

**Northwest Leon County Emergency Services
District No. 3**

Financial Statements

For the Year Ended September 30, 2023



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Northwest Leon County Emergency Services District No. 3
Jewett, Texas

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and the general fund of Northwest Leon County Emergency Services District No. 3 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the general fund of the District, as of September 30, 2023, and the respective change in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 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 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not

include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dunham, Waller; Company

Bryan, Texas
July 26, 2024

Northwest Leon County Emergency Services District No. 3
Management's Discussion and Analysis (Unaudited)
September 30, 2023

Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of Northwest Leon County Emergency Services District No. 3 (the "District"), for the fiscal year ended September 30, 2023. It is offered here by the management of the District to the readers of its financial statements. Readers should use the information presented here in conjunction with the Basic Financial Statements and Notes to the Financial Statements.

Financial Highlights

- The net position of the District was \$1,187,180 at September 30, 2023 compared to \$1,010,468 at September 30, 2022.
- General receipts for fiscal year 2023 were higher than fiscal year 2022: \$1,110,949 and \$954,495 respectively. This resulted mainly from increased property tax valuations by the County.
- Program expenditures increased during the year ended September 30, 2023 to \$934,237 compared to the prior year's \$848,133. These expenditures included payments to contracting parties and other miscellaneous expenditures. Program expenditures accounted for all of the total expenditures for both fiscal year 2023 and 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements are designed to provide readers with a broad overview of the District's finances. The District prepares its statements using the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; consequently, program receipts and the related assets are recognized when received rather than when earned, and program expenditures are recognized when paid rather than when the obligation is incurred.

The modified cash basis financial statements of the District consist of:

- A government-wide Statement of Net Position and Statement of Activities;
- The governmental fund Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance, a reconciliation of the fund Balance Sheet to the government-wide Statement of Net Position, and a reconciliation of the fund Statement of Revenues, Expenditures and Changes in Fund Balance to the government-wide Statement of Activities

Statement of Net Position – Modified Cash Basis. The statement of net position – modified cash basis includes the District's assets resulting from cash receipts and disbursements with modifications being made to record capital assets resulting from cash transactions. This statement provides the basis for the evaluation of liquidity and flexibility of the District.

Statement of Activities – Modified Cash Basis. The statement of activities – modified cash basis presents information showing how the District's net position changed during the year.

Northwest Leon County Emergency Services District No. 3
 Management's Discussion and Analysis (Unaudited)-Continued
 September 30, 2023

Governmental Fund Financial Statements – Modified Cash Basis. The governmental fund financial statements reflect the District's assets resulting from cash receipts and cash disbursements. However, capital assets are not presented in the Balance Sheet and depreciation is not presented in the Statement of Revenue, Expenditures, and Changes in Fund Balances.

Notes to the Financial Statements. The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

Net position arising from modified cash basis transactions may serve as a useful indicator of the District's financial position. For the District, net position was \$1,187,180 and \$1,010,468, at September 30, 2023 and 2022, respectively.

Statement of Net Position-Modified Cash Basis

<u>Assets</u>	<u>FY 2023</u>	<u>FY 2022</u>
Cash	\$ 998,200	\$ 833,319
Equipment, net	<u>188,980</u>	<u>177,149</u>
Total	<u>1,187,180</u>	<u>1,010,468</u>
<u>Net Position</u>		
Net investment in capital assets	188,980	177,149
Unrestricted	<u>998,200</u>	<u>833,319</u>
Total Net Position	<u>\$1,187,180</u>	<u>\$1,010,468</u>

Statement of Activities-Modified Cash Basis

	<u>FY 2023</u>	<u>FY 2022</u>
Property taxes	\$1,106,456	\$ 951,048
Interest income	<u>4,493</u>	<u>3,447</u>
Total general revenues	1,110,949	954,495
General government	<u>934,237</u>	<u>848,133</u>
Total expenses	<u>934,237</u>	<u>848,133</u>
Change in net position	176,712	106,362
Net Position, Beginning of Year	<u>1,010,468</u>	<u>904,106</u>
Net Position, End of Year	<u>\$1,187,180</u>	<u>\$1,010,468</u>

Northwest Leon County Emergency Services District No. 3
 Management's Discussion and Analysis (Unaudited)-Continued
 September 30, 2023

Financial Analysis of the Governmental Fund

	<u>FY 2023</u>	<u>FY 2022</u>
Cash	\$998,200	\$833,319
Total assets	<u>998,200</u>	<u>833,319</u>
Nonspendable	-	-
Unassigned fund balance	<u>998,200</u>	<u>833,319</u>
Total fund balance	<u>\$998,200</u>	<u>\$833,319</u>

Capital Assets

At the end of fiscal year 2023, the District had invested \$181,794 (net) in capital assets as shown below.

	<u>FY 2023</u>	<u>FY 2022</u>
Equipment	\$365,787	\$292,131
Improvements	<u>27,941</u>	<u>27,941</u>
Subtotal	<u>393,728</u>	<u>320,072</u>
Accumulated depreciation	(204,748)	(142,923)
Total	<u>\$188,980</u>	<u>\$177,149</u>

Currently Known Facts, Decisions, or Conditions

The fiscal year 2023 final budget had an increase in budgeted expenditures of \$50 as compared to the original budget. The budget amendments were comprised of audit services. All amendments were approved by the Board of Commissioners. Property tax revenues increased in fiscal year 2023 by approximately 16% to \$1,106,456 as compared to fiscal year 2022 property tax revenue of \$951,048. At this time, there are no anticipated decreases in the property tax rate structure projected either for fiscal year 2024 or beyond. The budgeted amount for VFD contract fees of \$416,000 is substantially greater than the actual amount of \$165,938 because the budgeted amount includes \$36,000 of monthly contracted funds for each VFD as well as \$30,000 for special request funds for each VFD. Additionally, the budgeted amount includes any prior year special request funds not used by each VFD.

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 the Northwest Leon County Emergency Services District No. 3 Treasurer/Secretary Paula Sony, P.O. Box 404, Centerville, Texas 75833, 979-255-2862.

Northwest Leon County Emergency Services District No. 3
Statement of Net Position - Modified Cash Basis
September 30, 2023

	Governmental Activities
ASSETS	
Cash	\$ 998,200
Equipment, net	188,980
Total assets	1,187,180
 NET POSITION	
Net investment in capital assets	188,980
Unrestricted	998,200
Total net position	\$ 1,187,180

See independent auditors' report and notes to financial statements.

Northwest Leon County Emergency Services District No. 3
Statement of Activities - Modified Cash Basis
For the Year Ended September 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:		
General government	\$ 934,237	\$ (934,237)
 General revenues:		
		1,106,456
		4,493
	Total general revenues	<u>1,110,949</u>
	Change in net position	176,712
	Net position - beginning	<u>1,010,468</u>
	Net position - ending	<u><u>\$ 1,187,180</u></u>

See independent auditors' report and notes to financial statements.

Northwest Leon County Emergency Services District No. 3
Balance Sheet - Governmental Funds
Modified Cash Basis
September 30, 2023

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 998,200	\$ 998,200
TOTAL ASSETS	<u>\$ 998,200</u>	<u>\$ 998,200</u>
 FUND BALANCE		
Unassigned	\$ 998,200	\$ 998,200
TOTAL FUND BALANCE	<u>\$ 998,200</u>	<u>\$ 998,200</u>

See independent auditors' report and notes to financial statements.

Northwest Leon County Emergency Services District No. 3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Modified Cash Basis
September 30, 2023

Total fund balance, governmental funds	\$ 998,200
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>188,980</u>
Net position of governmental activities	<u>\$1,187,180</u>

See independent auditors' report and notes to financial statements.

Northwest Leon County Emergency Services District No. 3
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds-Modified Cash Basis
For the Year Ended September 30, 2023

	General	Total
	Fund	Governmental
	<u> </u>	<u> </u>
REVENUES		
Property taxes	\$ 1,106,456	\$ 1,106,456
Interest income	<u>4,493</u>	<u>4,493</u>
TOTAL REVENUES	<u>1,110,949</u>	<u>1,110,949</u>
 EXPENDITURES		
Appraisal fees	18,438	18,438
Bookkeeping services	7,200	7,200
Audit services	6,050	6,050
EMS contract fee	660,000	660,000
VFD contract fee	165,938	165,938
Insurance	1,483	1,483
Professional fees	5,600	5,600
Rent	1,200	1,200
Postage	58	58
Tax collection fees	6,445	6,445
Capital Outlay	<u>73,656</u>	<u>73,656</u>
TOTAL EXPENDITURES	<u>946,068</u>	<u>946,068</u>
 Excess (Deficiency) of Revenues Over (Under)		
Expenditures	<u>164,881</u>	<u>164,881</u>
 NET CHANGE IN FUND BALANCES	<u>164,881</u>	<u>164,881</u>
 FUND BALANCE, BEGINNING	<u>833,319</u>	<u>833,319</u>
 FUND BALANCE, ENDING	<u>\$ 998,200</u>	<u>\$ 998,200</u>

See independent auditors' report and notes to financial statements.

Northwest Leon County Emergency Services District No. 3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Modified Cash Basis
For the Year Ended September 30, 2023

Net change in fund balances - total governmental funds \$ 164,881

Governmental funds reported 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.

Expenditures for capital assets	\$ 73,656	
Less - current year depreciation	<u>(61,825)</u>	
		<u>11,831</u>

Change in net position of governmental activities \$ 176,712

See independent auditors' report and notes to financial statements.

Northwest Leon County Emergency Services District No. 3
Notes to Financial Statements
September 30, 2023

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

The Northwest Leon County Emergency Services District No. 3 provides emergency medical services and fire prevention, protection, suppression, and fighting programs to the geographic district. Services are provided using contractors who are compensated with monthly/annual contractual payments and reimbursement of expenditures by special request. The District was authorized by the Leon County Commissioners and confirmed by the voters of Leon County, Texas on February 7, 2004. It is governed by a five-member Board of Commissioners appointed by the Commissioners Court.

Basis of Accounting

The District prepared its financial statements on the modified cash basis of accounting for the year ending September 30, 2023 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the District's modified cash basis of accounting, revenues and expenses and certain related assets and liabilities are recorded when they result from cash transactions or events, except for certain modifications, such as the recording of depreciation expense on capital assets. In prior years, the cash basis of accounting was used. The change in fiscal year 2014 was made in response to the amendment made to Title 9 Section 775.0736 of the Texas Health & Safety Code that requires all property purchased after September 1, 2013 with the District's funds to remain the property of the District. As the property belongs to the District, it must be recorded on the District's statement of net position.

Program Receipts

The District finances its operations through the imposition of a property tax of \$0.10 per \$100 valuation for applicable property located within the District. The Leon County Tax Assessor-Collector's office collects such taxes and forwards them to the District. The District's delinquent property taxes were \$61,751 at September 30, 2023.

Program Expenditures

The District contracts services and reimburses contractors on a contract and special request basis. It is the Board's policy to approve expenditures before they are paid.

Property and Equipment

The District capitalizes, at cost, all expenditures for property and equipment in excess of \$1,000. The property and equipment is depreciated using the straight-line method over its useful life. The District changed its basis of accounting from cash basis to modified cash basis for the fiscal year ending September 30, 2014 and began recording property on its statement of net position as previously mentioned under Basis of Accounting.

Northwest Leon County Emergency Services District No. 3
Notes to Financial Statements - Continued
September 30, 2023

2. Budgets

The District annually adopts a budget for use in planning and controlling District costs. The budget takes into consideration District revenues and all projected District obligations and expenditures. The budget may be amended at any time but such amendment must be approved in advance by the Board. Both the original budget and the final amended budget are presented in the other information section.

3. Cash and Cash Equivalents

The District deposits funds with its depository bank in interest-bearing accounts. The District's bank balances were covered by federal depository insurance or by collateral held by the District's agent in the District's name. The carrying amount of the District's bank deposits were \$1,001,198 at September 30, 2023. Deposits are categorized to give an indication of the level of risk assumed at year end. Categories are as follows:

Category 1 – Insured or collateralized with securities held by the District or its agency in the District name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agency in the District's name.

Category 3 – Uncollateralized.

At year end, the District's deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
\$250,000	\$751,198	\$ -

4. Property and Equipment

Property and equipment with related accumulated depreciation at September 30, 2023 is shown below:

	<u>9/30/2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2023</u>
Equipment	\$ 292,131	\$ 73,656	\$ -	\$ 365,787
Improvements	27,941	-	-	27,941
Accumulated Depreciation	(142,923)	(61,825)	-	(204,748)
Net Equipment	\$ 177,149	\$ 11,831	\$ -	\$ 188,980

Depreciation expense was \$61,825 for the year ended September 30, 2023.

Northwest Leon County Emergency Services District No. 3
Notes to Financial Statements - Continued
September 30, 2023

5. Commitments and Contingencies

The District has a contractual obligation to compensate Jewett EMS \$58,000 monthly through September 30, 2024 for emergency medical services. The District also has contractual annual base payments of \$36,000 plus \$30,000 special request expenditures to Normangee VFD, Jewett VFD, Marquez VFD, and Flynn VFD through September 30, 2024. The District is free to terminate any and all contracts at any time with or without cause.

6. Concentration of Credit Risk

The operations of the District are located within Leon County, Texas. Future revenues and expenditures will be impacted by the economic conditions of the area in which the District serves.

7. Subsequent Events

The District has evaluated subsequent events through July 26, 2024, the date which the financial statements were issued.

Other Information

Northwest Leon County Emergency Services District No. 3
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
EXPENDITURES			
Advertising	\$ 300	\$ 300	\$ -
Appraisal fees	22,000	22,000	18,438
Bookkeeping	7,200	7,200	7,200
Audit services	6,000	6,050	6,050
EMS contract fee	660,000	660,000	660,000
VFD contract fee	416,000	416,000	165,938
Insurance	1,500	1,500	1,483
Professional fees	6,000	6,000	5,600
Rent	1,200	1,200	1,200
Postage	60	60	58
Tax collection fees	7,000	7,000	6,445
Capital outlay	<u>-</u>	<u>-</u>	<u>73,656</u>
TOTAL EXPENDITURES	<u>\$ 1,127,260</u>	<u>\$ 1,127,310</u>	<u>\$ 946,068</u>