

**LIMESTONE COUNTY EMERGENCY
SERVICES DISTRICT #2**

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

Limestone County Emergency Services District #2
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September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Limestone County Emergency Services District #2

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Limestone County Emergency Services District #2 (the District) as of and for the year ended September 30, 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 the general fund of Limestone County Emergency Services District #2 as of September 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 budgetary comparison information on pages 3-8 and 24-26 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Frank Campos & Associates PLLC

Frank Campos & Associates, PLLC
Palestine, Texas
February 25, 2025

Limestone County Emergency Services District #2

Management's Discussion and Analysis

September 30, 2024

As commissioners of the Limestone County Emergency Services District #2 (the 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, 2024. 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, 2024.

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 2012 as a result of a special election held on November 2, 2010 and passed by the residents of the District. It is governed by a Board of Commissioners (the Board) and has a fiscal year ending on September 30, which coincides to that of the county government.

Funding for the District is provided by tax revenues assessed on property owned by residents of the District as well as sales tax revenue of 2% of applicable sales within the District. District residents passed a resolution that included a tax rate not to exceed 4 cents on each one hundred dollars valuation of taxable property. The actual tax rate was set at 3.75 cents based on the budget established in August 2023 for the fiscal year ended September 30, 2024. District residents also voted on May 1, 2021 to implement a 2% sales tax within the District, which began on October 1, 2021.

FINANCIAL HIGHLIGHTS

- Total net taxable property value in 2023 for fiscal year 2024 was \$354,466,691 and the amount of property taxes estimated to be paid was \$133,060. The amount actually collected by the county tax collector as of September 30, 2024 was \$133,140 including delinquent taxes and penalties and interest.
- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$743,664 (*net position*). Of this amount, \$519,606 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$166,124.
- At the close of the current fiscal year, the District's general fund reported a fund balance of \$515,355, an increase of \$214,386 in comparison with the prior year. Approximately 31% (\$160,570) of this amount is available for spending at the government's discretion (*unassigned fund balance*).
- Unrestricted fund balance (the total *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was approximately 452% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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.

Limestone County Emergency Services District #2
Management's Discussion and Analysis
September 30, 2024

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent 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 revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Ordinarily both of the government-wide financial statements would distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). However, since the District only has one fund, the general fund, which is a governmental fund, the District does not have a column for business-type activities.

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

Fund financial statements. 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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because 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 similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate between governmental funds and governmental activities.

The District maintains one individual governmental fund – the general fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report. The budgetary comparison schedule and related notes can be found on pages 24 through 26 of this report.

Limestone County Emergency Services District #2
Management's Discussion and Analysis
September 30, 2024

Notes to the financial statements. The notes provide additional information that is necessary to acquire 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 15 through 23 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$743,664, at the close of the most recent fiscal year.

Summary Statement of Net Position

	2024	2023
ASSETS		
Current and other assets	\$ 519,606	\$ 303,710
Capital assets, net	224,058	273,830
Total assets	<u>\$ 743,664</u>	<u>\$ 577,540</u>
NET POSITION		
Net investment in capital assets	224,058	273,830
Unrestricted	519,606	303,710
Total net position	<u>743,664</u>	<u>577,540</u>
Total liabilities and net position	<u>\$ 743,664</u>	<u>\$ 577,540</u>

Current and other assets increased in governmental activities by \$215,896 (71%) from the prior year mostly due to a \$211,566 increase in cash and certificates of deposit as a result of operations. Capital assets decreased in governmental activities by \$49,772 (18%) from the prior year mostly due to current year depreciation of \$37,071 and the sale of a vehicle with a net book value of \$14,000.

A portion of the District's net position totaling \$224,058 (30%) represents its investment in capital assets (e.g., buildings, equipment, and vehicles), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The District allows the West Lake Limestone Volunteer Fire Department (WLLVFD) to use those assets to serve citizens of the District. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining portion of net position totaling \$519,606 (70%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

Limestone County Emergency Services District #2
Management's Discussion and Analysis
September 30, 2024

Summary Changes in Net Position

	2024	2023
REVENUES		
General revenues:		
Property taxes	\$ 134,650	\$ 117,799
Sales taxes	186,889	138,056
Interest income	2,843	80
Total revenues	324,382	255,935
EXPENSES		
Governmental activities:		
General government	31,269	26,524
Emergency services (WLLVFD)	126,989	114,041
Total expenses	158,258	140,565
 Change in net position	 166,124	 115,370
 Net position - beginning of year	 577,540	 462,170
Net position - end of year	<u>\$ 743,664</u>	<u>\$ 577,540</u>

Governmental activities. The overall net position increased \$166,124 (29%) from the prior fiscal year. The reason for this increase is mostly due to a 14% increase in property tax revenue, a 35% increase in sales tax revenue, and only a 13% increase in total expenses.

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 discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose either by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board of Commissioners.

At September 30, 2024, the District's governmental fund reported total fund balance of \$515,355, an increase of \$214,386 in comparison with the prior year. As discussed earlier, the increase is mostly due to an increase in property and sales tax revenue. Approximately 31% (\$160,570) of total fund balance constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable or committed to indicate that it is 1) not in spendable form (\$4,756) or 2) assigned for particular purposes (\$350,029).

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 142% of total general fund expenditures, while total fund balance represents approximately 456% of that same amount.

Limestone County Emergency Services District #2
Management's Discussion and Analysis
September 30, 2024

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year, amendments to the budget were made. These amendments included the following: an overall increase of \$28,000 in budgeted revenue due to a mid-year review of revenue; an overall increase of \$5,795 in budgeted general government expenditures mostly due to an increase in estimated appraisal fees, audit and consulting fees, and insurance; and an overall increase of \$2,205 in budgeted emergency services expenditures mostly due to an estimated increase in apparatus repairs and maintenance, insurance, personal protective equipment, and uniforms.

Final budget compared to actual results. Total actual revenue was more than budgeted revenue by \$49,654. A review of actual expenditures compared to the appropriated expenditures shows that all categories were under-budget except for audit and consulting fees, training and travel, website and notices, apparatus repairs and maintenance, computer and software, office supplies, professional dues, recruiting and personnel, tools and equipment, and uniforms. Total actual expenditures were less than budgeted expenditures by \$14,744.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets for its governmental activities as of September 30, 2024, amounts to \$224,058 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, and vehicles. The total decrease in capital assets of 18% for the current fiscal year was mostly due to current year depreciation of \$37,071 and the sale of a vehicle with a net book value of \$14,000.

Capital Assets

	2024	2023
Buildings	\$ 165,450	\$ 171,741
Equipment	19,650	32,688
Vehicles	38,958	69,401
Total capital assets, net of accumulated depreciation	<u>\$ 224,058</u>	<u>\$ 273,830</u>

Major capital asset events during the current fiscal year included the following:

- Purchase of an AED for \$1,299.
- Sale of vehicle with net book value of \$14,000 for net proceeds of \$4,500.

Additional information on the District's capital assets can be found in Note 4 on page 23 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total debt outstanding of \$0.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board works closely with the WLLVFD Board. During the fiscal year ended September 30, 2014, the District Board entered into a Fire Protection contract with WLLVFD for the period May 1, 2014 through September 30, 2014 that has been renewed through August 31, 2025. The Board has generally established that the District will reimburse the WLLVFD for pre-approved costs incurred for tools and equipment, utilities and fuel, insurance, etc. as established by the terms of the contract and the budget.

Limestone County Emergency Services District #2
Management's Discussion and Analysis
September 30, 2024

Based on the needs of the WLLVFD, a budget was established for the fiscal year ended September 30, 2025 in which the District anticipates the following changes compared to fiscal year 2024's actual revenue and expenditure on the budgetary basis:

- A 1% increase in property tax revenue and a 20% decrease in sales tax revenue, so an overall 11% decrease in revenue.
- A 42% increase in general government expenditures mostly due to a 202% increase in attorney fees and a 97% increase in insurance.
- A 10% increase in emergency services expenditures mostly due to a 123% increase in fuel, a 50% increase in stipends, and a 2,725% increase in training and travel.
- Overall, a 19% increase in total expenditures.

The tax rate adopted in August 2024 is \$0.365 per \$100 valuation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of Commissioners
Limestone County Emergency Services District #2
P.O. Box 305
Groesbeck, Texas 76642

Limestone County Emergency Services District #2

Statement of Net Position

September 30, 2024

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 182,871
Certificates of deposit	302,668
Property tax receivable, net of allowance for doubtful accounts of \$1,622	4,611
Sales tax receivable	24,700
Prepaid expenses	4,756
Total current assets	<u>519,606</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>224,058</u>
Total noncurrent assets	<u>224,058</u>
Total assets	<u><u>\$ 743,664</u></u>
NET POSITION	
Net investment in capital assets	224,058
Unrestricted	<u>519,606</u>
Total net position	<u>743,664</u>
Total liabilities and net position	<u><u>\$ 743,664</u></u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #2

Statement of Activities

For The Year Ended September 30, 2024

Functions/Programs	Expenses	Net Revenue (Expense) and Changes in Net Position Governmental Activities
Governmental activities:		
General government	\$ 31,269	\$ (31,269)
Emergency services (WLLVFD)	126,989	(126,989)
Total governmental activities	158,258	(158,258)
General revenues:		
Property taxes		134,650
Sales taxes		186,889
Interest income		2,843
Total general revenues		324,382
Change in net position		166,124
Net position - beginning of year		577,540
Net position - end of year		\$ 743,664

See accompanying notes to the financial statements.

Limestone County Emergency Services District #2

Governmental Fund Balance Sheet

September 30, 2024

	General Fund
ASSETS	
Cash	\$ 182,871
Certificates of deposit	302,668
Property tax receivable, net of allowance for doubtful accounts of \$1,622	4,611
Sales tax receivable	24,700
Prepaid expenditures	4,756
Total assets	<u>\$ 519,606</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	4,251
Total deferred inflows of resources	<u>4,251</u>
FUND BALANCE	
Nonspendable:	
Prepaid expenditures	4,756
Assigned for:	
Capital projects	350,029
Unassigned	160,570
Total fund balance	<u>515,355</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 519,606</u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #2

Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position

September 30, 2024

Total fund balance - balance sheet	\$ 515,355
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets net of accumulated depreciation are not financial
resources and, therefore, are not reported in the governmental
fund balance sheet.

Capital assets	528,085
Accumulated depreciation	(304,027)

Deferred outflows of resources are not available to pay
current period expenditures and, therefore, are deferred
in the governmental fund balance sheet.

Property taxes	4,251
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Total net position - statement of net position	<u>\$ 743,664</u>
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Limestone County Emergency Services District #2

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance

For The Year Ended September 30, 2024

	General Fund
REVENUES	
Property tax	\$ 133,140
Sales tax	186,889
Interest income	2,843
Total revenue	<u>322,872</u>
EXPENDITURES	
Current:	
General government	
Appraisal fees	5,154
Appreciation	913
Attorney fees	1,655
Audit and consulting fees	11,540
Computer and software	490
Insurance	6,052
Office supplies	138
Professional dues	275
Tax assessor fee	995
Training and travel	4,039
Website and notices	931
Emergency services (WLLVFD)	
Apparatus repairs and maintenance	17,565
Bookkeeping	265
Building repairs and maintenance	2,939
Computer and software	3,231
Fuel	2,690
Insurance	12,041
Office supplies	1,077
Personal protective equipment	1,023
Professional dues	1,918
Recruiting and personnel	5,450
Stipends	7,982
Tools and equipment	4,744
Training and travel	177
Uniforms	6,340
Utilities	11,943
Website and notices	120
Capital outlay	<u>1,299</u>
Total expenditures	<u>112,986</u>
Excess of revenues over expenditures	209,886
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	<u>4,500</u>
Total other financing sources	<u>4,500</u>
Net change in fund balance	214,386
Fund balance - beginning of year	<u>300,969</u>
Fund balance - end of year	<u><u>\$ 515,355</u></u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #2

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

September 30, 2024

Net change in fund balances - statement of revenues, expenditures, and changes in fund balance	\$ 214,386
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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.

Capital outlay	1,299
Depreciation	(37,071)

Net effect of various transactions involving capital assets (e.g., sales, trade-ins, disposals, impairments, and donations) is to decrease net position.	(14,000)
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Some revenues will be collected after yearend, but are not
available soon enough to pay current year's expenditures
and, therefore, are not reported in the governmental
funds balance sheet.

Property taxes	1,510
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Governmental activities net position - statement of net position	<u>\$ 166,124</u>
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Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Limestone County Emergency Services District #2 (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 2012 as a result of a special election held on November 2, 2010 and passed by the residents of the District. The District provides fire and first response emergency medical services to the western geographic portion of Limestone County. It 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 was created and operates under Article III, 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 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 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 financial 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 Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements include all organizations, activities, and functions that comprise the District.

Government-wide 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, if applicable. All fiduciary activities, if applicable, are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, if applicable, 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, if applicable, for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal services, when applicable, while business-type activities incorporate data from the enterprise funds, when applicable. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, when applicable, even though the latter are excluded from the government-wide financial statements. Because the District only operates one fund, the general fund, and it is a governmental fund, the District's government-wide financial statements do not have a column for business-type activities, and the fund financial statements do not include statements for proprietary or fiduciary funds.

As a general rule, the effect of interfund activity, if applicable, is eliminated from the government-wide financial statements.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Governmental Fund Financial Statements (Continued)

The fund financial statements provide information about the District's funds. Separate statements are provided for each fund category – governmental, proprietary, and fiduciary, if applicable. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds if applicable.

The only fund of the financial reporting entity is the general fund which is the primary operating fund. It accounts for all financial resources of the District. The District does not utilize any other funds.

C. Measurement Focus and Basis of Accounting

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 flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgements, postemployment benefits, and environmental obligations, if applicable, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in governmental funds. Issuances of long-term debt and financing through leases are reported as other financing sources.

Property taxes and sales taxes associated with the current fiscal period are considered to be susceptible to accrual and therefore 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.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly-liquid investments with original maturities of three months or less from the date of acquisition. The District has noninterest-bearing demand deposits and time and savings accounts with Farmers State Bank.

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the District to adopt, implement, and publicize an investment policy. It also authorizes the District to invest in:

- (1) bonds and other obligations of the U.S., Texas, or their respective agencies and instrumentalities;
- (2) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF);
- (3) certificates of deposit issued by a state or national bank in Texas or a savings and loan association domiciled in Texas, and collateralized for amounts over FDIC insurance;
- (4) certain fully-collateralized repurchase agreements with defined termination dates secured by certain obligations, pledged to the District, and placed through a primary government securities dealer;
- (5) securities lending programs that meet certain conditions;
- (6) banker's acceptances that have a stated maturity of 270 days or fewer from the date of issuance, will be liquidated in full at maturity, are eligible for collateral for borrowing from a Federal Reserve Bank, and are accepted by a bank organized and existing under the laws of the U.S. or any state if the short-term obligations of the bank are rated not less than A-1 or P-1 by at least one nationally recognized credit rating agency;
- (7) commercial paper that has a stated maturity of 365 days or fewer from issuance and is rated not less than A-1 or P-1 by at least two nationally recognized credit rating agencies or one of those agencies and is fully secured by an irrevocable letter of credit issued by a bank;
- (8) certain mutual funds;
- (9) guaranteed investment contracts (GIC) for bond proceeds if the GIC has a defined termination date, are fully secured, and are pledged to the District; and
- (10) eligible investment pools.

The District is in substantial compliance with the requirements of the Act and with local policies.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at yearend.

The District has three certificates of deposit that are reported at cost plus accrued interest.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Receivables

In the government-wide statement of net position, receivables consist of all revenues earned at yearend and not received at yearend. In the governmental fund balance sheet, receivables consist of property taxes and sales taxes assessed but not collected at yearend. The District uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience. Since sales taxes are paid by the State Comptroller, an allowance for sales tax receivable is not considered necessary.

Prepaid Items

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

Capital Assets

Capital assets are tangible and intangible assets, which include buildings, equipment, and vehicles, and 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 \$500 and an estimated useful life in excess of one year.

As the District constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets, if applicable, follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress, if applicable, are not depreciated. The other capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-39
Equipment	5-10
Vehicles	7-15

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources if applicable. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the balance sheet include a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Debt

Long-term debt for governmental funds is not reported as a liability in the balance sheet until due. The debt proceeds are reported as other financing sources, net of applicable premium or discount, and payments of principal and interest are reported as expenditures. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed 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 or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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.

Fund Balances

In governmental fund types, the difference net of assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable Fund Balance – represents amounts that are either not in a spendable form (e.g., inventory, prepaids, etc.) or are legally or contractually required to remain intact (e.g., notes receivable).

Restricted Fund Balance – represents amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Fund Balances (Continued)

Committed Fund Balance – represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Commissioners prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board of Commissioners adopts another ordinance to remove or revise the limitation.

Assigned Fund Balance – represents amounts that are intended to be used by the District for a specific purpose but do not meet the criteria to be classified as committed. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance – represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the fund that reported a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

For government-wide reporting, the net of assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position – represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Net Position (Continued)

Unrestricted Net Position – represents the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amount to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Estimates

The preparation of financial statements in conformity with GAAP 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.

NOTE 2 – 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 is imposed for all unpaid taxes.

The appraisal and recording of all property within the district is the responsibility of the Limestone County Appraisal District (LCAD), an independent governmental unit. Under an Interlocal Cooperation Agreement for Ad Valorem Tax Collection Services between Limestone County and the District, property taxes are collected by Stacy Hall, Limestone County Tax Assessor Collector and forwarded to the District. The District paid LCAD \$5,154 for appraisal fees and Limestone County \$995 for tax assessor fees during the year ended September 30, 2024.

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 2022 tax roll. The assessed value of the 2023 roll, upon which the current fiscal year was based, was \$354,466,691.

The tax rates assessed for the current period, to finance general fund operations for the fiscal year ended September 30, 2024, was \$0.0375 per \$100 valuation of assessed property. This amount was \$133,060 per the Tax Assessor. The amount upon which the 2024 budget was based was \$120,000, and was later increased to \$128,000.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 2 – PROPERTY TAXES (CONTINUED)

Per Government Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, 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 (governmental 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.

Uncollected property taxes of \$4,251 as of September 30, 2024 are recognized as revenue in the government-wide financial statement and as unavailable revenue in the governmental fund statement.

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank’s failure, the District’s deposits may not be returned to it. In compliance with state statutes, the District’s investment policy requires funds on deposit at the depository bank to be fully insured by the Federal Deposit Insurance Company (FDIC) or otherwise secured. As of September 30, 2024, the District’s total bank balance for all interest-bearing and noninterest-bearing demand deposits was \$75,412, which was completely insured by the FDIC. As of September 30, 2024, the District’s total bank balance for all time and savings accounts, including certificates of deposit, was \$410,127. Of this amount, \$250,000 was insured by the FDIC and the remaining \$160,127 was unsecured at yearend.

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have any investments other than the certificates of deposit, which are addressed in the preceding paragraph.

Credit Risk – Investments

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The District uses ratings from national recognized rating agencies which are designed to give an indication of credit risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). The District’s investment policy requires diversification of the District’s portfolio to mitigate this risk and provide stability of income and reasonable liquidity. As of September 30, 2024, the District had \$302,668 in certificates of deposit from the same bank.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of investments. The District has investments in certificates of deposit with fixed interest rates for their term, and certificates of deposit are valued at cost plus accrued interest.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The District does not have any investments denominated in a foreign currency.

Limestone County Emergency Services District #2
Notes to the Financial Statements
September 30, 2024

NOTE 4 – CAPITAL ASSETS

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

	Balance 9/30/2023	Additions	Deletions	Balance 9/30/2024
Capital Assets				
Building	\$ 228,346	\$ -	\$ -	\$ 228,346
Equipment	140,440	1,299	-	141,739
Vehicles	193,000	-	(35,000)	158,000
Total capital assets	561,786	1,299	(35,000)	528,085
Accumulated Depreciation				
Building	(56,605)	(6,291)	-	(62,896)
Equipment	(107,752)	(14,337)	-	(122,089)
Vehicles	(123,599)	(16,443)	21,000	(119,042)
Total accumulated depreciation	(287,956)	(37,071)	21,000	(304,027)
 Total capital assets, net of accumulated depreciation	 <u>\$ 273,830</u>	 <u>\$ (35,772)</u>	 <u>\$ (14,000)</u>	 <u>\$ 224,058</u>

The land on which the fire station is located is owned by West Lake Limestone Volunteer Fire Department (WLLVFD) and leased to the District for ninety-nine years, expiring June 26, 2113, with an annual lease payment of \$1. The fire station is owned by the District, and WLLVFD has a license to use the fire station as the District's contract provider.

During fiscal year ended September 30, 2018, the District entered into an interlocal agreement with Limestone County to allow the District to build a substation at Limestone County Park #3. The land on which the substation is located is owned by Limestone County. The substation and any related structures, water tanks, utility poles, fences, and similar structures are owned, operated, and maintained by the District.

Depreciation expense of \$37,071 was charged entirely to the emergency services function of the governmental activities.

NOTE 5 – 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; and natural disasters. The District maintains commercial insurance coverage for each of these risks of loss. The Board of Commissioners believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims did not exceed this commercial insurance coverage during the past three years.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 25, 2025, the date the financial statements were available to be issued.

Limestone County Emergency Services District #2

Budgetary Comparison Schedule General Fund (Budgetary Basis)

For The Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	\$ 120,000	\$ 128,000	\$ 133,455	\$ 5,455
Sales tax	120,000	140,000	184,024	44,024
Interest income	-	-	175	175
Total revenue	240,000	268,000	317,654	49,654
EXPENDITURES				
General government				
Appraisal fees	3,000	5,154	5,154	-
Attorney fees	5,000	5,000	1,655	3,345
Audit and consulting fees	6,075	9,040	11,540	(2,500)
Computer and software	500	500	490	10
Insurance	8,400	10,470	6,084	4,386
Office supplies	500	500	138	362
Professional dues	300	300	275	25
Tax assessor fee	1,150	1,150	995	155
Training and travel	4,000	4,000	4,039	(39)
Website and notices	875	875	931	(56)
Miscellaneous	1,425	31	-	31
Total general government	31,225	37,020	31,301	5,719
Emergency services (WLLVFD)				
Apparatus repairs and maintenance	10,000	13,000	17,565	(4,565)
Appreciation	1,000	1,000	913	87
Bookkeeping	300	300	265	35
Building repairs and maintenance	4,000	4,000	2,939	1,061
Computer and software	2,500	2,500	3,231	(731)
Fuel	7,500	7,500	2,690	4,810
Insurance	12,600	14,805	12,279	2,526
Office supplies	500	500	1,077	(577)
Personal protective equipment	-	2,000	1,023	977
Professional dues	1,500	1,500	1,918	(418)
Recruiting and personnel	5,000	5,000	5,450	(450)
Stipends	20,000	10,000	7,982	2,018
Tools and equipment	6,000	6,000	6,043	(43)
Training and travel	5,000	5,000	177	4,823
Uniforms	-	5,000	6,340	(1,340)
Utilities	12,000	12,000	11,943	57
Website and notices	875	875	120	755
Total emergency services (WLLVFD)	88,775	90,980	81,955	9,025
Total expenditures	120,000	128,000	113,256	14,744
Excess of revenues over expenditures	120,000	140,000	204,398	64,398
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	4,500	4,500
Total other financing sources	-	-	4,500	4,500
Net change in fund balance	120,000	140,000	208,898	68,898
Fund balance - beginning of year			273,973	
Fund balance - end of year			<u>\$ 482,871</u>	

Limestone County Emergency Services District #2
Notes to the Budgetary Comparison Schedule
September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 August 2023 the budget for the fiscal year ended September 30, 2024 based on the known property tax assessment available for the year, and the tax rate was set accordingly.

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 Limestone County Appraisal District.

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.

B. 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.

Below is an explanation of differences between actual general fund balance on the budgetary comparison schedule which is prepared on the cash basis and the actual general fund balance on the statement of revenues, expenditures, and changes in fund balance, which is prepared on the modified accrual basis.

Actual general fund balance - Budgetary Comparison Schedule (Budgetary Basis)		\$ 482,871
Plus current year receivables:		
Property tax, net of allowance for doubtful accounts	\$ 4,611	
Sales tax	24,700	
Accrued interest receivable	<u>2,668</u>	
		31,979
Plus current year prepaid expenditures:		
General government - insurance	760	
Emergency services - insurance	3,896	
Emergency services - utilities	<u>100</u>	
		4,756
Less: current year deferred inflows of resources		
Unavailable revenue - property taxes	<u>(4,251)</u>	
		(4,251)
Actual general fund balance - Statement of Revenues, Expenditures, and Changes in Fund Balance (Modified Accrual Basis)		<u><u>\$ 515,355</u></u>

Limestone County Emergency Services District #2
Notes to the Budgetary Comparison Schedule
September 30, 2024

NOTE 2 – BUDGET VARIANCES

Total actual expenditures of \$113,256 were \$14,744 less than budgeted expenditures of \$128,000 for the year ended September 30, 2024.

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

To the Board of Commissioners
Limestone County Emergency Services District #2

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Limestone County Emergency Services District #2 (the District) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Frank Campos & Associates PLLC

Frank Campos & Associates, PLLC
Palestine, Texas
February 25, 2025