

**LIMESTONE COUNTY EMERGENCY
SERVICES DISTRICT #1**

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

Limestone County Emergency Services District #1

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September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Limestone County Emergency Services District #1

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 #1 (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 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 #1 as of September 30, 2023, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 August 12, 2024, on our consideration of Limestone County Emergency Services District #1'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 Limestone County Emergency Services District #1'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 Limestone County Emergency Services District #1's internal control over financial reporting and compliance.

Frank Campos & Associates PLLC

Frank Campos & Associates, PLLC
Palestine, Texas
August 12, 2024

Limestone County Emergency Services District #1

Management's Discussion and Analysis

September 30, 2023

As commissioners of the Limestone County Emergency Services District #1 (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, 2023. 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, 2023.

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 (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. 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 4 cents based on the Budget established in September 2022 for the fiscal year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

- Total net taxable property value in 2022 for fiscal year 2023 was \$216,786,439 and the amount of property taxes estimated to be paid was \$80,726. The amount actually collected by the county tax collector as of September 30, 2023 was \$80,979 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 \$196,379 (net position). Of this amount, \$24,504 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net position decreased by \$3,483.
- At the close of the current fiscal year, the District's general fund reported a fund balance of \$22,075, a decrease of \$2,583 in comparison with the prior year. 92% 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 24% 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 which have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Limestone County Emergency Services District #1

Management's Discussion and Analysis

September 30, 2023

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 private-sector business.

The *statement of net position* presents 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 declining.

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 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.

Limestone County Emergency Services District #1

Management's Discussion and Analysis

September 30, 2023

The basic governmental fund financial statements can be found on pages 11 - 14 of this report. The budgetary comparison schedule and related notes can be found on pages 24 - 26 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 15 - 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 \$196,379, at the close of the most recent fiscal year.

Summary Statement of Net Position

	2023	2022
ASSETS		
Current and other assets	\$ 27,168	\$ 30,001
Capital assets, net	253,228	268,983
Total Assets	<u>\$ 280,396</u>	<u>\$ 298,984</u>
LIABILITIES		
Current and other liabilities	\$ 2,664	\$ 3,143
Long-term liabilities	81,353	95,979
Total Liabilities	<u>84,017</u>	<u>99,122</u>
NET POSITION		
Net investment in capital assets	171,875	173,004
Unrestricted	24,504	26,858
Total Net Position	<u>196,379</u>	<u>199,862</u>
Total Liabilities and Net Position	<u>\$ 280,396</u>	<u>\$ 298,984</u>

Current and other assets decreased in governmental activities by \$2,833 (9%) from the prior year mostly due to a \$6,670 decrease in cash as a result of operations including payment on the note payable. Net capital assets decreased in governmental activities by \$15,755 (6%) from the prior year mostly due to current year depreciation of \$25,798.

Current and other liabilities decreased in governmental activities by \$479 (15%) from the prior year mostly due to a decrease in accrued interest payable as a result of the decrease in the principal amount of the note payable. Long-term liabilities decrease in governmental activities by \$14,626 (15%) from the prior year due to a principal payment during the year.

By far, the largest portion of the District's net position totaling \$171,875 (88%) represents its investment in capital assets (e.g., equipment, vehicles, and buildings), net of accumulated depreciation and related outstanding debt used to acquire those assets. The District allows the East Lake Limestone Volunteer Fire Department (ELLVFD) 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

Limestone County Emergency Services District #1

Management's Discussion and Analysis

September 30, 2023

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 \$24,504 (12%) 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 was able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

Summary Changes in Net Position

	<u>2023</u>	<u>2022</u>
REVENUES		
Program revenues		
Capital grants and contributions	\$ 2,540	\$ -
General revenues		
Property taxes	81,207	74,289
Total Revenues	<u>83,747</u>	<u>74,289</u>
EXPENSES		
General government	53,580	51,143
Contractual obligations	30,700	40,640
Interest expense on long-term debt	2,950	3,471
Total Expenses	<u>87,230</u>	<u>95,254</u>
Change in net position	(3,483)	(20,965)
Net position - beginning of year	199,862	220,827
Net position - end of year	<u>\$ 196,379</u>	<u>\$ 199,862</u>

Governmental activities. The overall net position decreased \$3,483 (2%) from the prior fiscal year. Although total revenue increased by 13% and total expenses decreased by 8%, total expenses were still greater than total revenue.

Program revenues increased in governmental activities by \$2,540 because the District received one-time capital contributions. General revenues increased in governmental activities by \$6,918 (9%) because although the tax rate decreased by 5%, the assessed tax value increased by 14%.

General government expenses increased in governmental activities by \$2,437 (5%) mostly due to an increase in training and travel expenses due to the board of directors attending the SAFE-D conference in the current year. Contractual obligations decreased in governmental activities by \$9,940 (24%) mostly due to a \$9,645 decrease in repairs and maintenance reimbursements to ELLVFD. Interest expense on long-term debt decreased in governmental activities by \$521 (15%) mostly due to a decrease in the principal balance outstanding on the note payable.

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.

Limestone County Emergency Services District #1

Management's Discussion and Analysis

September 30, 2023

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 they represent 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, 2023, the District's governmental fund reported total fund balances of \$22,075, a \$2,583 decrease in comparison with the prior year. Although revenue increased by 9% and expenditures decreased by 26%, expenditures were still greater than revenue. \$20,379 or 92% of the fund balance is unassigned, which means it is available for spending at the District's discretion. The remaining \$1,696 or 8% is not in spendable form because it is prepaid expenditures.

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 24% of total general fund expenditures. Total fund balance represents approximately 26% of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year, amendments to the budget were not considered necessary.

Final budget compared to actual results. Actual revenue was \$5,008 more than budgeted revenue. A review of actual expenditures compared to the appropriated expenditures shows that the following categories were over budget: accounting and auditing (\$1,520), appraisal fees (\$436), office expenditures (\$617), training and travel (\$3,590), miscellaneous (\$93), facilities and equipment (\$1,231), capital outlay (\$4,504), and VFD insurance costs (\$11,567). Total actual expenditures were more than budgeted expenditures by \$11,262.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$253,228 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, and vehicles. The total decrease in capital assets for the current fiscal year was approximately 6% due to depreciation.

Capital Assets

	2023	2022
Land	\$ 1,540	\$ -
Buildings	198,188	206,296
Equipment	40,115	53,539
Vehicles	13,385	9,148
Total capital assets, net of accumulated depreciation	<u>\$ 253,228</u>	<u>\$ 268,983</u>

Limestone County Emergency Services District #1

Management's Discussion and Analysis

September 30, 2023

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

- Received a donation of 0.192 acres of land with a value of \$1,540.
- Purchased a rolling tool cart for \$647.
- Replaced a diesel engine for \$7,856 and received a \$1,000 donation for the engine.

Additional information on the District's capital assets can be found in Note 5 on page 22 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total debt outstanding of \$81,353.

Outstanding Debt

	2023	2022
Notes Payable	\$ 81,353	\$ 95,979
Total long-term debt	\$ 81,353	\$ 95,979

The District's total debt decreased by \$14,626 (15%) during the current fiscal year due to principal payments of \$14,626. In addition, the District made interest payments totaling \$2,950.

Additional information on the District's long-term debt can be found in Note 6 on pages 22-23 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board works closely with the ELLVFD Board. Based on the needs of the ELLVFD, a Budget was established for the fiscal year ended September 30, 2023, in which the District anticipates the following:

- An 8% increase in property tax revenue due to an increase in the taxable value of property in the District.
- A 19% decrease in accounting and auditing; a 57% increase in District and VFD insurance; a 100% decrease in training and travel; a 100% decrease in capital outlay; and a 42% increase in contractual obligations resulting in an overall 11% decrease in expenditures.

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 #1
P.O. Box 26
Jewett, Texas 75846

Limestone County Emergency Services District #1

Statement of Net Position

September 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 20,731
Property tax receivable, net of allowance for uncollectible accounts of \$709	2,799
Other receivables	1,942
Prepaid expenses	<u>1,696</u>
Total Current Assets	27,168
Noncurrent Assets	
Capital assets, net of accumulated depreciation	<u>253,228</u>
Total Noncurrent Assets	253,228
 Total Assets	 <u><u>\$ 280,396</u></u>
LIABILITIES	
Current Liabilities	
Accrued interest payable	\$ 2,664
Notes payable, current portion	<u>15,149</u>
Total Current Liabilities	17,813
Noncurrent Liabilities	
Notes payable, net of current portion	<u>66,204</u>
Total Noncurrent Liabilities	66,204
 Total Liabilities	 <u>84,017</u>
NET POSITION	
Net investment in capital assets	171,875
Unrestricted	<u>24,504</u>
Total Net Position	196,379
 Total Liabilities and Net Position	 <u><u>\$ 280,396</u></u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #1

Statement of Activities

For The Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position Governmental Activities
Governmental Activities:			
General government	\$ 53,580	\$ 2,540	\$ (51,040)
Contractual obligations	30,700	-	(30,700)
Interest expense on long-term debt	2,950	-	(2,950)
Total Governmental Activities	<u>87,230</u>	<u>2,540</u>	<u>(84,690)</u>
General Revenues:			
Property taxes			<u>81,207</u>
Total General Revenues			<u>81,207</u>
Change in Net Position			(3,483)
Net Position - beginning of year			<u>199,862</u>
Net Position - end of year			<u><u>\$ 196,379</u></u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #1

Governmental Funds

Balance Sheet

September 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 20,731
Property tax receivable, net of allowance for uncollectible accounts of \$709	2,799
Other receivables	1,942
Prepaid expenditures	1,696
Total Assets	<u>\$ 27,168</u>
LIABILITIES	
Accrued interest payable	\$ 2,664
Total Liabilities	<u>2,664</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	2,429
Total Deferred Inflows of Resources	<u>2,429</u>
FUND BALANCE	
Nonspendable	1,696
Unassigned	20,379
Total Fund Balance	<u>22,075</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 27,168</u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #1
Reconciliation of Balance Sheet to Statement of Net Position
September 30, 2023

Total fund balance - balance sheet	\$ 22,075
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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	453,258
Accumulated depreciation	(200,030)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.

(81,353)

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

2,429

Total net position - statement of net position	<u>\$ 196,379</u>
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See accompanying notes to the financial statements.

Limestone County Emergency Services District #1
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund
Balance
For The Year Ended September 30, 2023

	General Fund
REVENUES	
Property tax	\$ 80,979
Total Revenue	<u>80,979</u>
EXPENDITURES	
Current:	
General Government	
Accounting and auditing	7,920
Appraisal and tax collection fees	1,932
Attorney fees	924
Insurance	3,600
Office expenditures	873
Tax assessor fee	1,972
Facilities and equipment	6,911
Training and travel	3,590
Miscellaneous	60
Total General Government	<u>27,782</u>
Contractual obligations	30,700
Capital outlay	7,504
Debt service:	
Principal	14,626
Interest	2,950
Total Expenditures	<u>83,562</u>
Excess of Expenditures over Revenues	(2,583)
Net Change in Fund Balance	(2,583)
Fund Balance - beginning of year	24,658
Fund Balance - end of year	<u>\$ 22,075</u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #1
Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balance to Statement of Activities
September 30, 2023

Net change in fund balances - statement of revenues, expenditures, and changes in fund balance	\$ (2,583)
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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	7,503
Depreciation	(25,798)
Donated capital assets	2,540

The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Payment of principal	14,626
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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.

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Governmental activities net position - statement of activities	\$ (3,483)
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See accompanying notes to the financial statements.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Limestone County Emergency Services District #1 (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 eastern geographic portion of lower Limestone County, particularly along the eastern shore of Lake Limestone. 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.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

Because the District only operates one fund – the general fund – and it's 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.

Governmental Fund Financial Statements

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 funds. 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 in 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 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.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, 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 demand deposits with Farmers State Bank and no investments.

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 assessed but not collected at yearend. The District uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience.

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, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with a significant initial individual cost 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.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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:

Assets	Years
Buildings	15-39
Equipment	5-10
Vehicles	5-7

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 so 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.

In addition to liabilities, the statement of net position includes 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 so 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. The long-term debt consists of a note payable.

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.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Balance

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.

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.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance (Continued)

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.

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.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures over Appropriations

For the year ended September 30, 2023, total expenditures of \$87,678 exceeded appropriations of \$76,416 by \$11,262. The District reported the following categories of expenditures in excess of appropriations: accounting and auditing (\$1,520); appraisal fees (\$436); office expenditures (\$617); training and travel (\$3,590); miscellaneous (\$93); facilities and equipment (\$1,231); capital outlay (\$4,504); and VFD insurance costs (\$11,567).

NOTE 3 – PROPERTY TAXES

Property taxes are levied October 1 on the assessed value listed as of January 1 of the same year for all real and business property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to penalties if not paid by February 1 of the year following the levy date. On January 31 of the year following the October 1 levy, a tax lien attached to property to secure the payment of all taxes and penalties 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 (ICA) 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 \$1,932 for appraisal fees and Limestone County \$1,972 for tax assessor fees during the year ended September 30, 2023.

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 2021 tax roll. The assessed value of the 2022 roll, upon which the current fiscal year was based, was \$216,786,439.

The tax rates assessed for the current period, to finance general fund operations for the fiscal year ended September 30, 2023, was \$0.0381 per \$100 valuation of assessed property. This amount was \$80,726 per the Tax Assessor. The amount upon which the 2023 budget was based was \$76,000.

Per the 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 (government fund statement), property tax is recognized as revenue only when it is both “measurable and available.” Revenues that are collected within sixty days of the end of the current fiscal period are considered to be available if used to pay liabilities of the current period.

Uncollected property taxes of \$2,799 as of September 30, 2023 are recognized as revenue in the government-wide financial statements. Of this amount, \$370 was collected within 60 days after yearend, so it is recognized as revenue in the governmental fund financial statements. The remaining \$2,429 of the uncollected property taxes is recorded in deferred inflows of resources in the governmental fund financial statements.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 4 – 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's policy is to follow State statutes which require that all deposits in financial institutions be fully collateralized by U.S. Government Obligations or its agencies and instrumentalities, or direct obligations of Texas or its agencies that have a fair value of not less than the principal amount of deposits. As of September 30, 2023, the District's bank balance was \$23,255 and was completely insured by the Federal Deposit Insurance Company (FDIC). The carrying amount of the deposits as of September 30, 2023 was \$20,731.

NOTE 5 – CAPITAL ASSETS

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

	Balance 9/30/2022	Additions	Deletions	Balance 9/30/2023
Capital Assets				
Land	\$ -	\$ 1,540	\$ -	\$ 1,540
Buildings	233,372	-	-	233,372
Equipment	127,691	647	-	128,338
Vehicles	82,152	7,856	-	90,008
Total Capital Assets	443,215	10,043	-	453,258
Accumulated Depreciation				
Building	(27,076)	(8,108)	-	(35,184)
Equipment	(74,152)	(14,071)	-	(88,223)
Vehicles	(73,004)	(3,619)	-	(76,623)
Total Accumulated Depreciation	(174,232)	(25,798)	-	(200,030)
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 268,983</u>	<u>\$ (15,755)</u>	<u>\$ -</u>	<u>\$ 253,228</u>

Depreciation expense of \$25,798 was entirely charged to the general government function of the governmental activities.

NOTE 6 – LONG-TERM DEBT

In 2017, the District authorized a loan of \$150,000 from Government Capital Corporation (GCC) for fire station addition and improvements. The loan was sold to Southside Bank (SB) shortly after acquisition with management of disbursements and the escrow account remaining with GCC. Funds were disbursed by GCC as needed, and as of September 30, 2018, the entire amount, \$150,000 had been drawn. The loan is to be repaid in 10 annual payments of \$18,054.90 beginning October 26, 2018, and the final payment on October 26, 2027, computed at an interest rate of 3.572% per annum. The loan is secured by pledged ad valorem tax revenue. The District incurred and charged to expense \$2,950 in interest expense on long-term debt for the fiscal year ended September 30, 2023.

Limestone County Emergency Services District #1

Notes to the Financial Statements

September 30, 2023

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in the District's total governmental long-term liabilities for the year:

	Balance 9/30/2022	Additions	Retirements	Balance 9/30/2023	Due within One Year
Note payable	\$ 95,979	\$ -	\$ (14,626)	\$ 81,353	\$ 15,149
Total	<u>\$ 95,979</u>	<u>\$ -</u>	<u>\$ (14,626)</u>	<u>\$ 81,353</u>	<u>\$ 15,149</u>

Annual debt service requirements to governmental activities are as follow:

Year Ending September 30	Principal	Interest
2024	\$ 15,149	\$ 2,906
2025	15,690	2,365
2026	16,251	1,804
2027	16,831	1,224
2028	17,432	623
Total	<u>\$ 81,353</u>	<u>\$ 8,922</u>

The District is not obligated in any manner for special assessment debt.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 12, 2024, the date the financial statements were available to be issued.

Limestone County Emergency Services District #1

Budgetary Comparison Schedule

General Fund

(Budgetary Basis)

For The Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Property tax	\$ 76,000	\$ 76,000	\$ 81,008	\$ 5,008
Total Revenue	<u>76,000</u>	<u>76,000</u>	<u>81,008</u>	<u>5,008</u>
EXPENDITURES				
Administrative				
Accounting and auditing	6,400	6,400	7,920	(1,520)
Appraisal fees	2,000	2,000	2,436	(436)
Attorney fees	1,500	1,500	924	576
Insurance	9,975	9,975	4,114	5,861
Office expenditures	900	900	1,517	(617)
Tax assessor fee	2,000	2,000	1,972	28
Training and travel	-	-	3,590	(3,590)
Miscellaneous	-	-	93	(93)
Total Administrative	<u>22,775</u>	<u>22,775</u>	<u>22,566</u>	<u>209</u>
Facilities and equipment	5,680	5,680	6,911	(1,231)
Emergency Services (ELLVFD)				
Capital outlay	3,000	3,000	7,504	(4,504)
Contractual obligations	26,860	26,860	21,075	5,785
VFD insurance costs	-	-	11,567	(11,567)
Total Emergency Services (ELLVFD)	<u>29,860</u>	<u>29,860</u>	<u>40,146</u>	<u>(10,286)</u>
Debt service	18,101	18,101	18,055	46
Total Expenditures	<u>76,416</u>	<u>76,416</u>	<u>87,678</u>	<u>(11,262)</u>
Excess of Revenues over Expenditures	(416)	(416)	(6,670)	(6,254)
Net Change in Fund Balance	(416)	(416)	(6,670)	(6,254)
Fund Balance - beginning of year			<u>27,401</u>	
Fund Balance - end of year			<u>\$ 20,731</u>	

Limestone County Emergency Services District #1

Notes to the Budgetary Comparison Schedule

September 30, 2023

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 September 2022 the budget for the fiscal year ended September 30, 2023 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) \$ 20,731

Adjustments for:

Property tax receivable, net	\$ 2,799	
Other receivables	1,942	
Prepaid expenditures	1,696	
Accrued interest payable	(2,664)	
Unavailable property tax revenue	(2,429)	
Total adjustments		1,344

Actual general fund balance - Statement of Revenues, Expenditures, and
Changes in Fund Balance (Modified Accrual Basis)

\$ 22,075

Limestone County Emergency Services District #1

Notes to the Budgetary Comparison Schedule

September 30, 2023

NOTE 2 – BUDGET VARIANCES

Total expenditures of \$87,678 exceeded appropriations of \$76,416 by \$11,262 for the year ended September 30, 2023.



**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 #1

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 the Limestone County Emergency Services District #1 (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 and have issued our report thereon dated August 12, 2024.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2023-001, 2023-002, and 2023-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings as item 2023-004 to be a significant deficiency.

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*.

Limestone County Emergency Services District #1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
August 12, 2024

Limestone County Emergency Services District #1

Schedule of Findings

September 30, 2023

MATERIAL WEAKNESSES

2023-001 Accounting for Cash Disbursements

Criteria

Effective internal control over cash disbursements includes procedures to ensure the completeness of cash transactions.

Condition

During the audit, we noted cash was overstated and related expenditures were understated by \$2,524 because one check written prior to yearend was not recorded in QuickBooks until it cleared the bank subsequent to yearend resulting in it being left off of the yearend bank reconciliation.

Cause

Check are not being recorded in QuickBooks on the day they are written.

Effect

The effect was a material misstatement of the District's financial statements as well as having inaccurate information regarding cash flows and balances at yearend used for managerial decisions. The potential effect, if not corrected, includes the risk of fraud or error going undetected.

Recommendation

Checks should be recorded in QuickBooks on the day they are written. Bank reconciliations should be reviewed by someone outside of the cash receipts and disbursements process.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the findings and recommendations of the auditors and will ensure that checks are entered in QuickBooks on the day they are written.

2023-002 Duplicate Cash Disbursements

Criteria

Effective internal control over cash disbursements includes procedures to ensure the existence of liabilities to be paid.

Condition

During the audit, we noted the District reimbursed East Lake Limestone Volunteer Fire Department (ELLVFD) for the same invoice totaling \$1,942 twice during the year and a third time subsequent to yearend.

Cause

When reviewing the reimbursement requests from ELLVFD, the District does not review the date of the invoices in the requests or compare current invoices in the request to invoices from previous requests during the year to ensure invoices are not duplicated.

Effect

The effect was a material misstatement of the District's financial statements. The potential effects, if not corrected, include the risk of fraud or error going undetected and the District overpaying.

Limestone County Emergency Services District #1

Schedule of Findings

September 30, 2023

MATERIAL WEAKNESSES (CONTINUED)

2023-002 Duplicate Cash Disbursements (Continued)

Recommendation

When reviewing the requests for reimbursement from ELLVFD, the District should review the dates of the invoices or receipts included in the requests and pay special attention to invoices with dates more than a month outside of the request date. In addition, the District can keep a running list of invoices or receipts that have been submitted for reimbursement and compare new requests to the list.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the findings and recommendations of the auditors and will implement more thorough review procedures of the requests for reimbursement from ELLVFD.

2023-003 Accounting Records for Cash Disbursements

Criteria

Effective internal control over cash disbursements includes procedures to ensure proper substantiation of accounting records.

Condition

During the audit, we noted that invoices could not be provided for four transactions totaling \$3,061 during the year.

Cause

Inadequate internal control over recordkeeping.

Effect

The District does not have sufficient records for all cash disbursements.

Recommendation

We recommend the District review their internal controls related to cash disbursements, implement controls over recordkeeping, and establish a process of monitoring compliance with established internal controls. It may be helpful to have an electronic copy of all invoices as a backup.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the findings and recommendations of the auditors and will review, implement, and monitor internal controls over cash disbursement recordkeeping.

SIGNIFICANT DEFICIENCIES

2023-004 Budget Deficit

Criteria

Budgets are an important tool for internal controls because they provide a framework for monitoring and controlling an organization's spending. After approval of the budget, the District should spend its funds in compliance with the budget, except in an emergency.

Limestone County Emergency Services District #1

Schedule of Findings

September 30, 2023

SIGNIFICANT DEFICIENCIES (CONTINUED)

2023-004 Budget Deficit (Continued)

Condition

During the audit, we noted actual expenditures of \$87,678 were greater than appropriated budgeted expenditures \$76,416 by \$11,262. Even though actual revenue was \$5,008 greater than budgeted, the District was over-budget by a net amount of \$6,254.

Cause

The District does not perform an analysis of prior year expenditures when creating the budget for the next year. The District also does not review the budget before making expenditures.

Effect

The District was over-budget by a net amount of \$6,254.

Recommendation

The District should analyze expenditures for at least the most recent year when creating the budget for the next year. The District should review the budget before making expenditures during the year. The Board of Directors can amend the original budget out of necessity to meet an unusual and unforeseen condition that could not have been included in the original budget. The Board of Directors should also do a periodic review of budgeted expenditures to actual expenditures.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the findings and recommendations of the auditors and will implement the recommended analysis, review, and amendment procedures.