

***SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2022***

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TABLE OF CONTENTS

	<u>PAGE</u>
Certificate of Board	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-7
 BASIC FINANCIAL STATEMENTS	
Government Wide Statements:	
Statement of Net Position	8
Statement of Activities	9
 Governmental Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
 Notes to the Financial Statements	14-21
 REQUIRED SUPPLEMENTARY INFORMATION	
Budget Comparison Schedule	22
 SUPPLEMENTAL SCHEDULES	
Schedule of Changes in Cash and Temporary Investments	23
Schedule of Temporary Investments	24
Schedule of Taxes Receivable	25
Board Members and Consultants	26

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
CERTIFICATE OF BOARD
SEPTEMBER 30, 2022

We, the undersigned, certify that the attached annual financial reports of the above-named emergency services district were reviewed and (check one) _____ approved _____ disapproved for the year ended September 30, 2022 at a meeting of the Board of such district on the _____ of March 2023.

Signature of Board Secretary

Signature of Board President



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Independent Auditor's Report

Board of Commissioners
Smith County Emergency Services District, No.1
Lindale, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities of the Smith County Emergency Services District, No.1 (the District), as of and for the year ended September 30, 2022, 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 Smith County Emergency Services District, No.1 as of September 30, 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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 Responsibility 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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 4-7 and 22 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Changes in Cash and Temporary Investments on page 23, Schedule of Temporary Investments on page 24, Schedule of Taxes Receivable on page 25 and Board Members and Consultants on page 26, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

March 8, 2022

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

In this section of the Annual Financial and Compliance Report, we, the commissioners of Smith County Emergency Services District, No. 1 (the District), discuss and analyze the District's financial performance for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$148,831 as a result of this year's operations. General revenues (including taxes) accounted for \$1,247,367 or 100%.

During the year, the District had revenues that were \$148,831 more than the \$1,098,536 in program expenses for governmental programs.

The general fund reported a positive fund balance of \$763,277.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and appropriations budget.

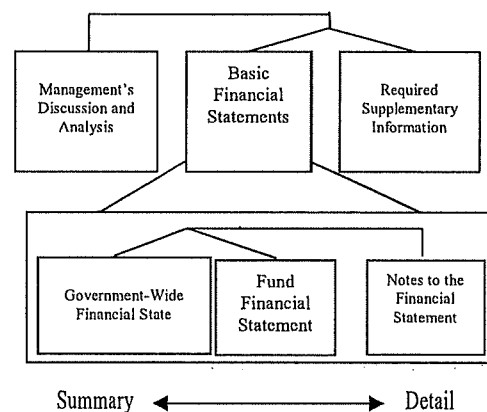
The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The primary purposes of the analysis of the District's overall financial condition and operations is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

Figure A-1: Required Components of The District's Annual Financial Information



All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by the taxpayers or by other non-grant sources (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District's activities are presented as Governmental activities - the District's basic services are reported here. Property taxes finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds. The District has one kind of fund - governmental, which uses the modified-accrual basis of accounting.

Governmental funds-most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. We have presented both current and prior year data and discussed significant changes in the accounts.

Net position of the District's governmental activities increased from \$834,722 to \$983,553. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-was \$835,213.

Table I
Smith County Emergency Services District, No. 1
NET POSITION

	Governmental Activities 2022	Governmental Activities 2021	Total \$ Change	Total % Change
Current and other assets	\$ 835,213	\$ 680,782	\$ 154,431	23%
Capital assets	148,340	153,940	(5,600)	-4%
Total assets	<u>983,553</u>	<u>834,722</u>	<u>148,831</u>	<u>18%</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	148,340	153,940	(5,600)	-4%
Unrestricted	835,213	680,782	154,431	23%
Total Net Position	<u>\$ 983,553</u>	<u>\$ 834,722</u>	<u>\$ 148,831</u>	<u>18%</u>

Table II
Smith County Emergency Services District, No. 1
CHANGES IN NET POSITION

	Governmental Activities 2022	Governmental Activities 2021	Total \$ Change	Total % Change
Revenues				
General revenue:				
Property taxes	1,230,873	1,147,724	83,149	7%
Investment income	4,377	4,216	161	4%
Other income	12,117	12,338	(221)	-2%
Total revenue	<u>1,247,367</u>	<u>1,164,278</u>	<u>83,089</u>	<u>7%</u>
Expenses:				
General government	80,149	63,043	17,106	27%
Public safety	1,018,387	825,431	192,956	23%
Total expenses	<u>1,098,536</u>	<u>888,474</u>	<u>210,062</u>	<u>24%</u>
Change in net position	148,831	275,804	(126,973)	-46%
Net position beginning of year	834,722	558,918	275,804	49%
Net position end of year	<u>983,553</u>	<u>834,722</u>	<u>148,831</u>	<u>18%</u>

The cost of all governmental activities this year was \$1,098,536. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$1,230,873.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet) reported a fund balance of \$763,277, which is more than last year's total of \$611,309. Included in this year's total change in fund balance is an increase of \$151,968 in the District's General Fund.

The District's General Fund balance of \$763,277 differs from the General Fund's budgetary fund balance of \$666,741 reported in the budgetary comparison schedule.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had \$461,196 invested in a broad range of capital assets before accumulated depreciation, including land, buildings and equipment. No new assets were added during the current year. More detailed information about the District's capital assets is presented in Note E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal-year 2023 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2023. Indicators and factors which materially influence the budget are amounts available for appropriation in the General Fund budget, budgeted expenditures and the District future capital expenditure needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office, at Smith County Emergency Services District, No. 1, P.O. Box 697, Lindale, Texas 75771.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
BASIC FINANCIAL STATEMENTS

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 692,060
Certificates of Deposit	71,217
Taxes Receivable, Net	71,936
Total Current Assets	<u>835,213</u>
Non-Current Assets	
Capital Assets	
Land	25,000
Buildings & Improvements	224,000
Equipment	212,196
Total Capital Assets	<u>461,196</u>
Accumulated Depreciation	<u>(312,856)</u>
Net Capital Assets	<u>148,340</u>
 Total Assets	 <u><u>\$ 983,553</u></u>
 LIABILITIES	 <u><u>\$ -</u></u>
 NET POSITION	
Net Investment in Capital Assets	148,340
Unrestricted	835,213
 Total Net Position	 <u><u>\$ 983,553</u></u>

The accompanying notes are an integral part of this statement.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 80,149	\$ -	\$ -	\$ (80,149)	\$ -	\$ (80,149)
Public Safety	1,018,387	-	-	(1,018,387)	-	(1,018,387)
Total Governmental Activities	1,098,536	-	-	(1,098,536)	-	(1,098,536)
Total Government	\$ 1,098,536	\$ -	\$ -	\$ (1,098,536)	\$ -	\$ (1,098,536)
General Revenues:						
Property Taxes				1,230,873	-	1,230,873
Investment Income				4,377	-	4,377
Other Income				12,117	-	12,117
Total General Revenues				1,247,367	-	1,247,367
Change in Net Position				148,831	-	148,831
Beginning Net Position				834,722	-	834,722
Endings Net Position				\$ 983,553	\$ -	\$ 983,553

The accompanying notes are an integral part of this statement

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2022

	General Fund	Total Governmental Funds
ASSETS		
Cash	\$ 692,060	\$ 692,060
Certificates of Deposit	71,217	71,217
Taxes Receivable, Net	71,936	71,936
Total Assets	<u>835,213</u>	<u>835,213</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
Total Assets Plus Deferred Outflows of Resources	<u><u>\$ 835,213</u></u>	<u><u>\$ 835,213</u></u>
LIABILITIES		
Current Liabilities	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Uncollected	71,936	71,936
Total Deferred Inflows of Resources	<u>71,936</u>	<u>71,936</u>
FUND BALANCE		
Unassigned	763,277	763,277
Total Fund Balance	<u>763,277</u>	<u>763,277</u>
Total Liabilities Plus Deferred Inflows of Resources Plus Fund Balance	<u><u>\$ 835,213</u></u>	<u><u>\$ 835,213</u></u>

The accompanying notes are an integral part of these statements.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
GOVERNMENTAL FUND
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total fund balance - Governmental Funds	\$ 763,277
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$461,196 and the accumulated depreciation was (\$307,256). The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities it to increase net position.	153,940
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(5,600)
Increase in net position for current year taxes receivable assumed to be collectible.	71,936
Net Position of Governmental Activities	<u>\$ 983,553</u>

The accompanying notes are an integral part of this statement.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Total Governmental Funds
REVENUES		
Property Taxes, Penalties and Interest	\$ 1,228,410	\$ 1,228,410
Investment Income	4,377	4,377
Other Income	12,117	12,117
Total Revenues	<u>1,244,904</u>	<u>1,244,904</u>
EXPENDITURES		
General Government		
Legal and Professional	6,400	6,400
Appraisal District	16,636	16,636
Tax Collection Fees	17,374	17,374
Office Supplies	717	717
Insurance and Bonds	17,058	17,058
Training	1,960	1,960
Miscellaneous	844	844
Re-Districting	13,260	13,260
Use and Sales Tax	300	300
Total General Government	<u>74,549</u>	<u>74,549</u>
Public Safety	<u>1,018,387</u>	<u>1,018,387</u>
Total Expenditures	<u>1,092,936</u>	<u>1,092,936</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>151,968</u>	<u>151,968</u>
Net Change in Fund Balance	151,968	151,968
Fund Balance, Beginning	611,309	611,309
Fund Balance, Ending	<u>\$ 763,277</u>	<u>\$ 763,277</u>

The accompanying notes are an integral part of these statements.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
GOVERNMENTAL FUND
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net changes in fund balance - Governmental Funds	\$ 151,968
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(5,600)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to increase net position.	2,463
Change in Net Position in Governmental Activities	<u>\$ 148,831</u>

The accompanying notes are an integral part of this statement.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

NOTE A - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Smith County Rural Fire Prevention District, No. 1 (the "District") was created after a public election held January 20, 1996, under the provision of Section 48-d of Article III of the Constitution of Texas. The Board of Commissioners held its first meeting on May 2, 1996. The District was established to provide fire protection services to residents of the District.

On June 3, 2002, the Board of Commissioners of the Smith County Rural Fire Prevention District, No. 1 declared that the District was legally converted into the Smith County Emergency Services District (ESD), No. 1 (the "District"), operating under Chapter 775, Health & Safety Code.

The District was created by voters in the Lindale, Texas area to provide fire protection and emergency services. Under the Texas Constitution, the ESD may levy a tax rate of no more than 10 cents per \$100 of property value in their district. All of the collected property tax revenues are used to operate the District and to provide funds to the Lindale Volunteer Department (LVFD) so that the LVFD can provide a higher level of fire protection and emergency services to the citizens of their district.

The District, for financial purposes, includes all of the funds relevant to the operation of the District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

The City implemented Governmental Accounting Standards Board (GASB) Number 87 Leases to improve accounting and financial reporting for leases by governments. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense. The City did not have any material leases individually or in the aggregate for the fiscal year.

The following is a summary of the more significant accounting policies:

1. Basis of Presentation

The District's basic financial statements consist of government-wide statements including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental type activities of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

2. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes only one category of funds: governmental.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's only governmental fund:

General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of the State of Texas.

3. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

4. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within thirty (30) days of year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: charges for services, state-levied locally shared taxes, interest, grants, fees, and rentals.

Expenses/Expenditures

On the accrual basis of accounting, 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. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position and/or the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has no items that qualify for reporting in this category for the fiscal year ended September 30, 2022.

In addition to liabilities, the Statement of Net Position and/or the Balance sheet will sometimes report a separate section for deferred inflows or resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, property taxes uncollected, is reported only in the government funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as in inflow of resources in the period in which the amounts become available.

5. Budget Process

Formal budgetary accounting is employed as a management control for the General Fund of the District. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis.

The District's Board of Commissioners (the Board) adopts an "appropriated budget" for the General Fund. For the fiscal year ended September 30, 2022, an "appropriated budget" was adopted for the District's general operations. At a minimum, the District is required to present the original and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund.

The Board prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them. Prior to October 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended only by approval of a majority of the Board. 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.

The District did not have any significant unfavorable difference between the actual and amended budget expense line items.

6. Cash and Cash Equivalents

All investments are certificates of deposit, with one year or less maturity, at the District's depository bank. The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

7. Receivables

Property taxes that were levied during the fiscal year, and prior years, but are uncollected as of September 30, 2022, are recorded as delinquent taxes receivable. Because of historical collections, no allowance for doubtful accounts has been recorded.

8. Capital Assets

General capital assets are capital assets which are associated with governmental activities. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The District has no infrastructure assets.

All capital assets are depreciated, except for land and construction-in-progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 years
Equipment	7 - 12 years

9. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

10. Net Position

Net position represent the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations

11. Related Organizations

The Lindale Volunteer Fire Department (LVFD) is a related organization to the District. The District uses its property taxing powers to provide additional funds to the LVFD. The LVFD then uses those funds to supplement the payments for its operating expenses and for assistance in the purchases of additional firefighting equipment. The District approves the budget, and any amendments, of the LVFD, but it has no power to appoint any of the leaders of the LVFD.

The only financial transactions between the two entities are (1) the LVFD requesting reimbursement funds to cover their operating expenses each month, including any requested funding necessary for the purchase of necessary firefighting equipment, and (2) approval by the District's Board of Commissioners to fund the LVFD's requests. During the fiscal year ended September 30, 2022, the Board provided a total of \$1,001,462 to the LVFD for operating expenses.

12. Fund Balance Classifications

The District restricts those portions of the governmental fund balance which will not be available for current appropriation. The restricted portion of the fund balance may include fund balance that has been designated for a specific future use for which the administration has adopted tentative plans that, if carried out, would restrict the use of financial resources. The Board of Commissioners has the authority to commit and assign funds to a particular restricted fund balance, as well as to establish the restricted fund balance.

The hierarchy of the five possible classifications of fund balance is:

- Nonspendable Fund Balance – Includes funds that are not in spendable form; for example inventory, capital assets and funds legally or contractually required to be maintained intact.
- Restricted Fund Balance – A fund balance where the constraints placed on the resources are externally imposed, such as a grantor, or imposed by law through enabling legislation.
- Committed Fund Balance – A fund balance used for a specific purpose that is imposed by a formal action of the Board of Commissioners. The same Board action is required to modify or rescind a fund balance commitment.
- Assigned Fund Balance – A fund balance that is restricted based on the government's intent, as determined by a formal action of the Board to assign funds to be used for a specific purpose, except for stabilization arrangements. The same Board action is required to modify or rescind a fund balance assignment.
- Unassigned Fund Balance – This is the residual classification for the general fund that represents fund balances not included in the other four classifications.

In instances where an expenditure may be made from either a committed, assigned, or unassigned fund balance, the District's policy for the determination of which of the funds will be used for the expenditure will be made on an individual, case-by-case basis by the Board of Commissioners, or authorized person.

For purposes of the government-wide financial statements, fund equities are displayed as (a) net investment in capital assets, (b) restricted, and (c) unrestricted. In instances where an expenditure may be made from either a restricted or an unrestricted fund balance, the District's policy for the determination of which of the funds will be used for the expenditure will be made on an individual, case-by-case basis by the Board, or authorized person.

There are no formally adopted minimum fund balance policies.

The unrestricted fund balance is the amount of fund equity remaining after deducting any of the above discussed fund balance classifications.

13. Encumbrance System

The District does not use an encumbrance system of recording liabilities and expenditures.

14. Pension Plan

The District has no employees and participates in no pension plan.

15. Operating Revenues and Expenses

Because property tax revenues are the only significant revenue received by the District, those property taxes are considered to be operating revenues. All of the District's expenses are operating expenses.

16. Fair Values of Financial Instruments

The following methods and assumptions were used by the District estimating its fair value disclosures for financial instruments:

- Cash and equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Certificates of deposit: The carrying amounts reported in the statement of financial position are the original costs of the certificates of deposit plus any earned interest added to the certificate principal.
- Long-term debt: The fair values of the notes payable are based on their principal balances (carrying amounts).

17. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures for the reporting period. Actual results could differ from those estimates.

NOTE C - DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits:

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

The captions and amounts of cash and cash equivalents on the balance sheet consist of the following:

	<u>General Fund</u>
Cash in Bank	692,060
Certificates of Deposit	<u>71,217</u>
Total	<u><u>763,277</u></u>

The District had no other funds invested at September 30, 2022.

The District's cash deposits at September 30, 2022 and during the year ended September 30, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and types of investments. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

NOTE D - PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs. The taxable value of the property tax roll upon which the levy for the 2021-2022 fiscal year was based was \$1,940,087,752.

The tax rate assessed for the year ended September 30, 2022, to finance General Fund operations was \$0.063588 per \$100 valuation.

Allowance for uncollectible taxes within the General Fund is based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Based on prior years' tax collection histories, no allowance for uncollectible real property taxes has been recorded.

Property within the District is assessed by the Smith County Appraisal District. The property taxes due to the District are collected by the Smith County Tax Collector.

NOTE E – CAPITAL ASSETS

	Balance 9/30/2021	Additions	Deletions	Balance 9/30/2022
Governmental Activities:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Buildings and Improvements	224,000	-	-	224,000
Equipment	212,196	-	-	212,196
Total Governmental Activities	461,196	-	-	461,196
Less Accumulated Depreciation:				
Buildings and Improvements	(95,063)	(5,600)	-	(100,663)
Equipment	(212,193)	-	-	(212,193)
Total Accumulated Depreciation	(307,256)	(5,600)	-	(312,856)
Governmental Activities:				
Capital Assets, Net	<u>\$ 153,940</u>	<u>\$ (5,600)</u>	<u>\$ -</u>	<u>\$ 148,340</u>

The land and building are leased to the Lindale Volunteer Fire Department for \$10 per year.

NOTE F - FIRE PROTECTION SERVICES

The Smith County Emergency Services District, No. 1 has entered into an agreement with the Lindale Volunteer Fire Department to provide fire protection and prevention services and medical first responders to the residents of the District. Either party may terminate this continuous agreement upon adequate written notice.

NOTE G - 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; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all of these types of risks of loss, including liability, comprehensive, public officials' liability, and workmen's' compensation for the Lindale VFD firefighters.

NOTE H - TAX ABATEMENT

The District entered into property tax abatement agreement with a local business under Texas Tax Code, Title 3. Subtitle B. Chapter 312. Property Redevelopment and Tax Abatement Act (the Act), beginning January 1, 2020 through December 31, 2029. Under the Act, the Districts may grant property tax abatements according to the designation of an area as a reinvestment zone. The abatement shall be an amount equal to a fixed percentage as defined below on the taxes assessed upon the increased value of the improvements to the premises up to \$18,000,000. The tax abatements, which are approved by the Smith County's Tax Abatement Committee and the District's board, are granted for the purpose of enhancing the local community; creating high-paying jobs; and advancing the economic development goals.

At September 30, 2022 the District had entered into one completed Chapter 313 agreements with Sanderson Farms, Inc. The abatement shall be an amount equal to a fixed percentage as defined by the following job requirements:

<u>Job Requirements</u>	<u>by</u>	<u>abatement for tax year</u>
create 50 new qualified jobs	12/31/2019	80% for 2020
add up to 25 qualified jobs (total 75)	12/31/2020	80% for 2021
add up to 31 qualified jobs (total 106)	12/31/2021	80% for 2022-2026
maintain job base of 106	12/31/2026	50% for 2027-2029

Possible termination of this agreement could occur if the company fails to achieve at least sixty percent of the qualified job compliance. The amount abated in the current year was \$9,744.

NOTE I - COMMITMENTS AND CONTINGENCIES

Litigation - The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

NOTE J - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2023, the date the financials were available to be distributed and noted no other events to be disclosed.

***SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
REQUIRED SUPPLEMENTARY INFORMATION***

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Property Taxes, Penalties and Interest	\$ 1,153,307	\$ 1,225,000	\$ 1,228,410	\$ 3,410
Investment Income	2,500	2,500	4,377	1,877
Other Income	-	7,850	12,117	4,267
Total Revenues	1,155,807	1,235,350	1,244,904	9,554
Expenditures				
General Government				
Legal and Professional	8,600	8,600	6,400	2,200
Appraisal District	16,636	16,636	16,636	-
Tax Collection Fees	21,000	21,000	17,374	3,626
Office Supplies	3,500	3,500	717	2,783
Insurance and Bonds	16,500	17,058	17,058	-
Election	3,000	3,000	-	3,000
Training	3,500	3,500	1,960	1,540
Website	1,000	1,000	-	1,000
Redistricting	6,000	13,500	13,260	240
Use and Sales Tax	-	4,000	300	3,700
Miscellaneous	1,200	1,200	844	356
Total General Government	80,936	92,994	74,549	18,445
Public Safety	1,086,924	1,086,924	1,018,387	68,537
Total Expenditures	1,167,860	1,179,918	1,092,936	86,982
Excess (Deficiency) of Revenues				
Over/(Under) Expenditures	(12,053)	55,432	151,968	96,536
Net Change in Fund Balance	(12,053)	55,432	151,968	96,536
Fund Balance, Beginning	611,309	611,309	611,309	-
Fund Balance, Ending	\$ 599,256	\$ 666,741	\$ 763,277	\$ 96,536

***SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
SUPPLEMENTAL SCHEDULES***

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
SCHEDULE OF CHANGES IN CASH AND TEMPORARY INVESTMENTS
GOVERNMENTAL FUND
SEPTEMBER 30, 2022

	<u>GENERAL FUND</u>
SOURCES OF CASH AND TEMPORARY INVESTMENTS	
Cash Receipts from Revenues	\$ 1,228,410
Interest Income	4,377
Other Income	<u>12,117</u>
Total Sources of Cash	<u>1,244,904</u>
USES OF CASH AND TEMPORARY INVESTMENTS	
Disbursements for Operating Expenses	<u>1,092,936</u>
Total Uses of Cash	<u>1,092,936</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS	151,968
CASH AND TEMPORARY INVESTMENT BALANCE - BEGINNING OF YEAR	<u>611,309</u>
CASH AND TEMPORARY INVESTMENT BALANCE - END OF YEAR	\$ <u><u>763,277</u></u>

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
SCHEDULE OF TEMPORARY INVESTMENTS
GOVERNMENTAL FUND
SEPTEMBER 30, 2022

	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>FACE AMOUNT</u>
<u>Certificates of Deposit</u>			
Texas Bank & Trust #87699	0.40%	November 12, 2022	\$ 17,896
Texas Bank & Trust #87700	0.40%	November 19, 2022	17,957
Texas Bank & Trust #87701	0.40%	November 20, 2022	17,980
Texas Bank & Trust #87551	0.40%	October 10, 2022	<u>17,384</u>
Total			<u><u>\$ 71,217</u></u>

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
SCHEDULE OF TAXES RECEIVABLE
SEPTEMBER 30, 2022

Taxes Receivable, October 1, 2021	\$ 69,473
Tax Roll	1,233,663
Adjustments	<u>(2,748)</u>
Total to be Accounted For	1,300,388
Tax Collections	<u>1,228,452</u>
Taxes Receivable, September 30, 2022	<u><u>71,936</u></u>

	2021
ASSESSED VALUATION SUMMARY	<u>Tax Roll</u>
Property Valuations	<u>1,940,087,752</u>
Tax Rate Per \$100 Valuation	<u>0.063588</u>
Tax Roll	<u><u>\$ 1,233,663</u></u>

Tax Year: October 1, 2021 to September 30, 2022

Percent of Assessed Valuation to Fair Market Price	<u>100%</u>
Percent of Total Current Taxes Collected to Total Taxes Levied	<u>98%</u>

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO.1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

Direct Mailing Address:

Smith County Emergency Services District, No. 1
P.O. Box 697
Lindale, Texas 75771

District Telephone No:

(903) 882-6492

Name & Address

Board Members

	Term of Office Date Hired	Fees and Expense Reimburse	Resident of District	Title at End of Year
Carolyn Todd 18115 CR 431 Lindale, Texas	1/2019-12/2022	-	Yes	President
Louie Brown 12265 CR 461 Tyler, Texas	1/2019-12/2022	-	Yes	Vice-President
Owen Scott 219 Francis Drive Lindale, Texas	11/2020-12/2022	-	Yes	Assistant-Treasurer
Kenneth Smith 13048 Shadow Ridge Road Lindale, Texas	1/2021-12/2024	-	Yes	Secretary
Charles Froebe 12852 Westbrook Dr. Tyler, Texas	1/2021-12/2024	-	Yes	Treasurer

Consultants

Kenton Campbell Burns, Anderson, Jury & Brenner, L.L.P P.O. Box 26300 Austin, Texas 78755	4/13/2021	\$ 300		Attorney
Glen Patrick Patrick Law Offices P.O. Box 1080 Tyler, Texas 75710	10/10/1996	\$ 400		Attorney
Carol Dixon Chief Appraiser Smith County Appraisal District 245 SSE Loop 323 Tyler, Texas 75702	5/23/1996	\$ 16,636		Chief Appraiser
Gary Barber Smith County Tax Collector P.O. Box 2011 Tyler, Texas 75710	9/12/1996	\$ 12,781		Tax Collector
Kelly Birdwell, CPA Wilf & Henderson, P.C. 1810 Galleria Oaks Texarkana, Texas 75503	7/14/2021	\$ 6,000		Auditor