification from 1 to 10. Class 1 generally represents superior property fire protection, and Class 10 indicates that the area's fire-suppression program doesn't meet ISO's minimum criteria. Medina County Emergency Services District #2 was given an ISO Protection Class 6 rating.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Medina County Emergency Services District #2 citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrator by phone at (830) 665-4246.

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MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2024

BASIC FINANCIAL STATEMENTS

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

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

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

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 370,692
Property Tax Receivable, Net	65,208
Sales Tax Receivable	73,086
Prepaid Expenses	1,320
<i>Total Current Assets</i>	<u>510,306</u>
<i>Noncurrent Assets:</i>	
<i>Property and Equipment:</i>	
Land	50,928
Buildings	1,923,643
Vehicles and Equipment	896,549
Accumulated Depreciation	(975,630)
<i>Total Noncurrent Assets</i>	<u>1,895,490</u>
TOTAL ASSETS	<u>\$ 2,405,796</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 6,435
Accrued Interest	1,245
Due within One Year	79,551
<i>Total Current Liabilities</i>	<u>87,231</u>
<i>NonCurrent Liabilities:</i>	
Due in more than One Year	229,407
<i>Total Noncurrent Liabilities</i>	<u>229,407</u>
TOTAL LIABILITIES	<u>316,638</u>
NET POSITION	
Net Investment in Capital Assets	1,586,532
Unrestricted	502,626
TOTAL NET POSITION	<u>\$ 2,089,158</u>

The accompanying notes are an integral part of these statements.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30, 2024

Functions and Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses), Revenues and Changes in Net Assets
Primary Government:			
Governmental Activities:			
Emergency Services	\$ 402,428	\$ -	\$ (402,428)
General Administration	305,837	-	(305,837)
Interest Expense	18,022	-	(18,022)
Total Governmental Activities	<u>726,287</u>	<u>-</u>	<u>(726,287)</u>
Total Primary Government	<u><u>726,287</u></u>	<u><u>-</u></u>	<u><u>(726,287)</u></u>
General Revenues:			
General Property Taxes			573,115
Sales Tax			427,628
Interest Income			3,072
Total General Revenues			<u>1,003,815</u>
Change in Net Position			277,528
Net Position at Beginning of Year			<u>1,811,630</u>
Net Position at End of Year			<u><u>\$ 2,089,158</u></u>

The accompanying notes are an integral part of these statements.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2024

	General Fund	Debt Service	Total
ASSETS			
Cash and Cash Equivalents	\$ 328,380	\$ 42,312	\$ 370,692
Property Taxes Receivable, Net	54,383	10,825	65,208
Sales Tax Receivable	73,086	-	73,086
Prepaid Items	1,320	-	1,320
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 457,169</u>	<u>\$ 53,137</u>	<u>\$ 510,306</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 5,550	\$ -	\$ 5,550
<i>Total Liabilities</i>	<hr/> 5,550	<hr/> -	<hr/> 5,550
<i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	54,383	10,825	65,208
<i>Total Deferred Inflows of Resources</i>	<hr/> 54,383	<hr/> 10,825	<hr/> 65,208
<i>Fund Balance:</i>			
Nonspendable Fund Balance:			
Prepaid Items	1,320	-	1,320
Restricted for Debt Service	-	42,312	42,312
Unassigned	395,916	-	395,916
<i>Total Fund Balance</i>	<hr/> 397,236	<hr/> 42,312	<hr/> 439,548
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 457,169</u>	<u>\$ 53,137</u>	<u>\$ 510,306</u>

The accompanying notes are an integral part of these statements.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	439,548
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Property taxes receivable assets are not available to pay current period expenditures and, therefore, are deferred in the funds statements.		65,208
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,895,490
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Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.		(2,130)
--	--	---------

Long-term notes payable are not due in the current period and therefore, are not reported in the funds.		
Notes Payable		(308,958)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>2,089,158</u></u>
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The accompanying notes are an integral part of these statements.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Debt Service	Total
REVENUES			
Property Taxes	\$ 468,589	\$ 93,288	\$ 561,877
Sales Tax	427,628	-	427,628
Interest Income	3,072	-	3,072
TOTAL REVENUES	<u>899,289</u>	<u>93,288</u>	<u>992,577</u>
EXPENDITURES			
Current:			
Emergency Services	553,103	-	553,103
Administrative	64,579	-	64,579
Capital Outlay	37,802	-	37,802
Debt Service:			
Principal	-	178,056	178,056
Interest Fees	-	15,892	15,892
TOTAL EXPENDITURES	<u>655,484</u>	<u>193,948</u>	<u>849,432</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	243,805	(100,660)	143,145
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(99,439)	99,439	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(99,439)</u>	<u>99,439</u>	<u>-</u>
Net Change in Fund Balance	144,366	(1,221)	143,145
Fund Balance at Beginning of Year	<u>252,870</u>	<u>43,533</u>	<u>296,403</u>
Fund Balance at End of Year	<u><u>\$ 397,236</u></u>	<u><u>\$ 42,312</u></u>	<u><u>\$ 439,548</u></u>

The accompanying notes are an integral part of these statements.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
 GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 143,145

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

Governmental funds report capital outlays as expenditures. However,
 in the statement of activities the cost of those assets is allocated over
 their estimated useful lives and reported as depreciation expense.

Capital Outlay	37,802	
Depreciation	<u>(90,584)</u>	(52,782)

Revenues in the Statement of Activities that do not provide current
 financial resources are not reported as revenues in the funds. The
 changes are as follows:

Property Taxes Not Available for Current Period	11,238
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Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditure in the governmental funds:

Accrued Interest	(2,130)
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The issuance of long-term debt (e.g. notes payable)
 provides current financial resources to governmental funds, while the
 repayment of the principal of long-term debt consumes the current
 financial resources of governmental funds. Neither transaction,
 however, has any effect on net position. This is the net effect of
 these differences in the treatment of long-term debt and related items.

Principal Repayments	<u>178,057</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 277,528

The accompanying notes are an integral part of these statements.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medina County Emergency Services District #2 is a political subdivision of the State of Texas and was created by the Medina County Commissioners' Court. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District.

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

A. THE FINANCIAL REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity." The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there was no component units identified that would require inclusion in this report.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate **fund financial statements** are provided for governmental funds. The General Fund and Debt Service Fund meet the criteria of a *major governmental fund*.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

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

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2023, and became due October 01, 2023 have been assessed to finance the budget of the fiscal year beginning October 01, 2023.

Expenditures generally are recorded when an expense is incurred; however, expenditures related to compensated absences and claims and judgments are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

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

The Debt Service Fund is used to account for resources and expenditures relating to principal and interest payments on outstanding debt.

D. CASH AND CASH EQUIVALENTS

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

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

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

E. INVESTMENTS

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

F. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based on historical trends. The District has established an allowance for uncollectible receivables as of September 30, 2024 for \$501.

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

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At September 30, 2024, prepaid items totaled \$1,320.

H. CAPITAL ASSETS

Capital assets, which include land; buildings and improvements; and equipment and vehicles, are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$1,000 or more and a useful life greater than one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

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

H. CAPITAL ASSETS (CONT.)

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

<u>Assets</u>	<u>Years</u>
Fire Stations (Buildings)	25
Fire Fighting Equipment	7-10
Fire Trucks	5-12.5

Land is not depreciated.

I. LONG-TERM OBLIGATIONS

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable. In the current year, the District adopted a new GASB standard that establishes new note disclosure requirements for long-term debt, including direct borrowings and placement. See additional detail in Note 5.

In government-wide financial statements, long-term debt and other long-term obligations (if any) are reported as liabilities under governmental activities. Bond premiums and discounts are amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize debt proceeds 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.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

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

J. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

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

Committed – Represents amounts that can only be used for a specific purpose because of a formal action by the District Commissioners. Committed amounts cannot be used for any other purpose unless the District Commissioners removes those constraints through the same formal action.

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

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

The District has not adopted a policy determining the order of availability.

K. NET POSITION

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

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. RECLASSIFICATIONS

Certain reclassifications have been made to the prior periods presented to conform to the current presentation. These reclassifications had no effect on fund equity.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 2 -- CASH AND CASH INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash

As of September 30, 2024, the District's deposits were fully collateralized.

2. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District had no investments at September 30, 2024.

3. Analysis of Specific Deposits and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the specific investment risks at year end and if so, the reporting of certain related disclosures. The District has analyzed its investment risks and determined that for the year ending September 30, 2024 the District was not exposed to any significant risks.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 3 -- AD VALOREM (PROPERTY) TAXES

The District has contracted with the Medina County Tax Assessor-Collector to collect taxes on its behalf. current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

For fiscal year 2024, the assessed tax rate for the District was \$.0704 per \$100 on an assessed valuation of \$797,129,546. The tax rate is split \$0.0587 for general maintenance and operations and \$0.0117 for interest and sinking. Total tax levy for fiscal year 2024 was \$544,183. As of September 30, 2024, the delinquent current taxes were \$28,932.

NOTE 4 -- CAPITAL ASSETS

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

	Beginning		Adjustments	Ending
Governmental Activities	Balance	Additions	and Disposals	Balance
Land	\$ 50,928	\$ -	\$ -	\$ 50,928
Buildings	1,923,643	-	-	1,923,643
Vehicles	426,481	-	-	426,481
Equipment	432,642	37,802	-	470,444
Less: Accumulated Depreciation	(885,422)	(90,584)	-	(976,006)
	<u>\$ 1,948,272</u>	<u>\$ (52,782)</u>	<u>\$ -</u>	<u>\$ 1,895,490</u>

The entire depreciation expense is recorded in the Emergency Services function.

Land is not depreciated.

NOTE 5 -- NOTES PAYABLE

On June 5, 2018, the District entered into an agreement with for the construction of a new station for \$1,090,542. The District will make 186 monthly payments of \$7,829, starting on June 7, 2018 and ending October 23, 2033. The District has made additional principal payments which are reflected in the summary of long-term debt outstanding and the amortization schedule in this note. The note carries a 3.51% interest rate and is secured by ad valorem.

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2024

NOTE 5 -- NOTES PAYABLE (CONT.)

A summary of long term debt outstanding as of September 30, 2024, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
<i>Notes Payable:</i>					
Loan #8360	\$ 487,015	\$ -	\$ (178,057)	\$ 308,958	\$ 79,551
<i>Total Notes Payable:</i>	<u>\$ 487,015</u>	<u>\$ -</u>	<u>\$ (178,057)</u>	<u>\$ 308,958</u>	<u>\$ 79,551</u>

The Annual requirements to amortize notes payable outstanding as of September 30, 2024, including the interest payments, are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	79,551	10,844	90,395
2026	82,343	11,604	93,947
2027	85,234	8,714	93,948
2028	61,830	2,170	64,000
Total Debt Payments	<u>\$ 308,958</u>	<u>\$ 33,332</u>	<u>\$ 342,290</u>

NOTE 6 -- CONTINGENT LIABILITIES

Litigation

The District is not aware of any pending or threatened litigation.

NOTE 7 -- RISK MANAGEMENT

The Medina County Emergency Services District #2, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover this risk the District contracts with the Volunteer Firemen's Insurance Services (VFIS) to provide insurance coverage for Property.

REQUIRED SUPPLEMENTARY INFORMATION

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

- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Funds
- Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budget Amounts			Variance	
	Original	Final	Actual	Favorable (Unfavorable)	2023
REVENUES					
Property Taxes	\$ 485,000	\$ 485,000	\$ 468,589	\$ (16,411)	\$ 409,945
Sales Tax	-	350,000	427,628	77,628	-
Interest	2,500	2,500	3,072	572	253
Miscellaneous Income	500	500	-	(500)	6,337
TOTAL REVENUES	<u>488,000</u>	<u>838,000</u>	<u>899,289</u>	<u>61,289</u>	<u>416,535</u>
EXPENDITURES					
Current:					
Emergency Services	221,698	281,698	553,103	(271,405)	157,500
Administrative	69,500	81,800	64,579	17,221	243,893
Capital Outlay	37,802	37,802	37,802	-	74,435
TOTAL EXPENDITURES	<u>329,000</u>	<u>401,300</u>	<u>655,484</u>	<u>(254,184)</u>	<u>475,828</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>159,000</u>	<u>436,700</u>	<u>243,805</u>	<u>(192,895)</u>	<u>(59,293)</u>
OTHER FINANCING					
SOURCES (USES)					
Transfers Out	(99,439)	(99,439)	(99,439)	-	89,353
TOTAL OTHER FINANCING					
SOURCES (USES)	<u>(99,439)</u>	<u>(99,439)</u>	<u>(99,439)</u>	<u>-</u>	<u>89,353</u>
Net Change in Fund Balance	59,561	337,261	144,366	(192,895)	30,060
Fund Balance - Beginning	<u>252,870</u>	<u>252,870</u>	<u>252,870</u>	<u>-</u>	<u>225,901</u>
Fund Balance - Ending	<u>\$ 312,431</u>	<u>\$ 590,131</u>	<u>\$ 397,236</u>	<u>\$ (192,895)</u>	<u>\$ 255,961</u>

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2024

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

It is recommended that actual expenditures do not exceed appropriations. Actual expenditures exceeded appropriations for the year ended September 30, 2024 in the following expenditure accounts:

- Emergency Services was \$271,405 over budget

The District does not use encumbrances.

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SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules which are not required by GASB, nor a part of the basic financial statements.

Such statements and schedule include:

- General Fund – Comparative Balance Sheets
- Debt Service Fund –Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
COMPARATIVE BALANCE SHEETS - GENERAL FUND
SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 328,380	\$ 255,694
Property Taxes Receivable	54,383	44,490
Sales Tax Receivable	73,086	406
Prepaid Items	<u>1,320</u>	<u>1,320</u>
TOTAL ASSETS	<u><u>\$ 457,169</u></u>	<u><u>\$ 301,910</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	<u>\$ 5,550</u>	<u>\$ 4,550</u>
<i>Total Liabilities</i>	<u><u>5,550</u></u>	<u><u>4,550</u></u>
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	<u>54,383</u>	<u>44,490</u>
<i>Total Deferred Inflows of Resources</i>	<u><u>54,383</u></u>	<u><u>44,490</u></u>
 <i>Fund Balance:</i>		
Nonspendable Fund Balance:		
Prepaid Items	<u>1,320</u>	<u>1,320</u>
Unassigned	<u>395,916</u>	<u>251,550</u>
<i>Total Fund Balance</i>	<u><u>397,236</u></u>	<u><u>251,550</u></u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND RESOURCES AND FUND BALANCES	<u><u>\$ 457,169</u></u>	<u><u>\$ 300,590</u></u>

MEDINA COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	99,000	99,000	\$ 93,288	\$ (5,712)
TOTAL REVENUES	99,000	99,000	93,288	(5,712)
EXPENDITURES				
<i>Debt Service:</i>				
Principal	77,132	77,132	178,056	(100,924)
Interest and Fiscal Charges	16,816	16,816	15,892	924
TOTAL EXPENDITURES	93,948	93,948	193,948	(100,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,052	5,052	(100,660)	(105,712)
OTHER FINANCING SOURCES (USES)				
Transfers In	99,439	99,439	99,439	-
TOTAL OTHER FINANCING SOURCES (USES)	99,439	99,439	99,439	-
Net Change in Fund Balance	104,491	104,491	(1,221)	(105,712)
FUND BALANCE - BEGINNING	43,533	43,533	43,533	-
FUND BALANCE - ENDING	\$ 148,024	\$ 148,024	\$ 42,312	\$ (105,712)

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