

Morgan LaGrone, CPA, PLLC
Certified Public Accountant

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116 S Marshall
Henderson TX 75654

July 17, 2023

Board of Emergency Commissioners
Rusk County Emergency Services District #1
132 North Marshall
Henderson, Texas 75652

We have audited 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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 11, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I to the financial statements. During the year ended December 31, 2022, the District implemented GASB Statement No. 87, *Leases*. No other new accounting policies were adopted. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for uncollectible taxes is based on historical averages of property taxes removed from the tax rolls because of adjustments in the values of real property and the charge off of personal property taxes. We evaluated the key factors and assumptions used to develop the allowance for uncollectible taxes in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of the estimated useful life of capital assets has been consistently applied since the implementation of GASB Statement No. 34. We evaluated the key

MEMBER

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factors and assumptions used to develop the estimated useful life of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. None of the financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

For the year ended, the District had a prior period adjustment related to long-term debt and capital assets as discussed in Note IV. C.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 17, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Managers
Rusk County Emergency Services District #1
July 17, 2023

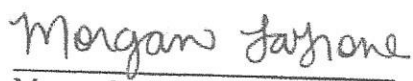
Other Matters

We applied certain limited procedures to the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the District Board and management of Rusk County Emergency Services District #1 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Morgan LaGrone
Certified Public Accountant

**RUSK COUNTY
EMERGENCY SERVICES DISTRICT #1**
Rusk County, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended
December 31, 2022

**Rusk County Emergency Services District #1
Financial Statements
For the Year Ended December 31, 2022**

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116 S Marshall
Henderson TX 75654

INDEPENDENT AUDITOR'S REPORT

July 17, 2023

Board of Directors
Rusk County Appraisal District
P.O. Box 7
Henderson, Texas 75653

Members of the Board:

We have audited the accompanying financial statements of the governmental activities of the Rusk County Appraisal District (District), as of and for the year ended December 31, 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 District, as of December 31, 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 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. 87, *Leases*. 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 long-term debt and capital assets in the government-wide financial statements. Our opinion is not modified with respect to this matter.

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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

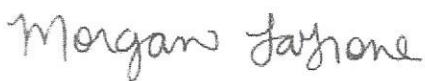
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 July 17, 2023, 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,



Morgan LaGrone
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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

July 17, 2023

Board of Emergency Commissioners
Rusk County Emergency Services District #1
132 North Marshall
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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 17, 2023.

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

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Morgan LaGrone
Certified Public Accountant

Henderson, Texas
July 17, 2023

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2022

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, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$7,190,076 at December 31, 2022.
- During the year, the District's expenses were \$167,552 more than the \$1,882,920 generated in revenues for governmental activities.
- The general fund reported an unassigned fund balance this year of \$1,635,537.
- Significant accomplishments during the 2022 fiscal year were renovations to the new ESD building and cost sharing various fire fighting vehicles and equipment in the County.

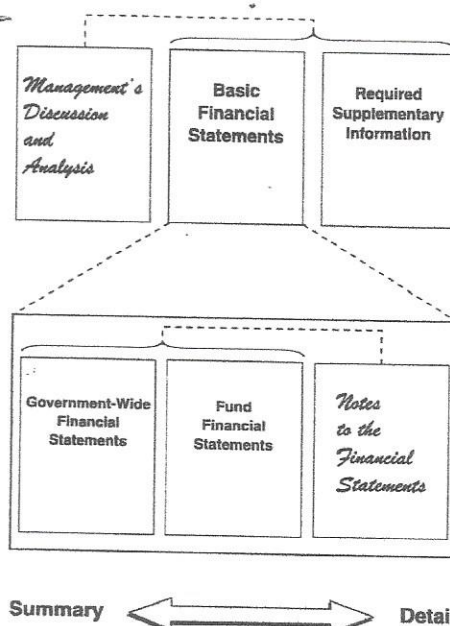
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2022

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 \$7,190,076 at December 31, 2022.

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

	<u>2022</u>	(Restated) <u>2021</u>	Change <u>2021-2022</u>	% Change <u>2021-2022</u>
Current Assets:				
Cash and Cash Equivalents	\$ 2,497,396	\$ 2,495,528	\$ 1,868	0.07%
Property Taxes Receivable	1,561,002	1,300,121	260,881	20.07%
Prepays	37,240	-	37,240	N/A
Total Current Assets	\$ 4,095,638	\$ 3,795,650	\$ 299,988	7.90%
Noncurrent Assets:				
Construction in Progress	\$ 734,644	\$ 822,130	\$ (87,486)	(10.64%)
Land	95,585	76,835	18,750	24.40%
Buildings and Improvements	908,663	679,263	229,400	33.77%
Equipment	5,854,570	5,809,602	44,968	0.77%
Right to Use Assets	42,661	-	42,661	N/A
Less: Accumulated Depreciation	(2,197,534)	(1,736,440)	(461,094)	(26.55%)
Total Noncurrent Assets	\$ 5,438,589	\$ 5,651,391	\$ (212,802)	(3.77%)
Total Assets	\$ 9,534,227	\$ 9,447,041	\$ 87,186	0.92%
Long-Term Liabilities				
Accounts Payable	\$ 277,927	\$ 324,000	\$ (46,073)	(14.22%)
Total Liabilities	\$ 320,022	\$ 363,698	\$ (43,676)	(12.01%)
Deferred Inflows of Resources				
Unearned Revenue	656,531	606,673	49,858	8.22%
Unearned Deferred Revenue	1,367,598	1,119,042	248,556	22.21%
Total Deferred Inflows of Resources	\$ 2,024,129	\$ 1,725,716	\$ 257,135	14.90%
Net Position:				
Net Position, Investment in Capital Assets	\$ 5,160,662	\$ 5,327,391	\$ (166,729)	(3.13%)
Unrestricted	2,029,414	2,030,237	(823)	(0.04%)
Total Net Position	\$ 7,190,076	\$ 7,357,628	\$ (167,552)	(2.28%)

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

The \$2,029,414 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 \$2,131,213, including capital grants and contributions. 85.03% of the District's revenue comes from property taxes.

The total cost of all programs and services was \$2,298,765; 94.41% of these costs were for public safety.

Governmental Activities

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

	<u>2022</u>	<u>2021</u>	Increase/ (Decrease) <u>2021-2022</u>	Percentage Change <u>2021-2022</u>
Program Revenues:				
Capital Grants and Contributions	\$ 248,293	\$ -	\$ 248,293	N/A
General Revenues:				
Property Taxes	1,812,323	1,764,512	47,811	2.71%
Interest	17,607	5,615	11,992	213.57%
Insurance Proceeds	47,461	-	\$ 47,461	N/A
Miscellaneous Revenue	5,529	1,893	3,636	192.08%
Total Revenues	<u>\$ 2,131,214</u>	<u>\$ 1,772,021</u>	<u>\$ 359,194</u>	<u>20.27%</u>
Functions/Programs:				
General Government	\$ 128,447	\$ 102,212	\$ 26,235	25.67%
Public Safety	2,170,318	1,300,524	869,794	66.88%
Total Expenses	<u>\$ 2,298,764</u>	<u>\$ 1,402,736</u>	<u>\$ 896,029</u>	<u>63.88%</u>
Increase/(Decrease) in Net Position	<u>\$ (167,550)</u>	<u>\$ 369,285</u>	<u>\$ (536,835)</u>	<u>(145.37%)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1,817,604, a decrease of \$50,389 from the prior year. This decrease was due to a decrease in property tax revenue.

The District's property tax rate was .0775 per \$100 valuation for the year ended December 31, 2022.

Expenditures from governmental fund types totaled \$1,963,644, an increase of \$406,264 from the preceding year. General and administrative expenditures increased \$26,235 and expenditures for public safety increased \$228,159. The increase in public safety expenditures was a result of an increase in cost shares with various departments during the year.

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 \$115,417 less than final budget amounts. Actual expenditures were \$59,499 less than final budget amounts. Overall, there was a decrease of \$50,389 to fund balance.

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$7,636,123 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>Governmental Activities</u>			
	<u>2022</u>	Restated <u>2021</u>	Increase/ (Decrease)	Percentage
			<u>2021-2022</u>	<u>2021-2022</u>
Construction in Progress	\$ 734,644	\$ 822,130	\$ (87,486)	(10.64%)
Land	95,585	76,835	\$ 18,750	24.40%
Buildings and Improvements	908,663	679,263	229,400	33.77%
Right to Use Assets	42,661	-	42,661	N/A
Equipment	5,854,570	5,809,602	44,968	0.77%
Total Capital Assets	<u>\$ 7,636,123</u>	<u>\$ 7,387,831</u>	<u>\$ 248,292</u>	<u>3.36%</u>
Less: Accumulated Depreciation	\$ (2,197,534)	\$ (1,736,440)	\$ (461,094)	(26.55%)
Net Capital Assets	<u>\$ 5,438,589</u>	<u>\$ 5,651,391</u>	<u>\$ (212,802)</u>	<u>(3.77%)</u>

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 \$277,928 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>Governmental Activities</u>			
	<u>2022</u>	Restated <u>2021</u>	Increase/ (Decrease)	Percentage
			<u>2021-2022</u>	<u>2021-2022</u>
Carlisle VFD	\$ 244,000	\$ 324,000	\$ (80,000)	(24.69%)
Capital Financing Activities	33,928	-	33,928	N/A
Total Long-Term Debt	<u>\$ 277,928</u>	<u>\$ 324,000</u>	<u>\$ (46,072)</u>	<u>(14.22%)</u>

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General Fund spending decreased in the 2023 budget to \$1,976,400. The District will continue to make renovations to the new training facility as well as cost shares with the departments for equipment purchases and necessary repairs.
- Amounts available for appropriation in the General Fund budget are \$1,976,400, an increase of \$43,379 from the final 2022 budgeted resources of \$1,933,021.

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, 2022

<u>Assets</u>	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 2,497,396
Receivables	
Property Taxes (net of allowance for uncollectibles)	1,561,002
Accounts	-
Prepaid Expense	37,240
Capital Assets (net of accumulated depreciation)	
Construction in Progress	734,644
Land	95,585
Buildings	826,034
Equipment	3,748,197
Right to Use Leased Asset	34,129
	\$ 9,534,227
Total Assets	
	\$ 9,534,227
<u>Liabilities</u>	
Accounts Payable	\$ 42,095
Noncurrent Liabilities:	
Due Within One Year	35,333
Due in More Than One Year	242,594
	\$ 320,022
Total Liabilities	
	\$ 320,022
<u>Deferred Inflows of Resources</u>	
Unearned Revenue	656,531
Unearned Deferred Revenue	1,367,598
	\$ 2,024,129
Total Deferred Inflows of Resources	
	\$ 2,024,129
<u>Net Position</u>	
Net Position, Investment in Capital Assets	\$ 5,160,662
Unrestricted	2,029,414
	\$ 7,190,076
Total Net Position	
	\$ 7,190,076

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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Functions/Programs:</u>					
Governmental activities:					
General Government	\$ 128,447	\$ -			\$ (128,447)
Public Safety	2,170,318		248,293		(1,922,025)
Total governmental activities	<u>\$ 2,298,765</u>	<u>\$ 248,293</u>			<u>\$ (2,050,472)</u>
General Revenues:					
Property Taxes				\$ 1,812,323	
Interest				17,607	
Insurance Proceeds				47,461	
Miscellaneous				5,529	
Total general revenues				<u>\$ 1,882,920</u>	
Change in net position					<u>(167,552)</u>
Net position - beginning					7,425,752
Prior Period Adjustment - See Note IV.C					(68,124)
Net position - Beginning, as restated					<u>7,357,628</u>
Net position - ending					<u>\$ 7,190,076</u>

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, 2022

	General Fund
<u>Assets</u>	
Cash	\$ 2,099,503
Cash with Fiscal Agent	397,893
Receivables:	
Current Taxes	1,439,575
Delinquent Taxes	203,585
Allowance for Uncollectible Taxes	(82,158)
Total Assets	\$ 4,058,398
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts Payable	\$ 42,095
Total Liabilities	\$ 42,095
Deferred Inflows of Resources:	
Unearned Revenue	656,531
Unearned Deferred Revenue	1,561,004
Total Deferred Inflows of Resources	\$ 2,217,535
Fund Balances:	
Committed	\$ 163,231
Unassigned	1,635,537
Total Fund Balances	\$ 1,798,768
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,058,398

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, 2022

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

Total Fund Balances-Total Governmental Funds (Exhibit #3)	\$ 1,798,768
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.	193,406
Payables for right-to-use leases, which are not due in the current period, are not reported in the funds.	(33,927)
Prepaid assets are not reported in the funds.	37,240
Long-term debt is not reported in the funds	(244,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,438,589
Net Position of Governmental Activities (Exhibit #1)	<u>\$ 7,190,076</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, 2022

Revenues:		
Ad Valorem Taxes		\$ 1,799,997
Interest		17,607
Total Revenues		<u>\$ 1,817,604</u>
Expenditures:		
Payments for Public Safety:		
Carlisle	\$ 192,963	
Church Hill	26,138	
Crim's Chapel	109,231	
East Side	54,027	
Elderville-Lakeport	25,822	
Garrison	6,000	
Henderson	65,579	
Rusk County Rescue Unit	98,548	
Kilgore	27,653	
Kilgore Rescue Unit	26,011	
Laneville	70,587	
Mt. Enterprise	72,342	
New London	61,000	
New Salem	41,970	
Overton	116,254	
Reklaw	55,462	
Tatum	125,467	
Rusk County Emergency Management	45,354	
Rusk County Volunteer Fire Fighters	5,003	
Tower and Pager Expenditures	13,251	
New Communication System	25,140	
Insurance and Other Public Safety	<u>419,526</u>	
Total Payments for Public Safety		\$ 1,683,328
Capital Expenditures		151,869
General and Administrative Expenditures		<u>128,447</u>
Total Expenditures		<u>\$ 1,963,644</u>
Excess (deficiency) of Revenues Over Expenditures		<u>\$ (146,040)</u>
Other Financing Sources (See Note C)		
Miscellaneous		\$ 5,529
Issuance of Right to Use Leased Assets		42,661
Insurance Proceeds		<u>47,461</u>
Total Other Financing Sources		<u>\$ 95,651</u>
Net Change in Fund Balance		\$ (50,389)
Fund Balance, January 1, 2022		<u>1,849,157</u>
Fund Balance, December 31, 2022		<u>\$ 1,798,768</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, 2022

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

Net Change in Fund Balances-Total Governmental Funds (Exhibit #4)	\$ (50,389)
Delinquent property tax collections provide current financial resources to the funds, but has no effect on net position.	(88,604)
Delinquent property taxes receivable which do not provide current financial resources are not reported as revenue in the funds.	100,930
Payments for prepaids are expenditures in the funds but not expenses in the Statement of Activities	37,240
Repayment of right to use lease principal is an expenditure in the funds but is not an expense in the Statement of Activities	8,734
Proceeds of leases do not provide revenue in the Statement of Activities but are reported as current resources in the funds.	(42,661)
Repayment of debt principal is an expenditure in the funds but is not an expense in the Statement of Activities	80,000
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 depreciation expense exceeded capital outlay in the current period.	<u>(212,802)</u>
Changes in Net Position of Governmental Activities (Exhibit #2)	<u>\$ (167,552)</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, 2022

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, 2022.

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, 2022. 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 in 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. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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, 2022 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, 2022 were collateralized in accordance with Texas Law.

Cash deposits were properly secured at all times during the year ended December 31, 2022.

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, 2022 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, 2022 for the District’s major fund, including the applicable allowances for uncollectibles, are as follows:

	<u>General Fund</u>
Current Property Taxes	\$ 1,439,575
Delinquent Property Taxes	<u>203,585</u>
Total Gross Receivables	\$ 1,643,160
Less: Allowance for Uncollectible Taxes	<u>(82,158)</u>
Net Total Receivables	<u>\$ 1,561,002</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, 2022.

	<u>General Fund</u>
<u>Unearned Revenue:</u>	
Advance Tax Collections	\$ 656,531
Total Unearned Revenue:	<u>\$ 656,531</u>
<u>Unearned Deferred Revenue:</u>	
Current Property Taxes Receivable	\$ 1,439,575
Less: Allowance for Uncollectible Taxes	<u>(71,979)</u>
Net Current Property Taxes Receivable	<u>\$ 1,367,596</u>

C. Capital Grants, Insurance Recoveries, and Miscellaneous Revenue

The District received a reimbursement for workers' compensation in the amount of \$5,529.

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, 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, 2022 was as follows:

	Restated Balance January 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2022</u>
Governmental activities:				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 822,130	\$ 734,644	\$ 822,130	\$ 734,644
Land	76,835	18,750	-	95,585
Total Capital Assets not Being Depreciated	<u>\$ 898,965</u>	<u>\$ 753,394</u>	<u>\$ 822,130</u>	<u>\$ 830,229</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 679,263	\$ 229,400	\$ -	\$ 908,663
Equipment	5,809,602	44,968	-	5,854,570
Right to Use Assets	-	42,661	-	42,661
Total Capital Assets Being Depreciated	<u>\$ 6,488,865</u>	<u>\$ 274,368</u>	<u>\$ -</u>	<u>\$ 6,805,894</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ (57,496)	\$ (25,133)	\$ -	\$ (82,629)
Equipment	(1,678,944)	(427,429)	-	(2,106,373)
Right to Use Assets	-	(8,532)	-	(8,532)
Total Accumulated Depreciation	<u>\$ (1,736,440)</u>	<u>\$ (461,094)</u>	<u>\$ -</u>	<u>\$ (2,197,534)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 4,752,426</u>	<u>\$ (186,726)</u>	<u>\$ -</u>	<u>\$ 4,608,361</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,651,391</u>	<u>\$ 566,668</u>	<u>\$ 822,130</u>	<u>\$ 5,438,591</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, 2022, are as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Carlisle VFD	\$ 324,000	\$ -	\$ 80,000	\$ 244,000	\$ 27,000
Capital Financing Activities	-	42,661	8,733	33,928	8,333
Total	\$ 324,000	\$ 42,661	\$ 88,733	\$ 277,928	\$ 35,333

2. Debt Service Requirements

Debt service requirements on long-term debt as of December 31, 2022, are as follows:

Year Ending August 31,	Governmental Activities Debt	
	Principal	Interest
2023	\$ 27,000	\$ -
2024	27,000	-
2025	27,000	-
2026	27,000	-
2027	27,000	-
2028-2032	109,000	-
	\$ 244,000	\$ -

Capital Financing Activities

Lease activity for the year ended December 31, 2022, 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.

Year Ended	Principal	Interest	Total
December 31			
2023	\$ 8,333	\$ 400	\$ 8,733
2024	8,432	302	8,734
2025	8,531	202	8,733
2026	8,632	102	8,734
	\$ 33,928	\$ 1,006	\$ 34,934

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	\$	58,541
New London VFD		8,396
New Salem VFD		7,215
Overton VFD		967
ESD & Fire Marshall		40,625
Tatum VFD		4,372
Henderson FD		12,645
Laneville VFD		16,475
Rusk County Rescue		13,994
Total	\$	<u>163,230</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, 2022. 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 among the commitments are the following:

<u>Department</u>	<u>Amount</u>	<u>Purpose</u>
ESD	45,000.00	sales tax election contract
Carlisle VFD	10,241.00	4X4
6 departments	24,525.00	6ARM chest compression system
Mt. Enterprise VFD	385,222.00	water tender
ESD	7,000.00	clear fence line
2 departments	8,175.00	2 ARM chest compression system
Crims Chapel VFD	2,681.22	pumper repair
ESD	111,016.00	2 dodge chassis
Carlisle VFD	1,171.86	fuel reimbursement
Eastside VFD	3,358.87	fuel reimbursement
Rusk County Rescue Unit	6,202.36	new command truck computers,
Fire Marshal	50,000.00	Fire Marshal truck
Fire Marshal	17,216.44	Fire Marshal Truck upgrades
Kilgore Rescue Unit	3,117.77	repairs
Crims Chapel VFD	10,000.00	new skid unit
Carlisle VFD	4,087.50	lifeline CPR device
Tatum VFD	1,165.00	replacement wildland boots
Crims Chapel VFD	2,580.00	replacement helmets
Laneville VFD	2,330.00	two cylinders
Fire Marshal / Church Hill	3,725.00	signage
Carlisle VFD	1,682.00	lighted sign
Rusk County Rescue Unit	16,240.00	replacement doors and electrical
Overton VFD	990.00	replacement hose
Eastside VFD	138,000.00	hybrid truck
	<u>\$ 855,727</u>	

- On June 23, 2022 the District approved obtaining funding for the remodel of the new training facility. The loan amount will be \$2,235,000 at an interest rate of 4.996%, with 20 annual payments of \$179,281. As of December 31, 2022, the District had not drawn any of the funds. The payments will begin when the remodel project is completed.

C. Prior Period Adjustment

In June 2019, the District approved an annual payment to Carlisle VFD of \$27,000 for the next 15 years for the cost of a new station. Beginning long-term debt and beginning assets have been restated to reflect the debt owed to Carlisle VFD as well as the resulting fire station asset. The prior period adjustment is a net decrease to beginning net position of \$68,124.

Rusk County Emergency Services District #1
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad Valorem Taxes	\$ 2,096,251	\$ 1,933,021	\$ 1,799,997	\$ (133,024)
Interest	-	-	17,607	17,607
Total Revenues	<u>\$ 2,096,251</u>	<u>\$ 1,933,021</u>	<u>\$ 1,817,604</u>	<u>\$ (115,417)</u>
Expenditures:				
Public Safety	\$ 1,677,618	\$ 1,514,388	\$ 1,593,206	\$ (78,818)
Capital Expenditures	158,099	158,099	151,869	6,230
General and Administrative	260,534	260,534	128,447	132,087
Total Expenditures	<u>\$ 2,096,251</u>	<u>\$ 1,933,021</u>	<u>\$ 1,873,522</u>	<u>\$ 59,499</u>
Excess (deficiency) of Revenues over Expenditures	\$ -	\$ -	\$ (55,918)	\$ (55,918)
Other Financing Sources:				
Miscellaneous	\$ -	\$ -	\$ 5,529	\$ 5,529
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,529</u>	<u>\$ 5,529</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (50,389)	\$ (50,389)
Fund Balance, January 1, 2022	1,849,157	1,849,157	1,849,157	-
Fund Balance, December 31, 2022	<u>\$ 1,849,157</u>	<u>\$ 1,849,157</u>	<u>\$ 1,798,768</u>	<u>\$ (50,389)</u>

Rusk County Emergency Services District #1
 Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 (Budgetary Basis) - General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance -
 General Fund
 For the Year Ended December 31, 2022

Total Expenditures - Exhibit 5	\$ 1,873,522
Adjustment for Tower Lease	42,661
Adjustment for Insurance Payment - Equipment	47,461
Total Expenditures - General Fund - Exhibit 4	\$ 1,963,644
Total Other Financing Sources - Exhibit 5	\$ 5,529
Adjustment for Tower Lease	42,661
Adjustment for Insurance Payment - Equipment	47,461
Total Other Financing Sources - Exhibit 4	\$ 95,651

**Rusk County Emergency Services District #1
Schedule of Findings and Responses
For the Year Ended December 31, 2022**

Not applicable for the year ended December 31, 2022.