



# **Harris County Emergency Services District #1**

## **FINANCIAL STATEMENTS**

**December 31, 2024**



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Harris County Emergency Services District #1  
Houston, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District #1 (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Harris County Emergency Services District #1, as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget to actual – general fund, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Carr, Riggs & Ingram, L.L.C.*

Houston, Texas

April 29, 2025

## **Harris County Emergency Services District #1 Management's Discussion and Analysis**

This discussion and analysis of Harris County Emergency Services District #1's (the District) financial statements provides an overview of the District's financial performance for the year ended December 31, 2024. It includes comparative data for the year ended December 31, 2023 with a brief explanation for significant changes between the periods. Because the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the District's basic financial statements and the footnotes. Responsibility for the completeness of this information rests with the management of the District.

### **FINANCIAL HIGHLIGHTS**

The following highlight certain events that occurred during 2024:

- The District contracts with Harris County Emergency Corps (HCEC) a nonprofit entity to provide emergency ambulance services to the citizens of North Harris County. Under the terms of the Ambulance and Emergency Service Agreement, the District agrees to pay HCEC an agreed upon amount per trip less amounts collected by third parties. The District paid HCEC approximately \$20,000,000 in connection with this agreement for services provided in 2024.
- The District tax rate was set at \$0.09120 per \$100 for fiscal year 2023 (tax year 2022). The tax rate was set at \$0.082838 per \$100 for fiscal year 2024 (tax year 2023).
- The District continues to utilize the tax consultants hired in 2014 to review and ensure the accuracy of the tax rolls. During the current review, they identified several new properties missing from the tax rolls that represent new tax value to the district.
- Under the Ambulance and Emergency Service Agreement, the District agrees to purchase at least two new ambulances annually. There were two new ambulances purchased in 2024, however they were not placed in service due to timing delays due to the availability of resources to complete ambulances.
- The District worked on the construction phase of Stations 93 and 96 during fiscal year 2024. Construction and related costs for these stations is expected to total approximately \$8 million. The District obtained a loan in 2021 to fund the construction. The construction has an anticipated completion date in 2025. Station 93 was substantially complete at the end of 2024 with Station 96 projected to be complete in second quarter of 2025.

### **GENERAL ECONOMIC FACTORS**

The District is a local governmental agency created by a vote of the public to provide emergency medical services in the specific unincorporated area of Harris County. The District is a taxing entity with the majority of its revenue coming from property taxes in the area it serves. The general economic climate continues to be of concern to the District, specifically in regards to property values due to the fact a decline in property values could lead to a decrease in tax revenues.

# Harris County Emergency Services District #1

## Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide statements report information about the District as a whole using accounting methods similar to those used in private-sector companies. The statement of net position includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them presented as net position.

Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the Districts' net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in this statement, regardless of when cash is received or paid.

The fund financial statements report information about the District on the modified accrual basis, which only accounts for revenues that are measurable and available within the current period or soon enough thereafter to pay liabilities of the current period. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District has one governmental fund.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with the similar information presented for governmental activities in the government-wide financial statements. Adjustments are provided to reconcile the government-wide statements to the fund statements. Explanations for the reconciling items are provided as part of the basic financial statements.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances, and activities.

## Harris County Emergency Services District #1 Management's Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### *Statement of Net Position*

The Statement of Net Position includes all assets, liabilities, and deferred inflows of resources using the accrual basis of accounting. The following table reflects condensed information (rounded to the nearest thousand) on the District's net position:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>	<b>Increase (Decrease)</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,776,000	\$ 3,204,000	\$ (428,000)
Investments	7,169,000	12,709,000	(5,540,000)
Property taxes receivable, net	22,385,000	20,418,000	1,967,000
Lease receivable	1,842,000	2,432,000	(590,000)
Prepaid expenses and other receivables	197,000	123,000	74,000
Capital assets, net	19,098,000	14,840,000	4,258,000
Other assets	800,000	800,000	-
<b>Total assets</b>	<b>54,267,000</b>	<b>54,526,000</b>	<b>(259,000)</b>
<b>Liabilities:</b>			
Accounts payable	\$ 1,883,000	\$ 3,723,000	\$ (1,840,000)
Retainage payable	340,000	75,000	265,000
Interest payable	17,000	19,000	(2,000)
Long-term debt - due within one year	1,053,000	1,036,000	17,000
Long-term debt - due in more than one year	7,475,000	8,528,000	(1,053,000)
<b>Total liabilities</b>	<b>10,768,000</b>	<b>13,381,000</b>	<b>(2,613,000)</b>
<b>Deferred inflows of resources</b>	<b>26,473,000</b>	<b>24,755,000</b>	<b>1,718,000</b>
<b>Net position</b>			
Net investment in capital assets	10,569,000	8,329,000	2,240,000
Restricted	1,293,000	1,291,000	2,000
Unrestricted	5,164,000	5,825,000	(661,000)
<b>Total net position</b>	<b>\$ 17,026,000</b>	<b>\$ 15,445,000</b>	<b>\$ 1,581,000</b>

The District's cash and cash equivalents are held in demand and money market funds. Excess funds are invested in Texas CLASS, a public funds investment pool, and a money market account to earn better interest. The decrease in investments relates to payments for the ongoing construction of Stations 93 and 96 during 2024. The increase in property tax receivables is driven by the timing of remittance of payments to the District and the increasing appraised value of properties within the District. In addition, the District increased its allowance for doubtful property taxes in 2024 to \$1,903,000 to reflect the increase in the property tax base and increases in delinquent receivables.

During 2024, the District's capital asset activity included additions of approximately \$6.1 million. This increase was offset by annual depreciation expense totaling \$1.8 million.



## Harris County Emergency Services District #1 Management's Discussion and Analysis

At December 31, 2024, the District owed HCEC approximately \$1.6 million primarily for ambulances services as compared to approximately \$2.7 million at December 31, 2023. In addition, at December 31, 2024, liabilities included approximately \$350,000 for construction services and retainage payable as compared to \$1 million at December 31, 2023. During 2024, the District paid down total debts by \$1,036,127, leaving an outstanding balance of \$8,528,816 at December 31, 2024. See the long-term debt section for more information.

Effective January 1, 2022, the District adopted GASB Statement No. 87 resulting in a lease receivable and deferred inflow balance as of December 31, 2022 of approximately \$3,011,000 and \$3,013,000, respectively. Payments were received during 2023 and 2024 in accordance with the agreements.

Deferred property tax revenue increased by approximately \$1,375,000 due to increased valuations of properties in North Harris County by the Harris County Tax Assessor's office. The District's tax rate also increased to \$0.084477 per \$100 in 2024 from \$0.082838 per \$100 rate in 2023 tax levy years. Tax collection is handled by the Harris County Tax Assessor's Office.

Unrestricted net position represents that which can be used to finance day-to-day operations without the constraints established by debt covenants, enabling legislation, or other legal requirements. At December 31, 2024, the District had an unrestricted net position of \$5,164,159. The District's restricted net position totaling \$1,292,631 is the required debt service (net of accrued interest) for the next 12 months for loans in which future ad valorem taxes serve as collateral.

### **Statement of Activities**

The Statement of Activities presents the operating results of the District. The following table reflects condensed information (rounded to the nearest thousand) on the District's operations:

<i>For the years ended December 31,</i>	<b>2024</b>	<b>2023</b>	<b>Increase (Decrease)</b>
<b>Revenues:</b>			
Property taxes, net	\$ 22,648,000	\$ 21,706,000	\$ 942,000
Lease revenue	643,000	654,000	(11,000)
Other general revenues	1,067,000	1,215,000	(148,000)
<b>Total revenues</b>	<b>24,358,000</b>	<b>23,575,000</b>	<b>783,000</b>
<b>Expenditures:</b>			
Program	22,625,000	21,752,000	873,000
Interest	152,000	169,000	(17,000)
<b>Total expenditures</b>	<b>22,777,000</b>	<b>21,921,000</b>	<b>856,000</b>
<b>Change in net position</b>	<b>1,581,000</b>	<b>1,654,000</b>	<b>(73,000)</b>
<b>Net position, beginning of year</b>	<b>15,445,000</b>	<b>13,791,000</b>	<b>1,654,000</b>
<b>Net position, end of year</b>	<b>\$ 17,026,000</b>	<b>\$ 15,445,000</b>	<b>\$ 1,581,000</b>

## Harris County Emergency Services District #1 Management's Discussion and Analysis

In 2024, net property tax revenue increased approximately \$940,000 compared to 2023, due to the increase in property valuations offset by the decrease in tax rate. During 2024 the District continued to lease buildings and ambulances to HCEC under a master leasing agreement. In April 2019, a new lease agreement was executed with terms expiring through December 31, 2024, with a renewal option through 2027. Other general revenues includes interest income from the District's investments in money market funds and a public funds investment pool and totaled approximately \$1,032,000 and \$1,080,000 for the years ended December 31, 2024 and 2023, respectively.

The District's major expenditures continue to be payments to HCEC for emergency medical services, which increased approximately \$830,000 over 2023 and totaled approximately \$19.9 million and depreciation expense which totaled approximately \$1.7 million for the year ended December 31, 2024.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

At the end of the current fiscal year, the District's governmental fund (general fund) reported an ending fund position of approximately \$5.3 million, which is a decrease of approximately \$3.8 million from the prior fiscal year due to the ongoing construction of stations 93 and 96. A portion of these funds are considered restricted for debt service (approximately \$1.3 million) with all of the remaining assets in the general fund, approximately \$4 million, being available resources to be used at the District's discretion.

### CAPITAL ASSETS

The following table reflects the District's capital assets activity (rounded to the nearest thousand):

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<b>Capital assets</b>		
Land	\$ 1,755,000	\$ 1,755,000
Construction in progress	7,911,000	1,973,000
Buildings and improvements	15,120,000	16,145,000
Ambulances and other vehicles	3,720,000	3,645,000
Furniture, fixtures and equipment	6,186,000	6,188,000
 Total gross capital assets	 34,692,000	 29,706,000
 Less accumulated depreciation	 (15,594,000)	 (14,866,000)
 Total net capital assets	 \$ 19,098,000	 \$ 14,840,000

Capital assets, net increased during 2024 primarily as a result of construction in progress exceeding annual depreciation expense.

## Harris County Emergency Services District #1 Management's Discussion and Analysis

### LONG-TERM DEBT

The following table reflects the District's long-term debt activity (rounded to the nearest thousand):

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<b>Debt</b>		
Chase Bank note payable	\$ 4,214,000	\$ 4,678,000
Government Capital note payable	4,314,000	4,886,000
<b>Total debt</b>	<b>\$ 8,528,000</b>	<b>\$ 9,564,000</b>

The District's debt relates to the construction of three new EMS facilities and equipment financing. During 2024 and 2023, the District did not enter into any new debt.

The District continued to make scheduled payments in accordance with the debt agreements. During 2024, the District made principal payments totaling \$1,036,127 and interest payments totaling \$154,280.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Commissioners approves the annual budget of the District. The District's budget was not amended during 2024.

The District budgets conservatively. Revenues are budgeted based on historic trends and the adopted levy. General Fund revenues were overall lower than budget as property tax revenue was lower than budget somewhat offset by interest income exceeding budget. Overall expenditures were also lower than budget as less amounts were reimbursed to HCEC.

### CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The District completed design and permitting in fiscal year 2022 on two additional EMS facilities, Stations 93 and 96. Construction began in 2023 and is expected to be completed in 2025.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Harris County Emergency Services District #1's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ms. Cathy Sunday, Board Chair, 2800 Aldine Bender Rd., Houston, TX 77032.

## Harris County Emergency Services District #1

### Statement of Net Position

<i>December 31, 2024</i>	<u>Primary Government</u> Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,466,269
Investments	7,168,695
Restricted assets - cash and cash equivalents	1,309,448
Property taxes receivable, net	22,385,275
Other receivables	107,952
Lease receivable	1,842,292
Prepaid expenses	89,755
Capital assets, net	19,097,703
Other assets	800,000
<b>Total assets</b>	<b>54,267,389</b>
<b>Liabilities</b>	
Accounts payable	1,883,223
Retainage payable	340,342
Interest payable	16,817
Long-term debt - due in one year	1,053,232
Long-term debt - due in more than one year	7,475,584
<b>Total liabilities</b>	<b>10,769,198</b>
<b>Deferred inflows of resources</b>	
Deferred property tax revenue	24,664,465
Lease revenue	1,808,049
<b>Total deferred inflows of resources</b>	<b>26,472,514</b>
<b>Net Position</b>	
Net investment in capital assets	10,568,887
Restricted for debt service	1,292,631
Unrestricted	5,164,159
<b>Total net position</b>	<b>\$ 17,025,677</b>

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

## Harris County Emergency Services District #1

### Statement of Activities

		Net (Expense) Revenue and Changes in Net Position	
<i>For the year ended December 31, 2024</i>		Program Revenues	Primary Government
Functions/Programs	Expenses	Charges for Services	Governmental Activities
Primary Government			
Governmental activities	\$ 22,777,563	\$ -	\$ (22,777,563)
Total primary government	22,777,563	-	(22,777,563)
General revenues			
Property taxes, levied for general purposes			22,647,816
Lease revenues			643,363
Interest			1,032,107
Contributions and other income			35,188
Total general revenues			24,358,474
Change in net position			1,580,911
Net position, beginning of year			15,444,766
Net position, end of year		\$	17,025,677

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

## Harris County Emergency Services District #1

### Balance Sheet – Governmental Fund

<i>December 31, 2024</i>	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,466,269
Investments	7,168,695
Restricted assets - cash and cash equivalents	1,309,448
Property taxes receivable, net	22,385,275
Other receivables	107,952
Lease receivable	1,842,292
Prepaid expenses	89,755
<b>Total assets</b>	<b>\$ 34,369,686</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 1,883,223
Retainage payable	340,342
<b>Total liabilities</b>	<b>2,223,565</b>
<b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	25,006,777
Lease revenue	1,808,049
<b>Total deferred inflows of resources</b>	<b>26,814,826</b>
<b>Fund balance</b>	
Restricted	1,309,448
Unassigned	4,021,847
<b>Total fund balance</b>	<b>5,331,295</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 34,369,686</b>

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

# Harris County Emergency Services District #1

## Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position

December 31, 2024

Total fund balance - governmental fund	\$	5,331,295
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Amounts reported for governmental activities in the statement of net position are different because:

The communication center license used in governmental activities is not a financial resource and therefore is not reported in governmental fund		800,000
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Capital assets used in governmental activities are not resources and therefore are not reported in governmental funds

Capital assets not being depreciated - land		1,754,584
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Capital assets not being depreciated - construction in progress		7,910,768
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Capital assets being depreciated - buildings and improvements, vehicles, and equipment		25,026,672
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Less accumulated depreciation		(15,594,321)
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Some revenues will not be collected within 60 days after the close of the District's fiscal year end and are not considered "available" revenue in the governmental fund and, therefore, are reported as deferred inflows of resources. In the statement of net position, which is on the full accrual basis, the revenue is fully recognized in the statement of activities.

		342,312
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Debt payable and interest payable are not due and payable in the current period and therefore not reported in the general fund

		(8,545,633)
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Net position of governmental activities	\$	17,025,677
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*The accompanying notes are an integral part of these basic financial statements.*

**Harris County Emergency Services District #1**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance – Governmental Fund**

<i>For the year ended December 31, 2024</i>	General Fund
<b>Revenues</b>	
Property taxes revenue, net	\$ 22,384,642
Lease revenues	643,363
Property taxes penalties and interest	244,022
Interest income	1,032,107
Contributions and other income	103,846
<b>Total revenues</b>	<b>24,407,980</b>
<b>Expenditures</b>	
Current:	
Program expense	19,966,540
Collection fees	109,343
Professional fees	347,964
Appraisal fees	188,235
General and administrative expenses	216,504
Capital outlay	6,123,210
Debt service:	
Principal payment	1,036,127
Interest expense	154,280
<b>Total expenditures</b>	<b>28,142,203</b>
Net change in fund balance	(3,734,223)
Fund balance, beginning of year	9,065,518
<b>Fund balance, end of year</b>	<b>\$ 5,331,295</b>

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



# Harris County Emergency Services District #1

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund to the Statement of Activities

*For the year ended December 31, 2024*

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Net change in fund balance - general fund	\$ (3,734,223)
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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.

Expenditure for capital assets	6,123,210
Depreciation expense	(1,796,761)
Loss on disposal	(68,658)

Note proceeds provide current financial resources to governmental  
funds, but issuing debt increases long-term liabilities in the statement  
of net assets. Repayment of loan principal is an expenditure in the  
governmental fund, but the repayment reduces loans payable in the  
statement of net position.

1,036,127

Some expenses reported in the statement of activities do not require  
the use of current financial resources and therefore are not reported  
as expenditures in the government fund

2,064

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the funds.

This represents the net change in deferred property tax revenue	19,152
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Change in net position of governmental activities	\$ 1,580,911
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*The accompanying notes are an integral part of these basic financial statements.*

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Reporting Entity***

Harris County Emergency Services District #1 (the District) was created on May 4, 1991 by approval of the voters of North Harris County, Texas. The purpose of the District is to provide emergency ambulance services and medical aid, generally within the boundaries of the District in North Harris County. The governing statutes for emergency service districts are Chapter 755 of the Texas Health and Safety Code. The District is not a component unit of another governmental entity. The District is governed by a five-member board of commissioners elected by the residents of North Harris County.

The District has no employees. The governing board is responsible for managing the day to day financial and operational functions of the District.

Effective June 1, 2011 the District created Harris County Emergency Corps (HCEC) and transferred emergency medical services to HCEC.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to government entities. The more significant accounting policies used by the District are described below.

##### ***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District does not have any component units or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and interest earnings are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. The District only has one governmental fund: the general fund. The District does not have any proprietary or fiduciary funds.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 the related cash flow. Annual assessments are recognized as revenues in the year for which they are levied (i.e. intended to finance).

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenue available if it is collected within 60 days after the current fiscal year end. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

##### ***Government-Wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated.

##### ***Fund Financial Statements***

The fund financial statements provide information about the District's funds. The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government which are used to implement the District's adopted budget.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Budget and Budgetary Accounting***

Prior to the start of each fiscal year, the District's Board of Commissioners adopts an annual unappropriated budget for the General Fund. The budget is prepared using the same method of accounting in accordance with accounting principles generally accepted in the United States of America. Any revisions to the budget have to be approved. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

##### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance***

###### ***Cash and Cash Equivalents***

The District's cash and cash equivalents are considered to be cash on hand, and demand and time deposits held in banks with original maturities of three months or less from the date of acquisition.

###### ***Investments***

Investments of the District consist of Texas Cooperative Liquid Assets Securities System (Texas CLASS), a local government investment pool created to meet the cash management and short-term investment needs of Texas governmental entities. Portfolio assets aim to comply with the Public Funds Investment Act, Texas Government Code (PFIA). Texas CLASS is administered by Public Trust Advisors, LLC and Wells Fargo Bank serves as the Custodian.

Investments for the District meet all of the specified criteria in GASBC Section 150: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the value of the District's position of its pools is the same as the fair value of the pool shares.

The Board of Commissioners has adopted a written investment policy regarding the investments of its funds as defined in the Public Funds Investment Act of 1997 (Chapter 2256, Texas Government Code). Such investments include (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) local government investment pools; and (4) various other items that comply with the Public Funds Investment Act and the District's investment policy.

###### ***Restricted Assets***

Certain amounts of cash and cash equivalents are classified as restricted cash and cash equivalents because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Restricted assets are set aside for the repayment of the annual debt service on the District's notes payable.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)*

###### *Receivables*

Tax receivables – Amounts due from tax collector are recorded in the general fund for annual assessments levied during the current and prior tax rolls not collected before year-end.

Allowance for delinquent accounts - Tax receivables have been reported net of the allowance for delinquent accounts. Tax receivables in excess of one year are subject to being considered uncollectible.

Lease receivables - The District's lease receivables are measured at the present value of lease payments expected to be received during the least term.

Patient services receivables – Amounts due from providing emergency medical services to individuals prior to contracting with HCEC, a non-profit corporation, to provide such services. Patient service receivables have been fully reserved.

Other receivables – Revenue earned at year-end and not yet remitted primarily related to expense reimbursements and services provided.

###### *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

###### *Capital Assets*

Capital assets are reported 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 one year.

Land and construction in progress are not depreciated. The other property, plant, equipment, of the District are depreciated using the straight line method over the following estimated useful lives: 20 years for buildings, 10 years for improvements and 3 to 5 years for other depreciable assets. Costs of minor repairs and maintenance are charged to expense when incurred.

In the fund financial statements, capital assets used in the governmental fund are accounted for as capital outlay expenditures upon acquisition.

###### *Long-term debt*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities.

In the governmental fund financial statements, debt proceeds are reported as other financing sources. The payments of principal and interest are reported as expenditures.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)*

###### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows as of December 31, 2024.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include the subsequent year's property tax revenue and lease revenue. The deferred inflow for leases is related to the leases receivable and is being amortized to leases revenue in a systematic and rational manner over the term of the lease. The District's collection or billing of the subsequent year's property tax represents an acquisition of net position or fund balance that applies to a future period and thus, will not be recognized as an inflow of resources (revenue) until that time.

###### *Leases*

Lease contracts that provide HCEC with control of non-financial assets for a period of time in excess of twelve months are reported as a deferred inflow of resources with a related lease receivable in the government-wide financial statements and fund financial statements. The lease receivable is recorded at the present value of the future lease payments. The deferred inflow of resources is recorded for the same amount as the related lease receivable plus any prepayment and incentives paid. The lease receivable is reduced for lease payments made less the interest portion of the lease payment. The lessor recognizes lease revenue calculated as the straight-line amortization of the deferred inflow of resources over the lease term. At December 31, 2024 the balance on the lease receivable and deferred inflow of resources totaled \$1,842,292 and \$1,808,049, respectively.

###### *Categories and Classification of Net Position and Fund Balance*

*Net position flow assumptions* - In the government-wide financial statements, the difference between the District's total assets and total liabilities and deferred inflows represents net position. Net position is classified into three components as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings.

Restricted – This component of net position consists of that on which constraints have been placed through external constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)***

##### ***Categories and Classification of Net Position and Fund Balance (Continued)***

Unrestricted - This component of net position consists of resources derived from the collection of property taxes and the collection of medical services provided prior to June 1, 2011. These resources are used for transactions relating to the funding of the ambulance services provided by HCEC and general operations of the District and may be used at the discretion of the board to meet current expenses for any purposes.

*Fund balance flow assumptions* - In the governmental fund financial statements, fund balance is classified based on a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

Restricted fund balance – this classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, laws and regulations or through enabling legislation. The District's balance that is restricted by creditors is to be used for debt service payments for the next twelve months and proceeds received on long-term debt for capital outlay.

Unassigned fund balance – this classification includes amounts that have not been assigned to other funds and have not been restricted, committed, or assigned for specific purposes within the general fund.

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

##### ***Revenues and Expenditures/Expenses***

*Program revenues* – Amounts reported as *program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. All taxes, including those dedicated for specific purposes, interest earnings, lease revenues, and other internally designated resources are reported as general revenues rather than as program revenues.

The District's property tax is levied each October 1<sup>st</sup> on the assessed value listed as of the prior January 1 for all real and personal property located in the tax area of the District. Taxes are due on the receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. These property tax receivables are presented on the statement of net position with offsetting deferred revenue to reflect amounts not collected as of December 31, 2024. The Harris County Tax Assessor and Collector is the collecting agency and remits collections to the District, net of a collection fee.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Revenues and Expenditures/Expenses (Continued)***

###### ***Ambulance and Emergency Service Agreement***

The District has contracted with HCEC, a non-profit corporation, to furnish emergency medical service and transportation to the District service area. The District acknowledges that a majority of emergency medical services conducted within its service area are to indigent, uninsured or underinsured individuals. Under the terms of the Ambulance and Emergency Service Agreement, the District agreed to serve as the payer of last resort. The District transferred operational responsibility of these emergency services to HCEC and agreed to compensate HCEC for transport services provided to uninsured patients. The District pays HCEC the adjusted average cost of transport (agreed to annually) less any payments received from third parties. The total amount of this compensation is limited to 96% of the District's annual collected tax revenue.

Also under the Ambulance Service Agreement the District agrees to lease real and emergency service equipment under master leases to HCEC. The District also agrees to purchase two new ambulances annually.

Effective April 1, 2019, the District and HCEC entered into a new agreement at substantially the same terms expiring December 31, 2024 with an option to extend the agreement through December 31, 2027.

###### ***Federal Income Tax***

The District is a political subdivision of the State of Texas and is exempt from federal income taxes.

###### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for delinquent accounts.

###### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 29, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Recently Issued Accounting Pronouncements*

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In December 2023, the GASB issued GASB Statement No 102, Certain Risk Disclosures. This Statement established financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement apply to the financial statements of all state and local governments, and is effective for fiscal years beginning after June 15, 2024.

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. This Statement is to improve key components of the financial reporting model, such as 1) presentation of certain information in the management's discussion and analysis (MD&A) and its quality of the analysis, 2) requires a separate presentation of unusual or infrequent items, 3) requires the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position to include a subtotal for operating income (loss) and noncapital subsidies before reporting other nonoperating revenues and expenses, 4) requires presentation of each major component unit financial information separately, and 5) requires budgetary comparison information (RSI) be presented as required supplementary information and also present (a) variances between original and final budget amounts and (b) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale, such as (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

The District is evaluating the requirements of these statements and impact on reporting.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 2: DETAILED NOTES ON THE GENERAL FUND

##### *Deposits and Investments*

As of December 31, 2024, the carrying amount of the District's deposits with financial institutions totaled \$2,775,717 and the bank balances totaled \$2,775,717. The amount in excess of federal deposit insurance of \$2,525,717 was fully collateralized by securities held by the pledging financial institution. Custodial credit risk for deposits with financial institutions is the risk that in the event of the failure of a depository financial institution the District may not be able to recover deposits. The District's investment policy requires pledging of collateral for all bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits.

Certain amounts of cash and cash equivalents are restricted by loan agreements. The debt agreements require the next twelve months of debt service, at 110%, be set aside for all debt in which future Ad Valorem taxes serve as collateral and totaled \$1,309,448 as of December 31, 2024.

Investments that are obligations of or guaranteed by the U.S. Government do not require disclosure of credit quality. The District's investment in the Texas CLASS, local government investment pool created under the Interlocal Cooperation Act, is rated AAAM by Standard & Poor's, and maintains a weighted average maturity of 60 days or less. The District considers the investments to have maturities of less than one year due to the fact that share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. As of December 31, 2024, the District held \$7,168,695 in Texas CLASS.

Texas CLASS is specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The program seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools.

Under GASBC Section 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of December 31, 2024, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the District's access to 100 percent of their account value in the external investment pool.

*Credit risk* – Credit risk is the possibility that the issuer of a security will fail to make timely payments of interest or principal. To minimize credit risk, Texas CLASS investment policies restrict investments of the portfolio into designated investments only. Market risk is the potential for a decline in market value generally due to, but not limited exclusively to, rising interest rates.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 2: DETAILED NOTES ON THE GENERAL FUND (Continued)

##### ***Deposits and Investments (Continued)***

*Interest Rate Risk* - Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District's investment policy limits its exposure to interest rate risk by structuring its portfolio to provide safety and liquidity of funds while maximizing yields for operating funds not immediately needed. The investment policy limits the maximum stated maturity on any investments to six months.

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The District's investment policy does not limit the amount of funds that may be invested in any authorized investment.

##### ***Receivables***

Accounts receivable and the related allowance for doubtful accounts consist of the following:

<i>December 31,</i>	2024
Patient services receivable	\$ 63,984,735
Less allowance for doubtful accounts	(63,984,735)
Patient services receivable, net	\$ -
Property taxes receivable	\$ 24,288,295
Less allowance for doubtful accounts	(1,903,020)
Property taxes receivable, net	\$ 22,385,275

The allowance for doubtful accounts for patient services receivable is based upon management's estimate. The allowance for property taxes receivable is based upon historical experience in collecting property taxes (Note 4).

##### ***Other Assets***

Other assets consist of an emergency communication center. The District acquired the communication center license for \$800,000 which is recorded in the statement of net position as other assets. The license is perpetual and is not required to be reported as a capital asset because it is used to generate revenue for the District. The communication center receives emergency calls and dispatches the appropriate emergency services team. HCEC uses the communication center under the facility lease with the District and assumed the contracts with local volunteer fire departments. The District evaluates intangible assets for impairment annually. Management believes there has been no impairment to the communication license, and accordingly no provision for impairment has been made.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 2: DETAILED NOTES ON THE GENERAL FUND (Continued)

##### **Capital Assets**

Capital assets activities for the year ended December 31, 2024 were as follows:

<i>December 31,</i>	Balance January 1, 2024	Increases	Decreases	Balance December 31, 2024
Capital assets, not being depreciated				
Land	\$ 1,754,584	\$ -	\$ -	\$ 1,754,584
Construction in progress	1,973,315	5,937,453	-	7,910,768
Capital assets, not being depreciated	3,727,899	5,937,453	-	9,665,352
Capital assets, being depreciated				
Buildings and improvements	16,144,655	-	(1,023,863)	15,120,792
Ambulances and other vehicles	3,644,955	147,508	(72,543)	3,719,920
Furniture and equipment	6,188,094	38,249	(40,383)	6,185,960
Capital assets, being depreciated	25,977,704	185,757	(1,136,789)	25,026,672
Less accumulated depreciation for				
Buildings and improvements	(7,238,204)	(737,584)	955,205	(7,020,583)
Ambulances and other vehicles	(2,759,088)	(345,702)	72,543	(3,032,247)
Furniture and equipment	(4,868,399)	(713,475)	40,383	(5,541,491)
Total accumulated depreciation	(14,865,691)	(1,796,761)	1,068,131	(15,594,321)
Total capital assets being depreciated, net	11,112,013	(1,611,004)	(68,658)	9,432,351
Government Activities - capital assets, net	\$ 14,839,912	\$ 4,326,449	\$ (68,658)	\$ 19,097,703

Depreciation expense for the year ended December 31, 2024 totaled \$1,796,761.

##### **Long-Term Debt**

During 2018, the District acquired a note payable with Government Capital Corporation, (Government Capital) of \$7,000,000, with an interest rate of 3.45%, for the construction of two EMS facilities. Semi-annual payments, including interest, of \$300,430 were due on May 15 and November 15 of each year through 2033. During 2020, the District refinanced the Government Capital note payable with Chase Bank for \$6,251,875, with an interest rate of 1.40%. The District expects to achieve approximately \$877,000 in interest savings with the refinancing of the debt over the next 13 years. Semi-annual payments, including interest, of \$263,840 are due on May 15 and November 15 of each year through May 2033. The District can make prepayments on the note without penalty subsequent to November 15, 2025. The note is secured by the ad valorem tax revenues.

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 2: DETAILED NOTES ON THE GENERAL FUND (Continued)

##### *Long-Term Debt (Continued)*

During 2021, the District acquired a note payable with Government Capital Corporation (Government Capital) of \$6,000,000, with an interest rate of 1.85%, for the construction of two EMS facilities. Annual payments, including interest, of \$662,728 are due on November 19 of each year through 2031. The note is secured by the ad valorem tax revenues.

Long-term debt activities for the year ended December 31, 2024 were as follows:

	Balance January 1, 2024	Increase	Decrease	Balance December 31, 2024	Current Portion
Notes payable					
Chase Bank	\$ 4,678,606	\$ -	\$ (463,798)	\$ 4,214,808	\$ 470,313
Government Capital	4,886,337	-	(572,329)	4,314,008	582,919
<b>Total notes payable</b>	<b>\$ 9,564,943</b>	<b>\$ -</b>	<b>\$ (1,036,127)</b>	<b>\$ 8,528,816</b>	<b>\$ 1,053,232</b>

Future annual payments for the District's long-term debt are as follows:

Years ending December 31,	Notes Payable		Total
	Principal	Interest	
2025	\$ 1,053,232	\$ 137,176	\$ 1,190,408
2026	1,070,623	119,785	1,190,408
2027	1,088,307	102,101	1,190,408
2028	1,106,288	84,120	1,190,408
2029	1,124,571	65,836	1,190,407
2030-2033	3,085,795	86,540	3,172,335
<b>Total future payments</b>	<b>\$ 8,528,816</b>	<b>\$ 595,558</b>	<b>\$ 9,124,374</b>

## Harris County Emergency Services District #1

### Notes to Financial Statements

#### NOTE 3: LEASE REVENUE

The District leases properties and vehicles under non-cancellable arrangements to HCEC expiring December 31, 2024 with an option to renew the arrangement through December 31, 2027. The District is reasonably certain that HCEC will exercise this renewal option. Property and equipment under leases consist of substantially all capital assets held by the District. In accordance with the provisions of GASB Statement No. 87, the lease was measured on January 1, 2022, date of implementation, with a lease term of 6 years and an interest rate of 1.85%, the District's estimated incremental borrowing rate for HCEC. There was no interest rate specified in the lease agreements. The lease for properties calls for monthly payments of \$45,553. The lease for vehicles calls for monthly payments of \$7,000. For the year ended December 31, 2024, the District recognized \$602,683 in lease revenue and \$40,680 in lease interest revenue which have been reported as lease revenue in the accompanying financial statements.

Annual requirements to amortize the lease receivable and related interest are as follows:

<i>For the years ending December 31,</i>	Principal	Interest	Total
2025	\$ 600,963	\$ 29,673	\$ 630,636
2026	612,176	18,460	630,636
2027	629,153	1,483	630,636
Total minimum lease payments	\$ 1,842,292	\$ 49,616	\$ 1,891,908

#### Note 4: PROPERTY TAXES

For the 2024 tax year (fiscal year 2025), the District levied an assessment of \$0.084477 per \$100 of assessed valuation, resulting in an adjusted assessment of \$24,664,465 on the assessment valuation of approximately \$29,196,662,000. As of December 31, 2024, \$8,735,858 of the 2024 assessment has been collected and applied against the property tax receivable balance outstanding. The current assessed value is preliminary and the District expects that the tax collector will adjust values as protested value and additional properties are identified. Revenue recognition for the 2024 assessment has been fully deferred to 2025 the fiscal year in which the funds are levied (intended to finance).

The \$1,903,020 allowance for uncollectible taxes is based upon historical experience in collecting property taxes.

#### NOTE 5: TRANSACTION WITH HARRIS COUNTY EMERGENCY CORPS

Under the terms of the Ambulance and Emergency Service Agreement, during the year ended December 31, 2024, the District recorded program expenses totaling \$19,966,540 consisting of payment to HCEC for services provided, of which \$1,621,996 is due to HCEC as of December 31, 2024, and is included in accounts payable on the accompanying financial statements.

## **Harris County Emergency Services District #1**

### **Notes to Financial Statements**

#### **NOTE 5: TRANSACTION WITH HARRIS COUNTY EMERGENCY CORPS (Continued)**

The District has entered into a lease agreement with HCEC for the use of various other properties and leases ambulances and vehicles under another lease agreement. During 2024, the District received rental income for the property and capital assets totaling \$643,363. (See Note 3).

Upon transferring operations to HCEC on June 1, 2011, the District agreed to donate to HCEC all cash received from collections of patient services receivable as of June 1, 2011. During 2024, there were no collected receivables donated to HCEC.

#### **NOTE 6: TRANSACTIONS WITH COMMISSIONERS**

Commissioners are reimbursed a maximum of \$7,200 annually for their service. Reimbursements totaled \$32,400 for the year ended December 31, 2024, and are included in general and administrative expenses on the accompanying financial statements.

#### **NOTE 7: RISK MANAGEMENT**

The District 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. The District provides insurance coverage for each of those risks of loss through its general liability, umbrella, and directors and officers policies. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

#### **NOTE 8: CONSTRUCTION COMMITMENTS**

In June 2023, the District entered into a construction contract totaling \$6,919,000 for the construction of two new EMS facilities. As of December 31, 2024, amounts remaining under this contract, including retainage, totaled \$600,000. The District expects construction to be completed during 2025.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Harris County Emergency Services District #1**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance – Budget to Actual – General Fund**

<i>For the year ended December 31, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property taxes revenue, net	\$ 23,259,521	\$ 23,259,521	\$ 22,384,642	\$ (874,879)
Lease revenues	630,636	630,636	643,363	12,727
Property taxes penalties and interest	200,000	200,000	244,022	44,022
Interest income	796,800	796,800	1,032,107	235,307
Contributions	12,000	12,000	10,037	(1,963)
Other income	9,000	9,000	93,809	84,809
<hr/>				
Total available revenues	24,907,957	24,907,957	24,407,980	(499,977)
<b>Expenditures</b>				
Program expense	22,521,140	22,521,140	19,966,540	2,554,600
Collection fees	75,000	75,000	109,343	(34,343)
Professional fees	260,000	260,000	347,964	(87,964)
Appraisal fees	160,000	160,000	188,235	(28,235)
General and administrative expenses	182,550	182,550	216,504	(33,954)
Capital outlay	7,110,000	7,110,000	6,123,210	986,790
Depreciation expense	2,750,000	2,750,000	-	2,750,000
Debt service				
Principal payments	1,037,000	1,037,000	1,036,127	873
Interest expense	154,280	154,280	154,280	-
<hr/>				
Total expenditures	34,249,970	34,249,970	28,142,203	6,107,767
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<b>Excess of revenues over expenditures</b>	<b>\$ (9,342,013)</b>	<b>\$ (9,342,013)</b>	<b>\$ (3,734,223)</b>	<b>\$ 5,607,790</b>