

**HENDERSON COUNTY EMERGENCY
SERVICES DISTRICT No. 12
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

HENDERSON COUNTY EMERGENCY SERVICES DISTRICT No. 12
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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Henderson County Emergency Services District No. 12

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of Henderson County Emergency Services District No. 12 as of and for the year ended September 30, 2025, 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 the major fund of Henderson County Emergency Services District No. 12, as of September 30, 2025, 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. 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 Henderson County Emergency Services District No. 12 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 Henderson County Emergency Services District No. 12'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 opinion. 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 Henderson County Emergency Services District No. 12'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 Henderson County Emergency Services District No. 12'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 budgetary comparison information 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.

Acker & Company

ACKER & COMPANY
Certified Public Accountants, PC
Tyler, Texas
January 23, 2026

Henderson County Emergency Services District No. 12 MANAGEMENT'S DISCUSSION AND ANALYSIS

As commissioners of the Henderson County Emergency Services District No. 12 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which begin on page 9. Any references made in this discussion and analysis to the 'current year' or 'current period' refers to the year ended September 30, 2025.

The annual report consists of the Management's Discussion and Analysis, the basic financial statements, and required supplementary information, consisting of the Budgetary Comparison Schedule – General Fund. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program.

OVERALL HIGHLIGHTS

The District was created to provide fire suppression, fire prevention, first response, and rescue and fire education services for the residents of the District. The District was formed at the beginning of 2023 as a result of a special election held on November 8, 2022 and passed by the residents of the District. It is governed by a Board of Commissioners (Board) and has a fiscal year ending on September 30, which coincides with the fiscal year end of the county government. The District contracts with the Chandler Volunteer Fire Department, Inc. (CVFD) to provide the emergency services for the District's territory.

Funding for the District is provided by tax revenues assessed on property owned by residents of the District. The actual tax rate was set at .094099 based on the Budget established in September 2024 for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$(216,581), a decrease of \$594,693 from prior year. The entire net position is unrestricted.
- The District's total revenues were \$514,522 and total expenses were \$1,109,215.
- The District's governmental fund reported an ending fund balance of \$564,037, an increase of \$194,576 from prior year. The entire fund balance is unassigned.
- The District's governmental fund had total revenues of \$1,358,605, which includes loan proceeds, and governmental fund expenses were \$1,164,029.

Total assessed property value for 2025 was \$526 million and the amount of property taxes estimated to be paid at the beginning of the year was \$497,343. The amount actually collected by the county tax collector, including delinquent taxes, as of September 30, 2025 was \$493,641.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion is intended to serve as an introduction to the District's basic financial statements which have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to these basic financial statements.

Henderson County Emergency Services District No. 12 MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the accrual basis of accounting is used, which is similar to the accounting used by most private sector companies. Some expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. The fund financial statements can be found on pages 11 through 13 and provide detailed information about the most significant funds, not the District as a whole. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one major fund, which is the general fund, and is reported as a governmental fund.

Governmental fund

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. For example, under the modified accrual basis of accounting, property taxes collected within sixty days after the current period are recognized as a receivable and as revenue for the current period if collected in time to pay current-period liabilities.

The government fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations found on pages 11 and 13.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year.

**Henderson County Emergency Services District No. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Budgeting

Each year the District adopts a budget for its General Fund. A budgetary comparison has been provided for the General Fund and can be found on page 22 of this report.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The largest portion of the District's assets (97%) represents its cash balance.

Henderson County Emergency Services District No. 12
Summary Statement of Net Position

	2025 Governmental Activities
Current Assets	
Cash and Cash Equivalents	\$ 564,037
Property & Sales Taxes Receivable	14,568
Noncurrent Assets	
Capital Assets, net of Accumulated Depreciation	-
Total Assets	\$ 578,605
Current Liabilities	
Accounts Payable	\$ -
Notes payable, Current Portion	112,199
Total Current Liabilities	112,199
Noncurrent Liabilities	
Notes Payable	682,987
Total Noncurrent Liabilities	682,987
Total Liabilities	795,186
Net Position	
Invested in Capital Assets, net of Related Debt, Depreciation	-
Restricted for:	
Debt service	-
Unrestricted	(216,581)
Total Liabilities and Net Position	\$ 578,605

**Henderson County Emergency Services District No. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental activities decreased the District's net position by \$514,693. Total revenues from governmental activities amounted to \$514,522. The following table provides a summary of the District's operations for the year ended September 30, 2025.

**Henderson County Emergency Services District No. 12
Changes in Net Position**

	2025 Governmental Activities
Revenues:	
Property Taxes	\$ 499,558
Other Income	14,964
	514,522
Total Revenues	
Expenses:	
General Government & Administration	55,011
Contractual Obligations (Volunteer Fire Department)	204,204
Support – Fire Truck (Volunteer Fire Department)	850,000
Total Expenses	1,109,215
Increase (Decrease in Net Position)	(594,693)
Net Position-Beginning	378,112
Net Position-Ending	\$ (216,581)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

At the end of the current period, the District's governmental fund reported total fund balances of \$(216,581), a decrease of \$594,693 from prior year.

General Fund Budgetary Highlights

For the year ending September 30, 2025, the general fund revenues were \$867,388 more than budgeted primarily due to loan proceeds to buy the fire truck. Total general fund expenses were over budget by \$659,669. The majority of this amount was due to high capital outlay for the CVFD compared to the prior year.

**Henderson County Emergency Services District No. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OTHER OPERATING & ECONOMIC FACTORS

The District's Board works closely with the CVFD Board. Based on the needs of the citizens of the District and recommendations of CVFD, a Budget was established for the fiscal year ended September 30, 2025 and is included at the end of this report as supplemental information. An annual interlocal contract agreement was executed on December 18, 2024 for the fiscal year ended September 30, 2025.

The Board has generally established that the District will reimburse the CVFD for pre-approved costs incurred for capital and large-ticket items (training and equipment) as established by the terms of the contract and the Budget. The assets will be titled in the name of the CVFD. When the assets are sold, the proceeds are transferred to the District since the District reimbursed the CVFD for the purchase.

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of Commissioners
P.O. Box 1768
Chandler, Texas 75758

HENDERSON COUNTY EMERGENCY SERVICES DISTRICT No. 12
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 564,037
Property Taxes Receivable	14,568
Total Current Assets	<u>578,605</u>
Noncurrent Assets:	
Capital Assets, Net of Depreciation	-
Total Noncurrent Assets	<u>-</u>
Total Assets	<u><u>\$ 578,605</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ -
Notes Payable, Current Portion	112,199
Total Current Liabilities	<u>112,199</u>
Noncurrent Liabilities:	
Notes Payable	682,987
Total Noncurrent Liabilities	<u>682,987</u>
Total Liabilities	<u><u>795,186</u></u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	\$ -
Unrestricted	(216,581)
Total Net Position	<u>(216,581)</u>
Total Liabilities and Net Position	<u><u>\$ 578,605</u></u>

See accompanying notes to financial statements.

HENDERSON COUNTY EMERGENCY SERVICES DISTRICT No. 12
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Net Revenue (Expenses) and Changes in Net Position Governmental Activities
Governmental Activities		
General Government & Administration	\$ 55,011	\$ (55,011)
Contractual Obligations (Volunteer Fire Department)	204,204	(204,204)
Support - Fire Truck (Volunteer Fire Department)	850,000	(850,000)
Total Governmental Activities	\$1,109,215	\$ (1,109,215)
General Revenues		
Property Taxes		499,558
Other Income		14,964
Total General Revenues		514,522
Change in Net Position		(594,693)
Net Position - Beginning		378,112
Net Position - Ending		\$ (216,581)

See accompanying notes to financial statements.

HENDERSON COUNTY EMERGENCY SERVICES DISTRICT No. 12
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 564,037
Property Taxes Receivable	14,568
Total Assets	\$ 578,605
LIABILITIES	
Accounts Payable	\$ -
Deferred Revenue	14,568
Total Liabilities	14,568
FUND BALANCES	
Assigned	
Unassigned	\$ 564,037
Total Fund Balances	564,037
Total Liabilities and Fund Balances	\$ 578,605

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position:

Total Governmental Fund Balance	564,037
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes Receivable	14,568
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes Payable	(795,186)
Net Position of Governmental Activities	\$ (216,581)

See accompanying notes to financial statements.

HENDERSON COUNTY EMERGENCY SERVICES DISTRICT No. 12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund
Revenues:	
Property Taxes	\$ 493,641
Other Income	14,964
Total Revenues	508,605
Expenditures:	
Current	
General Government and Administration	
Appraisal Fees	-
Accounting	1,100
Auditing	9,750
Attorney Fees	5,100
Advertising/Legal Notices	555
Dues & Fees	1,959
Insurance	1,292
Interest	12,781
Office Expense	4,130
Postage	64
Professional Fees	13,628
Repair & Maintenance	-
Supplies	441
Tax Assessor Fee	-
Training/Travel	3,849
Uniforms	362
Treasury Bond Expense	-
Total General Government and Administration	55,011
Contractual Obligations (Chandler Volunteer Fire Department)	204,204
Capital Outlay (Chandler Volunteer Fire Department)	850,000
Debt Service	54,814
Total Expenditures	1,164,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	(655,424)
Other Financing Sources (Uses):	
Proceeds From Loan	850,000
Total Other Financing Sources (Uses)	850,000
Excess (Deficiency) of Revenues and Other Sources	
Over Expenditures and Other Uses	194,576
Fund Balance - Beginning	369,461
Fund Balance - Ending	\$ 564,037

See accompanying notes to financial statements.

HENDERSON COUNTY EMERGENCY SERVICES DISTRICT No. 12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	\$ 194,576
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures and sales of capital assets as revenues while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital Asset Purchases Capitalized	-
Depreciation Expense	-
Changes in assets deferred in the funds but recognized in the Statement of Net Position:	
Property Tax Receivable	5,917
Governmental funds report capital financing as revenues while governmental activities do not:	
Capital Financing	(850,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Principal Payments	54,814
Change in Net Position of Governmental Activities	\$ (594,693)

See accompanying notes to financial statements.

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Henderson County Emergency Services District No. 12 (the District) relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to states and local governments. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below:

A. FINANCIAL REPORTING ENTITY

The District is a special purpose district provided for in the Texas Health and Safety Code, Chapter 775. The District was created and operates under Article 111 Section 48-e, of the Texas Constitution, as proposed by S.J.R. No. 37, Acts of the 70th Legislature, Regular Session, 1987. The District was formed at the beginning of 2023 as a result of a special election held on November 8, 2022 and passed by the residents of the District. The District's purpose is to fund fire protection, emergency medical services, fire suppression, and rescue and fire education services for the residents of the District. The District contracted the Chandler Volunteer Fire Department, Inc. (CVFD) to provide emergency services for the District. The District is a governmental unit of the state of Texas and is not subject to federal taxes under the Internal Revenue Code. Furthermore, it is not subject to state sales tax.

The District is governed by a Board of Commissioners that acts as the authoritative and legislative body of the entity. The Board of Commissioners elects officers for the following positions: President, Vice-President, Treasurer, Assistant Treasurer, and Secretary. No board member receives compensation for serving on the Board.

The definition of the reporting entity is based primarily on the notion 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 is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Some organizations are included as component units because of their fiscal dependency on the primary government.

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. FINANCIAL REPORTING ENTITY (continued)

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. The District does not meet the criteria for inclusion as a component of any entity, nor does any entity meet the criteria for inclusion as a component unit of the District.

B. BASIS OF PRESENTATION

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report information for the District as a whole. Governmental activities are generally financed through inter-governmental and non-exchange revenues (property taxes). Funding for the District is provided by property tax revenues assessed on property owned by residents of the District and sales taxes collected from businesses in the District.

Government Fund Financial Statements

Separate financial statements are provided for governmental funds. The only fund of the financial reporting entity is the General Fund. The General Fund is the primary operating fund of the District and is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of Texas and as authorized by the District Board of Commissioners.

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 the related cash flows.

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." Measurable means knowing or being able to reasonably estimate the amount. 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.

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For this purpose, the District considers property tax revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Expenses/Expenditures

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

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with a maturity of three months or less at the date of purchase and treasury bills with a maturity of twelve months or less at the date of purchase. The District has interest bearing cash accounts on deposit with local banks.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. In the government fund statement receivables consist of uncollected, unearned revenues at year-end, as well as property taxes that are collected within sixty days of the end of the current fiscal period and are considered to be available to pay liabilities of the current period. The District had \$14,568 in delinquent property taxes receivable as of September 30, 2025.

Capital Assets

General capital assets generally result from expenditures in the governmental funds and are reported as capital outlay expenditures in the government fund statement. These assets are reported on the government-wide statement of net assets at cost, net of depreciation. The District does not have any capital assets at September 30, 2025.

Accrued Liabilities

The District has \$-0- in accrued liabilities on the statement of net position in the current year.

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position

Net position represents the differences between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through external grantors, laws, or regulations of other governments. As of September 30, 2025, the District did not have any borrowings used for the acquisition, construction, or improvement of assets that were in the name of the District. The District has a loan for a fire truck that is titled in the name of the VFD.

Fund Balances - Governmental Funds

Non-spendable fund balance - amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items, if applicable, are properly classified in the Governmental Funds Balance Sheet.

Restricted Fund Balance - represents amounts that can be spent only for specific purposes because they are constrained by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District itself, using its highest level of decision-making authority (i.e., the Board of Commissioners). Committed amounts cannot be used for any other purpose unless the District removes these constraints by taking the same type of formal action.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the District or by an official or body to which the District delegates the authority.

Unassigned Fund Balance - represents that portion of fund equity, which is available for appropriations, in future periods, and is not restricted, committed, or assigned to specific purposes within the general fund.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly, the unassigned fund balance. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed. All of the District's fund balance is unassigned as of September 30, 2025.

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decreases in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District does not have any items that qualify for reporting in this category.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has one item that qualifies for reporting in this category:

Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Budget and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Prior to the beginning of each year, the District prepares a budget. The District has complied with all material budget requirements for the year ended September 30, 2025. An annual budget is adopted by the District's Board of Commissioners using the same basis of accounting as for the fund financial statements. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board formally adopts the budget through passage of an ordinance. The District may amend the budget throughout the year, approving such additional expenditures as may be required. All annual appropriations for the General Fund lapse at the fiscal year-end.

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2025, the District's had \$314,037 in deposits that were not covered by Federal Depository Insurance.

NOTE 3 – PROPERTY TAXES

Property taxes are levied October 1 on the assessed value listed as of January 1 of the same year for all real and business property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to penalties if not paid by February 1 of the year following the levy date. On January 31 of the year following the October 1 levy, a tax lien attached to property to secure the payment of all taxes and penalties are imposed for all unpaid taxes.

The appraisal and recording of all property within the District is the responsibility of the Henderson County Appraisal District (HCAD), an independent governmental unit. Under an interlocal Cooperation Agreement for Ad Valorem Tax Collection Services (ICA) between Henderson County and the District, property taxes are collected by Peggy Goodall, Henderson County Tax Assessor Collector and forwarded to the District. The HCAD, on behalf of the county, charged the District an appraisal fee of five cents per parcel located within the District for the 2024-2025 fiscal years as per the aforementioned ICA.

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 3 – PROPERTY TAXES (continued)

The property tax rates, established in accordance with state laws, were based on 100% of the net appraised valuation of real property within the District on the 2024 tax roll. The assessed value of the 2024 roll, upon which the current fiscal year was based, was \$526 million.

The tax rates assessed for the current period, to finance general fund operations for the fiscal year ended September 30, 2025, was \$0.094099 per \$100 valuation of assessed property. This amount was \$497,343 per the Tax Assessor.

Per Government Accounting Standards, property taxes are recognized as revenues when levied. Under the accrual basis of accounting (government-wide financial statement), property tax revenue is recognized on October 1 of the current year. However, under the modified accrual basis (government fund statement), property tax is recognized as revenue only when it is both "measurable and available." Revenues that are collected within sixty days of the end of the current fiscal period are considered to be available if used to pay liabilities of the current period.

Delinquent property taxes are not recognized as revenues in the General Fund until received. Delinquent taxes receivable is recorded in taxes receivable with a corresponding entry in deferred revenue until recognized. As such, no allowance for uncollectible taxes is provided for in the general purpose financial statements. Delinquent taxes at September 30, 2025 were \$14,568.

On the government fund statements, the District recognized taxes collected in October 2025 of \$493,641 as revenue. However, uncollected property taxes of \$14,568 as of September 30, 2025, are recognized as revenue in the government-wide financial statement and as deferred revenue in the government fund statement.

NOTE 4 – LONG TERM DEBT

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
3/06/25 Note payable to U-Bank, 3.090% interest, annual principal and interest payments of \$11,266. Secured by the EDS's ad valorem taxes.	112,199	682,987	795,186
<u>Total</u>	<u>\$ 112,199</u>	<u>\$ 682,987</u>	<u>\$ 795,186</u>

Henderson County Emergency Services District No. 12
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 4 – LONG TERM DEBT (continued)

Future maturities of long-term debt are as follows for September 30:

	PRINCIPAL	TOTAL INTEREST	TOTAL DEBT SERVICE
2026	\$ 115,715	\$ 19,475	\$ 135,190
2027	119,342	15,848	135,190
2028	123,082	12,108	135,190
2029	126,940	8,250	135,190
2030	130,918	4,272	135,190
2031-2032	66,990	605	67,595
	\$ 682,987	\$ 60,558	\$ 743,545

SUBSEQUENT EVENTS

Management has evaluated all subsequent events for disclosure and/or recognition through January 23, 2026, the date of the *Independent Auditor's Report*, which is the date the financial statements were available to be issued.

HENDERSON COUNTY EMERGENCY SERVICES DISTRICT No. 12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Property Taxes	\$ 491,217	\$ 491,217	\$ 493,641	\$ 2,424
Proceeds From Loan	\$ -	\$ -	\$ 850,000	\$ 850,000
Other Income	-	-	14,964	14,964
Total Revenues	491,217	491,217	1,358,605	867,388
Expenditures:				
Appraisal Fees	-	-	-	-
Accounting	-	-	1,100	(1,100)
Auditing	-	-	9,750	(9,750)
Attorney Fees	3,500	3,500	5,100	(1,600)
Advertising/Legal Notices	-	-	555	(555)
Dues & Fees	-	-	1,959	(1,959)
Insurance	2,500	2,500	1,292	1,208
Interest	-	-	12,781	
Office Expense	-	-	4,130	(4,130)
Postage	-	-	64	(64)
Professional Fees	-	-	13,628	(13,628)
Repair & Maintenance	-	-	-	-
Supplies	200	200	441	(241)
Tax Assessor Fee	-	-	-	-
Training/Travel	2,500	2,500	3,849	(1,349)
Uniforms	-	-	362	
Debt Service	120,000	120,000	54,814	65,186
Total Expenditures	128,700	128,700	109,825	32,018
Contingency	241,217	241,217	-	241,217
Emergency Services (Chandler VFD)	121,300	121,300	204,204	(82,904)
Capital Outlay	-	-	850,000	(850,000)
Total Expenditures	491,217	491,217	1,164,029	(659,669)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures (Non-GAAP)	\$ -	\$ -	\$ 194,576	\$ 207,719
Unused funds available from 2024	\$ 369,462	\$ 369,462		
Financial Statement Adjustments:				
Debt Service			54,814	
Capital Outlay Contributed to VFD			(850,000)	
Change in Property Taxes Receivable			5,917	
Excess of Revenues over Expenditures (GAAP Basis)			(594,693)	
Net Position - Beginning (GAAP Basis)			378,112	
Net Position - Ending (GAAP Basis)			\$ (216,581)	

See accompanying notes to financial statements.

Henderson County Emergency Services District No. 12
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY PROCESS
September 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Process

The budgetary process has not historically been prescribed by law. However, Texas Health and Safety Code, Section 776.05 was amended on June 17, 2012 by Senate Bill 917 to read "The board may not set the tax rate for a fiscal year before the date the board adopts a budget for that fiscal year." The Board approved in September 2024 the budget for the fiscal year ended September 30, 2025 based on the known property tax assessment available for the year and the tax rate was set accordingly.

Estimated Resources

As part of the District's budgetary process, the Board approves the official estimated revenues projected for the District. The estimated revenue is calculated from information from the Henderson County Appraisal District.

Appropriations

Estimated appropriations are prepared for the annual budget. All appropriations, no matter how small or how large, must be approved by the Board before remittance, whether or not they are included in the budget.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between budgetary basis and GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary process, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.