

LLANO COUNTY EMERGENCY
SERVICES DISTRICT #2

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Llano 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 Llano County Emergency Services District #2 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Llano County Emergency Services District #2's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Llano County Emergency Services District #2, as of September 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 Llano County Emergency Services District #2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we 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 Llano County Emergency Services District #2'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.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements 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.

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Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2023 on our consideration of Llano County Emergency Services District #2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Llano County Emergency Services District #2'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 Llano County Emergency Services District #2's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 22, 2024

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LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

As management of the Llano 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 fiscal year ended September 30, 2023.

Financial Highlights

- Related to the District's governmental activities, assets exceeded its liabilities at the close of the most recent fiscal year by \$299,831 (total net position). For the year ended September 30, 2023, the District's total net position decreased by \$2,905.
- At the end of the current fiscal year the total fund balance in the General Fund was \$223,971, which is an increase of \$1,911 in comparison with the prior year. The increase can be largely attributed to actual property tax revenue exceeding final budgeted appropriations and overall actual expenditures being less than originally budgeted.

Overview of the Financial Statements

The 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) the notes to 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.

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, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The governmental activities of the District include general administration and fire protection. The District has no business-type activities and no component units.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. *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.

**LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

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 27-33 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$299,831 at the close of the most recent fiscal year.

**Llano County Emergency Services District #2
Net Position**

	Governmental Activities 2023	Governmental Activities 2022	Change
Assets			
Current & Other Assets	\$ 236,036	\$ 224,759	\$ 11,277
Capital Assets	72,089	78,554	(6,465)
Total Assets	308,125	303,313	4,812
Liabilities			
Current Liabilities	8,294	577	7,717
Total Liabilities	8,294	577	7,717
Net Position			
Net Investment in Capital Assets	72,089	78,554	(6,465)
Unrestricted	227,742	224,182	3,560
Total Net Position	\$ 299,831	\$ 302,736	\$ (2,905)

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

More than half of the District's net position, or 76%, is unrestricted and is available to spend at the District's discretion. The remaining portion of the District's net position, approximately 24%, reflects its investment in capital assets. Specifically, this amount represents equipment and vehicle purchased for fire protection services. These assets are not available for future spending. During the current fiscal year, net position for governmental activities decreased \$2,905 from the prior fiscal year for an ending balance of \$299,831.

**Llano County Emergency Services District #2
Changes in Net Position**

	Governmental Activities 2023	Governmental Activities 2022	Change
Revenues:			
General Revenues:			
Property Taxes	\$ 114,819	\$ 103,691	\$ 11,128
Investment Earnings	51	24	27
Miscellaneous	-	2,963	(2,963)
Total Revenue	<u>114,870</u>	<u>106,678</u>	<u>8,192</u>
Expenses:			
General Administration	19,476	18,265	1,211
Fire Protection	<u>98,299</u>	<u>79,751</u>	<u>18,548</u>
Total Expenses	<u>117,775</u>	<u>98,016</u>	<u>19,759</u>
Increase (Decrease) in Net Position	(2,905)	8,662	(11,567)
Net Position - Beginning	<u>302,736</u>	<u>294,074</u>	<u>8,662</u>
Net Position - Ending	<u><u>\$ 299,831</u></u>	<u><u>\$ 302,736</u></u>	<u><u>\$ (2,905)</u></u>

Financial Analysis of Governmental 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 near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either 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.

At September 30, 2023, the District's General Fund reported a fund balance of \$223,971, an increase of \$1,911 in comparison with the prior year.

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LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

General Fund Budgetary Highlights

Original budget compared to final budget.

During the year, significant budget amendments were made to the General Administration and Capital Outlay budget line items.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$72,089 net of accumulated depreciation.

	Governmental Activities 2023	Governmental Activities 2022	Change
Equipment	\$ 235,340	\$ 217,506	\$ 17,834
Total	235,340	217,506	17,834
Less Accumulated Depreciation	(163,251)	(138,952)	(24,299)
Capital Assets, Net of Depreciation	\$ 72,089	\$ 78,554	\$ (6,465)

Additional information on the District's capital assets can be found in Note III.B on page 31 of this report.

Next Year's Budgets and Rates

The District adopted an expenditures budget for fiscal year 2023-2024 based on expected revenues of \$125,940. The budget provides for expenditures for fire protection of \$78,000 and for administration of \$47,940. The fiscal year 2023-2024 tax rate decreased slightly from \$0.02480 to \$0.02442 per \$100 of land valuation.

Requests for Information

This financial report is designed to provide a general overview of the Llano County Emergency Services District #2 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 Llano County Emergency Services District #2, P.O. Box 422, Buchanan Dam, Texas 78609.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 232,265
Taxes Receivable - Delinquent	3,888
Allowance for Uncollectible Taxes	(117)
Capital Assets, Being Depreciated:	
Equipment	235,340
Accumulated Depreciation	(163,251)
Total Assets	<u>308,125</u>
LIABILITIES	
Accounts Payable	8,294
Total Liabilities	<u>8,294</u>
NET POSITION	
Net Investment in Capital Assets	72,089
Unrestricted	227,742
Total Net Position	<u>\$ 299,831</u>

The notes to the financial statements are an integral part of this statement.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
General Administration	\$ 19,476	\$ -	\$ -	\$ (19,476)
Fire Protection	98,299	-	-	(98,299)
Total Governmental Activities:	<u>\$ 117,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(117,775)</u>
General Revenues:				
Property Taxes				114,819
Investment Earnings				<u>51</u>
Total General Revenues				<u>114,870</u>
Change in Net Position				(2,905)
Net position - Beginning				<u>302,736</u>
Net position - Ending				<u>\$ 299,831</u>

The notes to the financial statements are an integral part of this statement.

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FUND BASIS FINANCIAL STATEMENTS

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 232,265
Taxes Receivable - Delinquent	3,888
Allowance for Uncollectible Delinquent Taxes	(117)
Total Assets	<u>\$ 236,036</u>
LIABILITIES	
Accounts Payable	<u>\$ 8,294</u>
Total Liabilities	<u>8,294</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources-Property Taxes	<u>3,771</u>
Total Deferred Inflows of Resources	<u>3,771</u>
FUND BALANCES	
Unassigned:	<u>223,971</u>
Total Fund Balances	<u>223,971</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 236,036</u>

The notes to the financial statements are an integral part of this statement.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances - Governmental Funds		\$ 223,971
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Equipment	\$ 235,340	
Accumulated depreciation	<u>(163,251)</u>	72,089
Other long-term assets, such as uncollected property taxes, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		<u>3,771</u>
Net Position of Governmental Activities		<u><u>\$ 299,831</u></u>

The notes to the financial statements are an integral part of this statement.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund
	<hr/>
REVENUES	
Property Taxes	\$ 113,170
Investment Earnings	51
Total Revenues	<hr/> 113,221 <hr/>
EXPENDITURES	
Current:	
General Administration	19,476
Fire Protection	74,000
Capital outlay	17,834
Total Expenditures	<hr/> 111,310 <hr/>
Net Change in Fund Balance	1,911
Fund Balance - Beginning	222,060
Fund Balance - Ending	<hr/> \$ 223,971 <hr/>

The notes to the financial statements are an integral part of this statement.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,911
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(6,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>1,649</u>
Change in Net Position - Total Governmental Activities	<u><u>\$ (2,905)</u></u>

The notes to the financial statements are an integral part of this statement.

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LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Property Taxes	\$ 112,000	\$ 112,000	\$ 113,170	\$ 1,170
Investment Earnings	40	40	51	11
Total Revenues	<u>112,040</u>	<u>112,040</u>	<u>113,221</u>	<u>1,181</u>
EXPENDITURES				
Current:				
General Administration	38,040	20,085	19,476	609
Fire Protection	74,000	74,000	74,000	-
Capital outlay	-	17,955	17,834	121
Total Expenditures	<u>112,040</u>	<u>112,040</u>	<u>111,310</u>	<u>730</u>
Net Change in Fund Balances	-	-	1,911	1,911
Fund Balance - Beginning	<u>222,060</u>	<u>222,060</u>	<u>222,060</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 222,060</u>	<u>\$ 222,060</u>	<u>\$ 223,971</u>	<u>\$ 1,911</u>

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

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LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

I. Summary of Significant Accounting Policies

A. Description of 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. All fiduciary activities 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*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The District is a legally constituted subdivision of the state of Texas and is authorized under Section 48-d of Article III of the Texas Constitution. It is governed by a five member Board of Commissioners (the “Board”) whose members are appointed by the Llano County Commissioners Court. The Board has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, “The Financial Reporting Entity”. There are no component units included within the reporting entity.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the District’s funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *General Fund* is the District’s primary operating fund. It accounts for all financial resources of the general government.

E. 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.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 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 expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the District's General Fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of expenditures over appropriations

For the year ended September 30, 2023, the District's expenditures did not significantly exceed appropriations.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

2. Inventories and prepaid items

The District does not report inventories of supplies for consumable items due to the unused amount of these items being on hand at any given time being deemed immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital assets

Capital assets, which include equipment purchased for the use of the Buchanan Volunteer Fire Department (the "BVFD") per its operating agreement with that organization, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the District constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the primary government are depreciated using the straight-line method over the following estimated lives:

Capital asset classes	Years
Equipment	10

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The District currently has only one type of item, which arises only under a modified accrual basis of accounting, which 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 revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts 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.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

6. Fund balance flow assumptions

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.

7. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Commissioners (Board). Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. 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.

H. Revenues and expenditures/expenses

1. 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 by a given function or segment and 2) grants and contributions (including special assessments) 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.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 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 interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2021, upon which the levy for the 2022-2023 fiscal year was based, was \$431,345,566. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The total tax rate assessed for the year ended September 30, 2023 to finance the General Fund's operations was \$0.02478 per \$100 valuation. The total tax levy for the General Fund for the 2022-2023 fiscal year was \$112,840. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2023 were approximately 98.9% of the year end adjusted tax levy. The allowance for uncollectible taxes within the General Fund is based on historical experience in collecting taxes.

II. Stewardship, Compliance and Accountability

A. Violations of legal or contractual provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit fund equity

For the year ended September 30, 2023 there was no deficit fund equity.

III. Detailed notes on all activities and funds

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of September 30, 2023, the District's bank balance was \$232,540 and \$0 of that amount was exposed to custodial credit risk. The District's entire cash balance was insured at all times during the year through FDIC coverage.

B. Capital assets

Capital assets activity for the year ended September 30, 2023, was as follows:

Governmental Activities:

	Balance 10/1/22	Increases	Decreases	Balance 9/30/23
Capital Assets, Being Depreciated:				
Equipment	\$ 217,506	\$ 17,834	\$ -	\$ 235,340
Total Capital Assets, Being Depreciated	217,506	17,834	-	235,340
Less Accumulated Depreciation for:				
Equipment	(138,952)	(24,299)	-	(163,251)
Total Accumulated Depreciation	(138,952)	(24,299)	-	(163,251)
Total Capital Assets Being Depreciated, net	78,554	(6,465)	-	72,089
Governmental Activities Capital Assets, net	\$ 78,554	\$ (6,465)	\$ -	\$ 72,089

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LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

C. Contingencies

The District was not involved in any litigation at year end which would require disclosure.

D. Relationship with Buchanan Volunteer Fire Department

Under the terms of Section 775 of the Texas Health and Safety Code, a District may impose taxes, own property, and contract with other parties while acting as a political subdivision of the State of Texas. In the case of the District, the working arm is the Buchanan Volunteer Fire Department (the "BVFD"), which was built and equipped with donations of time and money donated by the residents of the area served. The District serves as a collection agency for the operations funding of the BVFD, oversees the sound business activities of the Department, and provides interface with the Llano County Commissioners Court and other political agencies from county to state level. The District also promotes growth and improvements within the BVFD by funding training, equipment and other necessary activities of the department as it serves its mission of providing fire protection and rescue activities within the District and surrounding area. The District, however, does not appoint the Board Members of the BVFD and does not exercise a level of control necessary to consider the BVFD a component unit for financial reporting purposes.

E. Subsequent events

The District has evaluated subsequent events through March 22, 2024, the date which the financial statements were available to be issued and is not aware of any subsequent events that would require recording or disclosure.

F. Implementation of New GASB Standard

During the year the District implemented Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements* ("GASB 96"). The objective of GASB 96 is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for Subscription Based Information Technology Arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. At the commencement of the subscription term, a government should recognize a subscription liability and an intangible right-to-use asset (a capital asset). The commencement of the subscription term occurs when the initial implementation stage is completed, at which time the government has obtained control of the right to use the underlying IT assets, and therefore, the subscription asset is placed into service.

The right to use assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any payments made prior to the subscription term, less incentives, and plus ancillary charges necessary to place the subscription into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

As of September 30, 2023, the District did not have any items required to be reported as SBITAs as a result of implementing GASB 96.

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OTHER REPORTING SECTION

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SINGLETON, CLARK & COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

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
Llano 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, each major fund, and the aggregate remaining fund information of Llano County Emergency Services District #2, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Llano County Emergency Services District #2's basic financial statements and have issued our report thereon dated March 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Llano County Emergency Services District #2'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 Llano County Emergency Services District #2's internal control. Accordingly, we do not express an opinion on the effectiveness of Llano County Emergency Services District #2'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Llano County Emergency Services District #2'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*.

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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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 22, 2024

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LLANO COUNTY EMERGENCY SERVICES DISTRICT #2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Under the guidelines of federal Uniform Guidance, a Single Audit was not required due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2023 and 2022.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Uniform Federal Guidance:

Not applicable.

