

**LIMESTONE COUNTY EMERGENCY
SERVICES DISTRICT #1**

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020

Limestone County Emergency Services District #1
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September 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Limestone County Emergency Services District #1 (District) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of Limestone County Emergency Services District #1 as of September 30, 2020, 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.

Other Matters

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 3–7 and 20 be presented to supplement the basic financial statements. Such information, 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 June 24, 2021, on our consideration of the 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
June 24, 2021

Limestone County Emergency Services District #1
Management's Discussion and Analysis
September 30, 2020

As commissioners of the Limestone County Emergency Services District #1 (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, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which begin on page 8. Any references made in this discussion and analysis to the 'current year' or 'current period' refers to the year ended September 30, 2020.

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 2019 for the fiscal year ended September 30, 2020.

FINANCIAL HIGHLIGHTS

Total assessed property value for 2020 was \$189 million and the amount of property taxes estimated to be paid at the beginning of the year was \$73,826. The amount actually collected by the county tax collector as of September 30, 2020 was \$73,506.

The District's General Fund had expenditures of \$97,125 for the year ended September 30, 2020.

As of September 30, 2020, the unassigned fund balance for the General Fund was \$84,455.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

Limestone County Emergency Services District #1
Management's Discussion and Analysis
September 30, 2020

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

The government-wide financial statements may be found on pages 8 and 9 of this report.

Fund financial statements. The fund financial statements can be found on pages 10 and 12 and provide detailed information about the most significant funds, not the District as a whole. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one major fund, which is the general fund, and is reported as a governmental fund.

Governmental fund

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

The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations found on pages 11 and 13.

Budgeting

Each year the District adopts a budget for its General Fund. A budgetary comparison has been provided for the General Fund and can be found on page 20 of this report.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The largest portion of the District's net position (62%) represents its investment in capital assets (e.g., equipment, vehicles, and buildings) net of accumulated depreciation and related long-term debt, while the remaining 38% is unrestricted.

Limestone County Emergency Services District #1
Management's Discussion and Analysis
September 30, 2020

Summary Statement of Net Position

	2020	2019
ASSETS		
Other assets	\$ 94,167	\$ 170,936
Capital assets, net	262,901	224,759
Total Assets	\$ 357,068	\$ 395,695
LIABILITIES		
Other liabilities	\$ 7,152	\$ 24,927
Long-term liabilities	123,736	136,901
Total Liabilities	130,888	161,828
NET POSITION		
Invested in capital assets, net	139,165	87,858
Unrestricted	87,015	146,009
Total Net Position	226,180	233,867
Total Liabilities and Net Position	\$ 357,068	\$ 395,695

Governmental activities decreased the District's net position by \$7,687. Total revenues from governmental activities amounted to \$74,021, all from property taxes. The following table provides a summary of the District's operations for the years ended September 30, 2020 and September 30, 2019 respectively.

Summary Changes in Net Position

	2020	2019
REVENUES		
Property taxes	\$ 74,021	\$ 75,907
Total Revenues	74,021	75,907
EXPENSES		
General government	53,491	37,564
Contractual obligations	23,758	27,083
Interest expense on long-term debt	4,459	4,527
Total Expenses	81,708	69,174
Increase (decrease) in net position	(7,687)	6,733
Net position - beginning of year	233,867	227,134
Net position - end of year	\$ 226,180	\$ 233,867

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, 2020

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

At the end of the current period, the District's governmental fund reported total fund balances of 84,455.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the year, the District:

1. Purchased firefighting equipment for \$24,874.
2. Paid \$13,165 in principal and \$4,890 in interest toward the note payable held by Southside Bank.

Capital Assets

	2020	2019
Assets		
Equipment	\$ 94,839	\$ 43,530
Vehicles	70,274	70,274
Buildings	221,574	191,543
Construction in progress	-	2,930
Total Capital Assets	386,687	308,277
Accumulated Depreciation		
Equipment	(43,204)	(14,205)
Vehicles	(69,249)	(65,149)
Buildings	(11,333)	(4,164)
Total accumulated depreciation	(123,786)	(83,518)
Total capital assets, net of accumulated depreciation	\$ 262,901	\$ 224,759

Long-term Debt

	2020	2019
Notes Payable	\$ 123,736	\$ 136,901
Total long-term debt	\$ 123,736	\$ 136,901

OTHER OPERATING FACTORS

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, 2020, and is included at the end of this report as supplemental information.

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

Limestone County Emergency Services District #1
Management's Discussion and Analysis
September 30, 2020

REQUEST FOR INFORMATION

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

Board of Commissioners
P.O. Box 26
Jewitt, Texas 75846

Limestone County Emergency Services District #1

Statement of Net Position

September 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 91,401
Property tax receivable	2,766
Total Current Assets	<u>94,167</u>

Noncurrent Assets

Capital assets, net of accumulated depreciation	262,901
Total Noncurrent Assets	<u>262,901</u>

Total Assets	<u><u>\$ 357,068</u></u>
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LIABILITIES

Current Liabilities

Accounts payable	\$ 3,100
Accrued interest payable	4,052
Notes payable, current portion	13,635
Total Current Liabilities	<u>20,787</u>

Noncurrent Liabilities

Notes payable, net of current portion	110,101
Total Noncurrent Liabilities	<u>110,101</u>

Total Liabilities	<u>130,888</u>
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NET POSITION

Invested in capital assets, net of related debt	139,165
Unrestricted	87,015
Total Net Position	<u>226,180</u>

Total Liabilities and Net Position	<u><u>\$ 357,068</u></u>
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See accompanying notes to the financial statements.

Limestone County Emergency Services District #1

Statement of Activities

For The Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	53,491	\$ -	\$ -	\$ -	\$ (53,491)
Contractual obligations	23,758	-	-	-	(23,758)
Interest expense on long-term debt	4,459	-	-	-	(4,459)
Total Governmental Activities	81,708	-	-	-	(81,708)
General Revenues:					
Property taxes					74,021
Total General Revenues					74,021
Change in Net Position					(7,687)
Net Position - beginning of year					233,867
Net Position - end of year					\$ 226,180

See accompanying notes to the financial statements.

Limestone County Emergency Services District #1

Governmental Fund Balance Sheet

September 30, 2020

ASSETS

Cash	\$ 91,401
Property tax receivable	2,766
Total Assets	<u>\$ 94,167</u>

LIABILITIES

Accounts payable	3,100
Accrued interest payable	4,052
Total Liabilities	<u>7,152</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	\$ 2,560
Total Deferred Inflows of Resources	<u>2,560</u>

FUND BALANCE

Unassigned	84,455
Total Fund Balance	<u>84,455</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 94,167</u>
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See accompanying notes to the financial statements.

Limestone County Emergency Services District #1

Reconciliation of Balance Sheet to Statement of Net Position

September 30, 2020

Total fund balance - balance sheet	\$ 84,455
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$386,522 net of accumulated depreciation of \$123,754, are not financial resources and, therefore, are not reported in the governmental fund balance sheet.	262,901
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.	(123,736)
Deferred inflows of resources are not available to pay current period expenditures and, therefore, are deferred in the governmental fund balance sheet.	2,560
Total net position - statement of net assets	<u>\$ 226,180</u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #1

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

For The Year Ended September 30, 2020

	General Fund
REVENUES	
Property tax	\$ 74,370
Total Revenue	<u>74,370</u>
EXPENDITURES	
Current:	
General Government	
Accounting	6,250
Appraisal fees	4,231
Attorney fees	748
Insurance	3,689
Office expense	2,242
Facilities and equipment	6,031
Training and travel	7,576
Miscellaneous	102
Total General Government	<u>30,869</u>
Contractual obligations	23,758
Capital outlay	24,874
Debt service:	
Principal	13,165
Interest	4,459
Total Expenditures	<u>97,125</u>
Net Change in Fund Balance	(22,755)
Fund Balance - beginning of year	107,210
Fund Balance - end of year	<u><u>\$ 84,455</u></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, 2020

Net change in fund balances - statement of revenues, expenditures, and changes in fund balance	\$ (22,755)
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	24,874
Depreciation	(22,622)
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	13,165
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.	
	(349)
Governmental activities net position - statement of net assets	<u>\$ (7,687)</u>

See accompanying notes to the financial statements.

Limestone County Emergency Services District #1
Notes to the Financial Statements
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Limestone County Emergency Services District #1 (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 accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District.

Government-wide Financial Statements

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

Government Fund Financial Statements

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

Limestone County Emergency Services District #1
Notes to the Financial Statements
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within sixty days of the end of the current fiscal period.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity

Expenses/Expenditures

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

Cash and Cash Equivalents

Cash equivalents include all highly-liquid investments with a maturity of three months or less at the date of purchase. The District had cash on deposit with Farmers State Bank and no investments. Total cash in bank at September 30, 2020 was \$91,640, and was completely insured by FDIC.

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.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. In the government fund statement, receivables consist of uncollected, unearned revenues at yearend, as well as property taxes that are collected within sixty days of the end of the current fiscal period and are considered to be available to pay liabilities of the current period.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds and are reported as capital outlay expenditures in the governmental fund statement of revenues, expenditures, and changes in fund balance. These assets are reported on the government-wide statement of net position at cost, net of depreciation. Capital assets include the fire station and fire-fighting equipment and vehicles.

Limestone County Emergency Services District #1
Notes to the Financial Statements
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

Accrued Liabilities

The District reports accrued interest payable on the statement of net position and balance sheet since the payment is to be made within the next month after yearend.

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.

Fund Balances

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amount that can only be used for a specific purpose because of a formal action by the Board of Commissioners. Committed amounts cannot be used for any other purpose unless the Board removes these constraints by taking the same type of formal action.

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

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

When an expenditure is incurred for a purpose for which more than one fund balance classification could be used, the District considers the expenditure to be made from the most restrictive classification first.

Limestone County Emergency Services District #1
Notes to the Financial Statements
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of net assets reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. When an expense is incurred for a purpose for which more than one net position classification could be used, the District considers the expense to be made from the most restrictive classification first.

Estimates

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

NOTE 2 – PROPERTY TAXES

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

The appraisal and recording of all property within the District is the responsibility of the Limestone County Appraisal District (LCAD), an independent governmental unit. Under an Interlocal Cooperation Agreement for Ad Valorem Tax Collection Services (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 \$2,223 for appraisal fees and Limestone County \$2,008 for tax assessor fees during the year ended September 30, 2020.

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 2018 tax roll. The assessed value of the 2019 roll, upon which the current fiscal year was based, was \$189 million.

The tax rates assessed for the current period, to finance general fund operations for the fiscal year ended September 30, 2020, was \$0.04 per \$100 valuation of assessed property. This amount was \$73,826 per the Tax Assessor. The amount upon which the 2020 budget was based was \$73,826, the difference of which is considered immaterial.

Limestone County Emergency Services District #1
Notes to the Financial Statements
September 30, 2020

NOTE 2 – PROPERTY TAXES (CONTINUED)

Per the Government Accounting Standards Board Statement No. 33, 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 \$2,560 as of September 30, 2020 are recognized as revenue in the government-wide financial statement and as deferred revenue in the government fund statement.

NOTE 3 – CAPITAL ASSETS

The composition of the Capital Assets is as follows:

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Capital Assets				
Building	\$ 221,575	\$ -	\$ -	\$ 221,575
Equipment	69,965	24,874	-	94,839
Vehicles	70,274	-	-	70,274
Total Capital Assets	<u>361,814</u>	<u>24,874</u>	<u>-</u>	<u>386,688</u>
Accumulated Depreciation				
Building	(7,749)	(3,585)	-	(11,334)
Equipment	(26,217)	(16,987)	-	(43,204)
Vehicles	(67,199)	(2,050)	-	(69,249)
Total accumulated depreciation	<u>(101,165)</u>	<u>(22,622)</u>	<u>-</u>	<u>(123,787)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 260,649</u>	<u>\$ 2,252</u>	<u>\$ -</u>	<u>\$ 262,901</u>

NOTE 4 – LONG TERM DEBT

In 2017, the District authorized a loan of \$150,000 from Government Capital Corporation (GCC) for fire station addition and improvements (NOTE 3). 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.

	Balance 9/30/2019	Additions	Retirements	Balance 9/30/2020	Due within One Year
Southside Bank - Note Payable	\$ 136,901	\$ -	\$ (13,165)	\$ 123,736	\$ 13,635
	<u>\$ 136,901</u>	<u>\$ -</u>	<u>\$ (13,165)</u>	<u>\$ 123,736</u>	<u>\$ 13,635</u>

Limestone County Emergency Services District #1
Notes to the Financial Statements
September 30, 2020

NOTE 4 – LONG TERM DEBT (CONTINUED)

The principal and interest requirements at September 30, 2020 for the next five years and thereafter are as follows:

Year Ending September 30	Principal	Interest
2021	\$ 13,635	\$ 4,420
2022	14,122	3,933
2023	14,627	3,428
2024	15,149	2,906
2025	15,691	2,365
Thereafter	50,512	3,651
Total	<u>\$ 123,736</u>	<u>\$ 20,703</u>

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

NOTE 5 – EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2020, the District reported the following categories of expenditures in excess of appropriations: Appraisal fees - \$223; Office supplies - \$1,342; Tax assessor fees - \$8; Training and travel - \$4,576; Miscellaneous - \$102; and Capital outlay - \$24,874.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 24, 2021, the date the financial statements were available to be issued.

Limestone County Emergency Services District #1

Budgetary Comparison Schedule General Fund

For The Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Property tax	\$ 76,000	\$ 76,000	\$ 74,370	\$ (1,630)
Total Revenue	76,000	76,000	74,370	(1,630)
EXPENDITURES				
Administrative				
Appraisal fees	2,000	2,000	2,223	(223)
Attorney fees	1,000	1,000	748	252
Audit	6,700	6,700	6,250	450
Insurance	9,975	9,975	3,689	6,286
Office supplies	900	900	2,242	(1,342)
Tax assessor fee	2,000	2,000	2,008	(8)
Training and travel	-	3,000	7,576	(4,576)
Miscellaneous	-	-	102	(102)
Total Administrative	22,575	25,575	24,838	737
Facilities and equipment	5,680	5,680	6,031	(351)
Emergency Services (ELLVFD)				
Capital Outlay	-	-	24,874	(24,874)
Contractual obligations	26,860	26,860	23,758	3,102
Total Emergency Services (ELLVFD)	26,860	26,860	48,632	(21,772)
Debt Service	18,101	18,101	17,624	477
Total Expenditures	73,216	76,216	97,125	(20,909)
Net Change in Fund Balance	2,784	(216)	(22,755)	(22,539)
Fund Balance - beginning of year			107,210	
Fund Balance - end of year			\$ 84,455	

Limestone County Emergency Services District #1
Notes to the Budgetary Comparison Schedule
September 30, 2020

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 2019 the budget for the fiscal year ended September 30, 2020 based on the known property tax assessment available for the year, and the tax rate was set accordingly.

B. Estimated Resources

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

C. Appropriations

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

D. 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.

NOTE 2 – BUDGET VARIANCES

Some expenditures budgeted by the Board were reclassified in the Budgetary Comparison Schedule – General Fund to better reflect the true nature of the expenditure.

**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, each major fund, and the aggregate remaining fund information of the Limestone County Emergency Services District #1 (District) as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 24, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. (2020-01)

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 determination of financial statement amounts. 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*.

Management's Response to Findings

Limestone County Emergency Services District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
June 24, 2021

Limestone County Emergency Services District #1
Schedule of Findings
September 30, 2020

SIGNIFICANT DEFICIENCIES

2020-01

Criteria

Effective internal control over financial reporting involves identification and analysis of the risk of material misstatements to the District's financial statements. Controls should also determine how those identified risks should be managed and implement internal controls to prevent or detect and correct such misstatements.

Condition

Management has not developed policies and procedures to compute, review, and record adjusting entries and has not identified risks or designed effective controls over the preparation of the financial statements to prevent or detect material misstatements.

Cause

As with most districts this size, management has not developed policies and procedures to compute, review, and record adjusting entries and has not identified risks or designed effective controls over the preparation of the financial statements to prevent or detect material misstatements.

Effect

As a result of these policies and procedures not being developed, audit adjustments were necessary.

Recommendation

Controls should be implemented to identify and analyze the risk of material misstatements to the District's financial statements to prevent or detect material misstatements.

Views of Responsible Officials and Planned Corrective Actions

The district agrees with the findings and recommendations of the auditors but believes it is more efficient and effective to continue to rely on the auditors to perform these procedures due to the size of the District and the limit of the District's resources.