

RUSK COUNTY
EMERGENCY SERVICES DISTRICT #1
Rusk County, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended
December 31, 2023

**Rusk County Emergency Services District #1
Financial Statements
For the Year Ended December 31, 2023**

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-3
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		5-6
Management's Discussion and Analysis		7-11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	13
Statement of Activities	2	14
Fund Financial Statements:		
Balance Sheet--Governmental Funds	3	15
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position	3-A	16
Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds	4	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds to the Statement of Activities	4-A	18
Notes to the Financial Statements		19-29
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	5	30
Schedule of Findings and Responses		31

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Morgan LaGrone, CPA, PLLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

September 27, 2024

Board of Directors
Rusk County Emergency Services District #1
1515 Whippoorwill St
Henderson, Texas 75652

Members of the Board:

We have audited the accompanying financial statements of the governmental activities of the Rusk County Emergency Services District #1 (District), as of and for the year ended December 31, 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 of the District, as of December 31, 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.

Emphasis of Matter

As described in Note A to the financial statements, Rusk County Emergency Services District #1 adopted new accounting guidance, Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

As described in Note IV. C to the financial statements, there was a prior period adjustment to correct capital assets in the government-wide financial statements. Our opinion is not modified with respect to this matter.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-6 and 30 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 September 26, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in dark ink that reads "Morgan LaGrone". The signature is written in a cursive, flowing style.

Morgan LaGrone
Certified Public Accountant

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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*

September 27, 2024

Board of Directors
Rusk County Emergency Services District #1
1515 Whippoorwill St
Henderson, Texas 75652

We have audited, 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, the financial statements of the governmental activities, and each major fund of Rusk County Emergency Services District #1, ("District") as of and for the year ended December 31, 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 September 27, 2024.

Internal Control over Financial Reporting

In planning and performing our audit, 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 an instance of material weakness that is required to be reported under *Government Auditing Standards* and is presented as item 2023-1 on the schedule of findings and responses.

Rusk County Emergency Services District #1 Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Morgan LaGrone
Certified Public Accountant

Henderson, Texas
September 27, 2024

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

This section of Rusk County Emergency Services District #1's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$8,515,607 at December 31, 2023.
- During the year, the District's expenses were \$630,503 less than the \$2,306,628 generated in revenues for governmental activities.
- The general fund reported an unassigned fund balance this year of \$1,198,961.
- Significant accomplishments during the 2023 fiscal year were renovations to the new ESD building, new communication equipment, and cost sharing various fire fighting vehicles and equipment in the County.

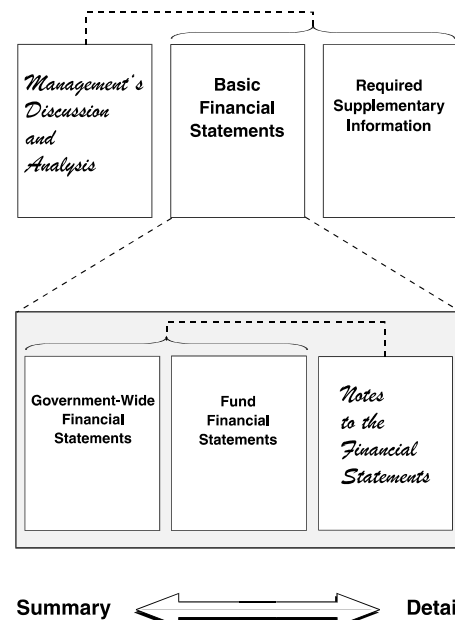
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report



Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider non-financial factors as well.
- The government-wide financial statements of the District include the governmental activities. All of the District's basic services are included here, such as general government and public safety. Property taxes finance all of the District's activities.

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law; currently, the District only has the General Fund.
- The Board of Emergency Commissioners can establish other funds to control and manage money for particular purposes.

The District has the following kinds of funds:

- Governmental funds—All of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's net position was \$8,515,607 at December 31, 2023.

Table A-1
Rusk County Emergency Services District #1
Net Position

	(Restated) 2023	2022	Change 2022-2023	% Change 2022-2023
Current Assets:				
Cash and Cash Equivalents	\$ 2,971,253	\$ 2,497,396	\$ 473,857	18.97%
Property Taxes Receivable	1,913,338	1,561,002	352,336	22.57%
Prepays	29,529	37,240	(7,711)	N/A
Total Current Assets	\$ 4,914,120	\$ 4,095,638	\$ 818,482	19.98%
Noncurrent Assets:				
Construction in Progress	\$ 2,712,896	\$ 734,644	\$ 1,978,252	269.28%
Land	18,750	95,585	(76,835)	(80.38%)
Buildings and Improvements	1,274,006	908,663	365,343	40.21%
Equipment	6,722,189	5,854,570	867,619	14.82%
Right to Use Assets	980,248	42,661	937,587	2197.76%
Less: Accumulated Depreciation	(2,735,902)	(2,197,534)	(538,368)	(24.50%)
Total Noncurrent Assets	\$ 8,972,187	\$ 5,438,589	\$ 3,533,598	64.97%
Total Assets	\$ 13,886,307	\$ 9,534,227	\$ 4,352,080	45.65%
Long-Term Liabilities				
Long-Term Liabilities	\$ 2,613,542	\$ 277,927	\$ 2,335,615	840.37%
Accounts Payable	346,895	42,095	304,800	724.08%
Accrued Interest Payable	61,627	-	61,627	N/A
Total Liabilities	\$ 3,022,064	\$ 320,022	\$ 2,702,042	844.33%
Deferred Inflows of Resources				
Unearned Revenue	644,449	656,531	(12,082)	(1.84%)
Unearned Deferred Revenue	1,704,145	1,367,598	336,547	24.61%
Total Deferred Inflows of Resources	\$ 2,348,594	\$ 2,024,129	\$ 3,392,934	167.62%
Net Position:				
Net Position, Investment in Capital Assets	\$ 6,358,643	\$ 5,160,662	\$ 1,197,981	23.21%
Unrestricted	2,156,964	2,029,414	127,550	6.29%
Total Net Position	\$ 8,515,607	\$ 7,190,076	\$ 1,325,531	18.44%

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

The \$2,156,964 of unrestricted net position represents resources available to fund the programs of the District next year.

Change in net position. The District's total revenues were \$2,306,268, including capital grants and contributions. 92.02% of the District's revenue comes from property taxes.

The total cost of all programs and services was \$1,675,795; 85.48% of these costs were for public safety.

Governmental Activities

Table A-2
Rusk County Emergency Services District #1
Change in Net Position

	<u>2023</u>	<u>2022</u>	Increase/ (Decrease) <u>2022-2023</u>	Percentage Change <u>2022-2023</u>
Program Revenues:				
Capital Grants and Contributions	\$ -	\$ 248,293	\$ (248,293)	N/A
General Revenues:				
Property Taxes	2,122,137	1,812,323	309,814	17.09%
Interest	63,072	17,607	45,465	258.22%
Insurance Proceeds	54,182	47,461	6,721	14.16%
Miscellaneous Revenue	66,877	5,529	61,348	1109.57%
Total Revenues	<u>\$ 2,306,268</u>	<u>\$ 2,131,214</u>	<u>\$ 175,056</u>	<u>8.21%</u>
Functions/Programs:				
General Government	\$ 181,473	\$ 128,447	\$ 53,026	41.28%
Public Safety	1,432,442	2,170,318	(737,876)	(34.00%)
Debt Service	61,850	-	61,850	#DIV/0!
Total Expenses	<u>\$ 1,675,764</u>	<u>\$ 2,298,764</u>	<u>\$ (623,000)</u>	<u>(27.10%)</u>
Increase/(Decrease) in Net Position	<u>\$ 630,504</u>	<u>\$ (167,550)</u>	<u>\$ 798,056</u>	<u>(476.31%)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$2,169,421, an increase of \$351,817 from the prior year. This increase was due to a increase in property tax revenue and interest rates.

The District's property tax rate was .0775 per \$100 valuation for the year ended December 31, 2023.

Expenditures from governmental fund types totaled \$4,599,308, an increase of \$2,635,664 from the preceding year. The majority of the increase in expenditures was due to the District's ongoing renovation of the new training facility and offices. The District obtained a bank loan to fund the construction costs.

General Fund Budgetary Highlights

The Board amended the original budget during the fiscal year to better reflect the anticipated spending of the District. Actual revenues were \$13,143 less than final budget amounts. Actual expenditures were \$500,754 less than final budget amounts. Overall, there was an increase of \$189,348 to fund balance.

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$11,708,089 in capital assets consisting of construction in progress, buildings and improvements, land, right to use assets, and equipment. (See Table A-3.)

Table A-3
Rusk County Emergency Services District #1
Capital Assets

	<u>2023</u>	<u>Restated 2022</u>	<u>Increase/ (Decrease) 2022-2023</u>	<u>Percentage Change 2022-2023</u>
Construction in Progress	\$ 2,712,896	\$ 734,644	\$ 1,978,252	269%
Land	18,750	95,585	(76,835)	-80%
Buildings and Improvements	1,274,006	908,663	365,343	40%
Right to Use Assets	980,248	42,661	937,587	2198%
Equipment	6,722,189	6,549,598	172,591	3%
Total Capital Assets	\$ 11,708,089	\$ 8,331,151	\$ 3,376,938	2429%
Less: Accumulated Depreciation	\$ (2,735,902)	\$ (2,197,534)	\$ (538,368)	24%
Net Capital Assets	\$ 8,972,187	\$ 6,133,617	\$ 2,838,570	2454%

More detailed information about the District's capital assets is presented in Note III (D) to the financial statements.

Long Term Debt

At year-end, the District had \$2,613,542 in long-term debt outstanding as shown in Table A-4. More detailed information about the District's debt is presented in Note E to the financial statements.

Table A-4
Rusk County Emergency Services District #1
Long-Term Debt

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease) 2022-2023</u>	<u>Percentage Change 2022-2023</u>
Loans:				
Carlisle VFD	\$ 166,604	\$ 244,000	\$ (77,396)	-32%
Texas Bank	1,475,508	-	1,475,508	N/A
Capital Financing Activities	971,430	33,928	937,502	2763%
Total Long-Term Debt	\$ 2,613,542	\$ 277,928	\$ 2,335,614	2731%

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General Fund spending increased in the 2024 budget to \$2,311,011. The District will complete the renovations to the new training facility as well as continue with cost shares with the departments for equipment purchases and necessary repairs.
- Amounts available for appropriation in the General Fund budget are \$2,156,277, an increase of \$154,734 from the final 2023 budgeted resources of \$2,156,277.
- The District, by approval from the citizens of Rusk County, began collecting sales tax revenue from parts of the County in April 2024.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide residents residing within Rusk County, creditors, and the general public with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District.

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Rusk County Emergency Services District #1
Statement of Net Position
December 31, 2023

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,563,955
Cash with Fiscal Agent	407,258
Receivables	
Property Taxes (net of allowance for uncollectibles)	1,913,338
Accounts	-
Prepaid Expense	29,529
Capital Assets (net of accumulated depreciation)	
Construction in Progress	2,712,896
Land	18,750
Buildings	1,002,837
Equipment	4,313,585
Right to Use Leased Asset	924,117
	13,886,265
Total Assets	\$ 13,886,265
<u>Liabilities</u>	
Accounts Payable	\$ 346,895
Accrued Interest Payable	61,627
Noncurrent Liabilities:	
Due Within One Year	150,285
Due in More Than One Year	2,463,257
	3,022,064
Total Liabilities	\$ 3,022,064
<u>Deferred Inflows of Resources</u>	
Unearned Revenue	644,449
Unearned Deferred Revenue	1,704,145
	2,348,594
Total Deferred Inflows of Resources	\$ 2,348,594
<u>Net Position</u>	
Net Position, Investment in Capital Assets	\$ 6,358,643
Unrestricted	2,156,964
	8,515,607
Total Net Position	\$ 8,515,607

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

Rusk County Emergency Services District #1
Statement of Activities
For the Year Ended December 31, 2023

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Functions/Programs:</u>				
Governmental activities:				
General Government	\$ 181,473	\$ -		\$ (181,473)
Public Safety	1,432,442	-		(1,432,442)
Debt Service	61,850	-		(61,850)
Total governmental activities	\$ 1,675,765	\$ -		\$ (1,675,765)
General Revenues:				
Property Taxes				\$ 2,122,137
Interest				63,072
Insurance Proceeds				54,182
Miscellaneous				13,577
Gain on Sale of Assets				53,300
Total general revenues				\$ 2,306,268
Change in net position				630,503
Net position - beginning				7,190,076
Prior Period Adjustment - See Note IV.C				695,028
Net position - Beginning, as restated				7,885,104
Net position - ending				\$ 8,515,607

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

Rusk County Emergency Services District #1
Balance Sheet - Governmental Funds
December 31, 2023

	General Fund
<u>Assets</u>	
Cash	\$ 2,563,955
Cash with Fiscal Agent	407,258
Prepaid Expenditure	8,248
Receivables:	
Current Taxes	1,793,835
Delinquent Taxes	220,204
Allowance for Uncollectible Taxes	(100,701)
Total Assets	\$ 4,892,799
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts Payable	\$ 346,895
Total Liabilities	\$ 346,895
Deferred Inflows of Resources:	
Unearned Revenue	644,449
Unearned Deferred Revenue	1,913,339
Total Deferred Inflows of Resources	\$ 2,557,788
Fund Balances:	
Nonspendable for Prepaids	\$ 8,248
Committed	780,907
Unassigned	1,198,961
Total Fund Balances	\$ 1,988,116
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,892,799

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

Rusk County Emergency Services District #1
 Reconciliation of the Balance Sheet-Governmental Funds
 to the Statement of Net Position
 December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Net Position
 are Different Because:

Total Fund Balances-Total Governmental Funds (Exhibit #3)	\$ 1,988,116
Net Delinquent Property Taxes Receivable is a "long-term asset" and not available to pay for current period expenditures and therefore is deferred in the funds.	209,194
Payables for right-to-use leases, which are not due in the current period, are not reported in the funds.	(971,429)
Payables for debt interest which are not due in the current period are not reported in the funds	(61,627)
Prepaid assets are not reported in the funds.	21,280
Long-term debt is not reported in the funds	(1,642,112)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>8,972,185</u>
Net Position of Governmental Activites (Exhibit #1)	<u><u>\$ 8,515,607</u></u>

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

Rusk County Emergency Services District #1
Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
For the Year Ended December 31, 2023

<hr/>		
Revenues:		
Ad Valorem Taxes	\$	2,106,349
Interest		63,072
Total Revenues	\$	<u>2,169,421</u>
Expenditures:		
Payments for Public Safety:		
Carlisle	\$	125,779
Church Hill		43,228
Crim's Chapel		89,630
East Side		86,416
Elderville-Lakeport		25,464
Henderson		45,368
Kilgore		137,662
Laneville		55,583
Mt. Enterprise		33,112
New London		33,612
New Salem		25,530
Overton		32,218
Reklaw		47,118
Rusk County Fire Fighters Assoc.		5,094
Tatum		34,337
City of Kilgore / Rescue Unit		35,169
Rusk County Rescue Unit		59,031
Fire Marshall and OEMC		96,187
New Communication System		1,076,290
Insurance and Other Public Safety		<u>360,593</u>
Total Payments for Public Safety	\$	2,447,422
Capital Expenditures		1,884,462
Debt Service		85,951
General and Administrative Expenditures		<u>181,473</u>
Total Expenditures	\$	<u>4,599,308</u>
Excess (deficiency) of Revenues Over Expenditures	\$	<u>(2,429,887)</u>
Other Financing Sources (See Note C)		
Miscellaneous	\$	13,577
Issuance of Right to Use Leased Assets		945,835
Loan Proceeds		1,475,508
Sale of Land		130,135
Insurance Proceeds		<u>54,181</u>
Total Other Financing Sources	\$	<u>2,619,235</u>
Net Change in Fund Balance	\$	189,348
Fund Balance, January 1, 2023		<u>1,798,768</u>
Fund Balance, December 31, 2023	\$	<u><u>1,988,116</u></u>

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

Rusk County Emergency Services District #1
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances-Governmental Funds
 To the Statement of Activities
 For the Year Ended December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Activities
 are Different Because:

Net Change in Fund Balances-Total Governmental Funds (Exhibit #4)	\$ 189,348
Delinquent property tax collections provide current financial resources to the funds, but has no effect on net position.	(63,087)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	78,875
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds - allocation of prepaids.	(15,960)
Repayment of right to use lease principal is an expenditure in the funds but is not an expense in the Statement of Activities	8,333
Proceeds of leases do not provide revenue in the Statement of Activities but are reported as current resources in the funds.	(945,835)
Proceeds of loans do not provide revenue in the Statement of Activities but are reported as current resources in the funds.	(1,475,508)
Repayment of debt principal is an expenditure in the funds but is not an expense in the Statement of Activities.	77,396
Increase/(Decrease) in accrued interest payable.	(61,627)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated usefulness and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	2,838,569
Rounding	<u>(1)</u>
Changes in Net Position of Governmental Activities (Exhibit #2)	<u><u>\$ 630,504</u></u>

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

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

Notes to Financial Statements

December 31, 2023

I. Summary of Significant Accounting Policies

Rusk County Emergency Services District #1, ("District") operates in accordance with the laws of the State of Texas, Health & Safety Code, Chapter 775 and pursuant to an election held on May 6, 1989.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units for which the District may be financially accountable and, as such, should be included within the District's financial statements. The District is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the District. Additionally, the District is required to consider other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the application of those criteria, the District has no component units.

B. Government-Wide and Fund 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 activities of the District. Any interfund activity is removed from these statements. Governmental activities, which normally are supported by service fee revenues, are to be reported separately from business-type activities. Rusk County Emergency Services District #1 has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers, citizens, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. The District has no program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

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 timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The District reports the following major Governmental fund:

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The District's cash includes in demand deposits.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

2. Property Taxes Receivables

The District's property taxes are levied on October 1 on the assessed value as of the previous January 1 for all real and personal property located in the District, and are due on January 31. The voters approved maintaining the current tax rate of \$0.0775 per \$100 of assessed valuation. All unpaid taxes levied on October 1 become delinquent July 1 of the following year. Property taxes receivable are recorded when levied, subject to an allowance for uncollectibles on the Government-wide and Fund Financial Statements. Current property taxes are recognized on the January 1 subsequent to the October 1 of levy for the Government-wide Financial Statements. Current property taxes collected from October 1 – December 31 in the year of levy are deferred and recognized as revenue on the January 1 subsequent to the October 1 of levy for the Fund Financial Statements. All other property tax collections are recognized when received in cash for the Fund Financial Statements.

Property Taxes Receivable are shown net of an allowance for uncollectibles the allowance is equal to five (5) percent of current property taxes receivable plus five (5) percent of delinquent taxes receivable at December 31, 2023.

3. Prepaid Items

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

4. Capital Assets

Capital assets, which include equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The District operates in accordance with the laws of the State of Texas, Health & Safety Code, Chapter 775, and section 73 which states that any property purchased, wholly or partly, by the District must remain property of the District, regardless of whether the property is used by a third party. It is the District's policy to capitalize the portion of the asset that was purchased using District funds.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Software	3
Machinery & Equipment	5-15

5. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Unearned Revenue and Unearned Deferred Revenue are reported in the government-wide Statement of Net Position. Any current taxes levied and collected between October 1 and December 31 are not available for use until January 1, the beginning of the next fiscal year. Therefore, all collections of current taxes during this period and all current taxes receivable as of December 31 are recorded as Unearned Revenue and Unearned Deferred Revenue, respectively. These liabilities are reflected in the Government-wide financial statements, since the tax revenue has not been earned as of December 31, 2023. The governmental funds report unavailable revenues for advance tax collections, property taxes receivable, and resources that have been received, but not earned for grant drawdowns and deposits.

6. Net Position Flow Assumption

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

7. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the Board of Emergency Commissioners. Committed amounts cannot be used for any other purpose unless the Board of Emergency Commissioners removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Emergency Commissioners. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District 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 of Emergency Commissioners or by an official or body to which the Board of Emergency Commissioners delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the fund itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

8. *Implementation of New Standards*

In the current fiscal year, the District implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

This Standard provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The District did not identify any SBITAs for the year ended December 31, 2023.

II. Stewardship, Compliance and Accountability

Budgetary Information

Prior to January 1, the District discusses and considers an operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the means of financing them for the upcoming year.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Emergency Commissioners. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended.

All budget appropriations lapse at year-end.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits. The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to Texas State Law. The depository bank deposits for safekeeping and trust with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) Insurance.

The District's cash deposits at December 31, 2023 with the contracted depository bank were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank. The cash deposits at December 31, 2023 were collateralized in accordance with Texas Law.

Cash deposits were properly secured at all times during the year ended December 31, 2023.

Investments: The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

During the year ended December 31, 2023 the District had no investments.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District’s investment policy limits its investments to certificates of deposit in its depository bank or banks domiciled in the State of Texas. The District was not exposed to credit risk.

- **Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. The District was not exposed to custodial credit risk.

- **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As discussed above, the District’s investment policy limits its investments to certificates of deposit in its depository bank or banks domiciled in the State of Texas. The District was not exposed to concentration of credit risk.

- **Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk.

- **Foreign Currency Risk**

This is the risk that exchange rates will adversely affect the fair value of an investment. The District does not engage in foreign currency transactions. The District was not exposed to foreign currency risk.

B. Property Taxes Receivable

Receivables at December 31, 2023 for the District’s major fund, including the applicable allowances for uncollectibles, are as follows:

	<u>General Fund</u>
Current Property Taxes	\$ 1,793,835
Delinquent Property Taxes	<u>220,204</u>
Total Gross Receivables	\$ 2,014,039
Less: Allowance for Uncollectible Taxes	<u>(100,701)</u>
Net Total Receivables	<u>\$ 1,913,338</u>

There are no significant receivables that are not scheduled for collection within one year of year-end.

Any current taxes levied and collected between October 1 and December 31 are not available for use until January 1, the beginning of the next fiscal year. Therefore, all collections of current taxes during this period and all current taxes receivable as of December 31 are recorded as Unearned Revenue and Unearned Deferred Revenue, respectively. These deferred inflows of resources are reflected both in the government-wide financial statements and the fund financial statements, since the tax revenue has not been earned as of December 31, 2023.

	<u>General Fund</u>
<u>Unearned Revenue:</u>	
Advance Tax Collections	\$ 644,449
Total Unearned Revenue:	<u>\$ 644,449</u>
 <u>Unearned Deferred Revenue:</u>	
Current Property Taxes Receivable	\$ 1,793,835
Less: Allowance for Uncollectible Taxes	<u>(89,692)</u>
Net Current Property Taxes Receivable	<u>\$ 1,704,143</u>

C. Capital Grants, Insurance Recoveries, and Miscellaneous Revenue

The District received a reimbursement for workers' compensation in the amount of \$6,916.

D. Capital Assets

Effective September 1, 2013 because of Health and Safety Code Section 775.073, any property purchased or leased using District funds, wholly or partly, must remain the property of the District. Therefore, the portion of all capital assets purchased with assistance from the District will be capitalized and depreciated over the assets' useful lives. Capital asset activity for the year ended December 31, 2023 was as follows:

	Restated Balance January 1, <u>2023</u>	<u>Reclassifications</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>
Governmental activities:					
Capital Assets not Being Depreciated:					
Construction in Progress	\$ 734,644	\$ -	\$ 2,071,686	\$ 93,434	\$ 2,712,896
Land	95,585	-	-	76,835	18,750
Total Capital Assets not Being Depreciated	<u>\$ 830,229</u>	<u>\$ -</u>	<u>\$ 2,071,686</u>	<u>\$ 170,269</u>	<u>\$ 2,731,646</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	\$ 908,663	\$ 338,344	\$ 96,687	\$ 69,688	\$ 1,274,006
Equipment	6,549,598	(338,344)	510,935	-	6,722,189
Right to Use Assets	42,661	-	937,587	-	980,248
Total Capital Assets Being Depreciated	<u>\$ 7,500,922</u>	<u>\$ -</u>	<u>\$ 1,545,209</u>	<u>\$ 69,688</u>	<u>\$ 8,976,443</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ (82,629)	\$ (193,823)	\$ (39,434)	\$ (44,717)	\$ (271,169)
Equipment	(2,106,373)	193,823	(496,053)	-	(2,408,603)
Right to Use Assets	(8,532)	-	(47,598)	-	(56,130)
Total Accumulated Depreciation	<u>\$ (2,197,534)</u>	<u>\$ -</u>	<u>\$ (583,085)</u>	<u>\$ (44,717)</u>	<u>\$ (2,735,902)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 5,303,388</u>	<u>\$ -</u>	<u>\$ 962,124</u>	<u>\$ 24,971</u>	<u>\$ 6,240,541</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,133,617</u>	<u>\$ -</u>	<u>\$ 3,033,810</u>	<u>\$ 195,240</u>	<u>\$ 8,972,187</u>

Depreciation was charged to public safety.

E. Long-Term Obligations

1. Long-term obligations include a commitment to a volunteer fire department and capital financing activities. Changes in long-term obligations for the year ended December 31, 2023, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Loans:					
Carlisle VFD	\$ 244,000	\$ -	\$ 77,396	\$ 166,604	\$ 27,000
Texas Bank	-	1,475,508	-	1,475,508	-
Capital Financing Activities:					
Government Capital Corp.	-	937,587	-	937,587	113,726
Other Leases	33,928	8,248	8,333	33,843	9,504
Total	\$ 277,928	\$ 2,421,343	\$ 85,729	\$ 2,613,542	\$ 150,230

2. Debt Service Requirements

Debt service requirements on long-term debt as of December 31, 2023, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities		
	<u>Principal</u>	<u>Debt Interest</u>	<u>Total</u>
2024	\$ 27,000	\$ 175,937	\$ 202,937
2025	90,409	176,419	266,828
2026	95,230	171,597	266,827
2027	99,900	166,927	266,827
2028	104,889	181,938	286,827
2029-2033	507,768	722,972	1,230,740
2034-2038	663,614	446,558	1,110,172
2039-2043	53,302	-	53,302
	\$ 1,642,112	\$ 2,042,348	\$ 3,684,460

Capital Financing Activities

Lease activity for the year ended December 31, 2023, was as follows:

The District entered into leasing arrangements for two tower rentals totaling \$34,859 and \$7,802 payable in annual installments of \$7,136 and \$1,597, respectively. The incremental borrowing rate for the District is

calculated at 1.18% for each of these leases.

During the year ended December 31, 2023, the District entered into two new leasing arrangements for equipment. One lease was for the purchase of communication equipment for \$937,587 with an interest rate of 5.41% payable in annual installments from July 2024 through July 2030. The second lease was for a copy machine for \$8,248. The lease was signed in October 2023. The first payment was not made until after year end. The assumed interest rate is 5.41%, which is based on the District's incremental borrowing rate. The lease is payable in monthly installments through June 2029. Future lease payment maturity schedule is as follows:

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 123,230	\$ 51,303	\$ 174,533
2025	129,857	45,126	174,983
2026	136,524	38,460	174,984
2027	134,812	31,437	166,249
2028	142,108	24,141	166,249
2029	304,898	24,901	329,799
	<u>\$ 971,429</u>	<u>\$ 215,368</u>	<u>\$ 1,186,797</u>

F. Committed Fund Balance

Prior to the end of the year, the following commitment were made by the Board, resulting in this amount to be reported as committed fund balance on Exhibit 3:

Carlisle VFD	\$ 50,000
Crims Chapel VFD	119,173
New Salem VFD	7,215
Eastside VFD	140,019
ESD & Fire Marshall	60,981
Mt. Enterprise VFD	394,776
Laneville VFD	8,743
Total	<u>\$ 780,907</u>

IV. Other Information

A. 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 for which the District carries commercial insurance. There have been no significant reductions in insurance coverages during the year ended December 31, 2023. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

B. Subsequent Events

1. Commitments

The Board made various commitments to county volunteer fire departments subsequent to year end.

Significant commitments through date of the financial statements are the following:

<u>Department</u>	<u>Amount</u>	<u>Purpose</u>
CHURCH HILL	12,260.76	BUNKER GEAR
KILGORE RESCUE UNIT	25,088.00	BRUSH TRUCK
CHURCH HILL	2,800.00	BALL VALVE
CRIMS CHAEL	4,069.38	BRUSH TRUCK
LANEVILLE	6,971.00	ROOF
CARLISLE	12,745.48	GENERATOR
GARRISON	40,000.00	NEW PUMPER/ENGINE
LANEVILLE	3,346.00	SCBAS
NEW SALEM	6,902.10	BUNKER GEAR
CARLISLE	8,000.00	BUNKER GEAR
ESD	13,300.00	RADIO INSTALLATION
ESD	20,652.00	INSTALLATION OF RADIO TOWER
LANEVILLE	2,491.00	NEW AIR CYLINDERS
LANEVILLE	2,790.24	BRUSH TRUCK REPAIRS
RUSK CO FIRE AND RESCUF	5,100.00	4 SETS OF WATER RESCUE KITS
ESD	8,450.00	UPGRADES TO DISPATCH SYSTEM
CARLISLE	10,600.00	TWO SETS OF TIRES
NEW SALEM	4,464.47	CYLINDERS
CARLISLE	8,000.00	BUNKER GEAR
CHURCH HILL	2,435.00	BUNKER GEAR
NEW LONDON	2,716.63	BUNKER HEAR
NEW LONDON	2,980.00	REPAIRS
HENDERSON FIRE DEPT	3,580.00	REPAIRS BRUSH TRUCK
REKLAW	5,417.00	VEHICLE REPAIRS
TATUM	5,520.68	TIRES
OVERTON	3,750.00	LIFELINE CPR COMPRESSION DEVICE
CRIMS CHAPEL	4,335.89	REPAIRS TO FOAM SYSTEMS
NEW SALEM	18,000.00	ENGINE REPAIRS
	<u>\$ 246,766</u>	

- On June 23, 2022 the District approved obtaining funding for the remodel of the new training facility. The loan amount will be \$2,570,762 at an interest rate of 4.996%, with 20 annual payments of \$179,281. As of December 31, 2023, the District has drawn down \$1,475,508 of the funds for construction payments. An interest payment is due in January 2024. The payments of principal will begin when the remodel project is completed.
- On November 7, 2023, the citizens of Rusk County voted to allow the District to collect a sales tax in Rusk County where the rate isn't already set at the maximum 8.25%. The District began collecting sales tax revenue in April 2024.

C. Prior Period Adjustment

For the year ended December 31, 2022, several of the completed capital assets were inadvertently left off of the capital asset schedule. The expenditures were correctly reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance. The prior period adjustment is a net increase to beginning net position of \$695,028.

Rusk County Emergency Services District #1
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad Valorem Taxes	\$ 1,976,400	\$ 2,156,277	\$ 2,106,349	\$ (49,929)
Interest	-	-	63,072	63,072
Total Revenues	1,976,400	2,156,277	2,169,421	13,143
Expenditures:				
Public Safety	1,582,430	1,875,796	1,501,588	374,208
General and Administrative	180,415	180,415	181,473	(1,058)
Debt Service	213,555	213,555	85,951	127,604
Total Expenditures	1,976,400	2,269,766	1,769,012	500,754
Revenues Over (Under) Expenditures	-	(113,489)	400,409	513,898
Budget Basis to GAAP Basis Adjustment (Note A)	-	-	(211,061)	(211,061)
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	-	(113,489)	189,348	302,837
Fund Balance, January 1, 2023	1,798,768	1,798,768	1,798,768	-
Fund Balance, December 31, 2023	\$ 1,798,768	\$ 1,685,279	\$ 1,988,116	\$ 302,837

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP Basis Presentation:

Uses/Outflows of Resources:

Differences - Budget to GAAP

Sale of Land	130,135
Insurance Proceeds	54,181
Miscellaneous	13,577
Lease Proceeds from adoption of GASB 87	945,835
Capital Outlay from adoption of GASB 87	(945,835)
Loan Proceeds	1,475,508
Capital Outlay with Loan Proceeds	(1,884,462)
Net Change in Budget Basis Presentation and GAAP Basis Presentation	<u>\$ (211,061)</u>

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

**Rusk County Emergency Services District #1
Schedule of Findings and Responses
For the Year Ended December 31, 2023**

2023-1 Material Weaknesses – Material Journal Entries

Criteria:

Ongoing monitoring of the general ledger, its adjustments, and balances are crucial to proper financial reporting as well as the effort to prevent, detect, deter, and correct errors in the financial reporting.

Condition:

We noted a deficiency in internal control procedures related to financial processes. Significant adjusting entries were needed at year-end to properly report the fiscal year's activity and balances as of December 31, 2023.

Cause:

The cause of the deficiency is due to the nonroutine nature of the financial activity for the District during the fiscal year ended December 31, 2023.

Effect:

Significant adjustments were found to be necessary to report the financial statements in accordance with governmental accounting standards. Errors in the financial reporting were not identified timely in the normal course of the District performing their assigned duties. Internal controls over general ledger adjusting entries were not effectively designed or implemented.

Rusk County Emergency Services District #1 Response to findings:

The District will pay special attention to all non-routine transactions in the future to ensure that they are properly recorded in the financial statements. When necessary, the District will consult with another party on correct reporting of these out of the ordinary transactions.