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Certified Public Accountant

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116 S Marshall
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May 6, 2021

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, 2020. 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 5, 2021. 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, 2020, the District changed the way certain prepaid assets are reported. 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

Board of Managers
Rusk County Emergency Services District #1
May 6, 2021

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.

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 May 6, 2021.

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
May 6, 2021

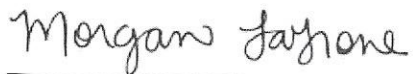
Other Matters

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, 2020

**Rusk County Emergency Services District #1
Financial Statements
For the Year Ended December 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

May 6, 2021

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

Members of the Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of Rusk County Emergency Services District #1 as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MEMBER

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rusk County Emergency Services District #1 as of and for the year ended December 31, 2020 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

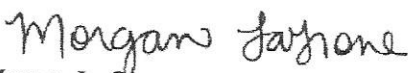
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2021, on our consideration of the Rusk County Emergency Services District #1's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Rusk County Emergency Services District #1'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**

May 6, 2021

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 6, 2021.

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

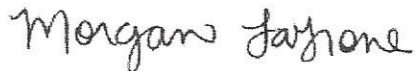
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Compliance and Other Matters

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
Certified Public Accountant

Henderson, Texas
May 6, 2021

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

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, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$7,056,466 at December 31, 2020.
- During the year, the District's expenses were \$527,539 less than the \$1,942,991 generated in revenues for governmental activities.
- The general fund reported an unassigned fund balance this year of \$1,324,348.
- Significant accomplishments during the 2020 fiscal year was a building purchase and cost sharing various fire fighting vehicles and equipment in the County.

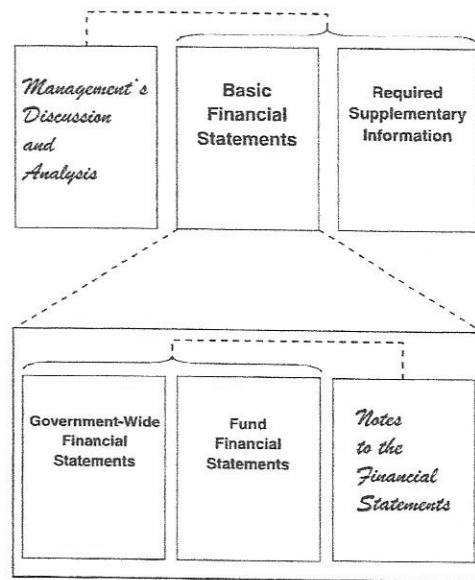
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2020

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 \$7,056,466 at December 31, 2020.

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

	<u>2020</u>	<u>2019</u>	<u>Change</u> <u>2019-2020</u>	<u>% Change</u> <u>2019-2020</u>
Current Assets:				
Cash and Cash Equivalents	\$ 2,289,362	\$ 2,080,333	\$ 209,029	10.05%
Property Taxes Receivable	1,265,204	1,371,404	(106,200)	(7.74%)
Total Current Assets	<u>\$ 3,554,566</u>	<u>\$ 3,451,737</u>	<u>\$ 102,829</u>	<u>2.98%</u>
Noncurrent Assets:				
Construction in Progress	\$ 1,060,798	\$ 639,727	\$ 421,071	65.82%
Land	76,835	76,835	-	N/A
Buildings and Improvements	274,263	274,263	-	0.00%
Equipment	5,174,332	4,942,213	232,119	4.70%
Less: Accumulated Depreciation	(1,345,359)	(995,647)	(349,712)	35.12%
Total Noncurrent Assets	<u>\$ 5,240,869</u>	<u>\$ 4,937,391</u>	<u>\$ 303,478</u>	<u>6.15%</u>
Total Assets	<u>\$ 8,795,435</u>	<u>\$ 8,389,128</u>	<u>\$ 406,307</u>	<u>4.84%</u>
Accounts Payable	\$ 42,415	\$ 41,345	\$ 1,070	2.59%
Deferred Inflows of Resources				
Unearned Revenue	636,491	616,028	20,463	3.32%
Unearned Deferred Revenue	1,060,063	1,202,829	(142,766)	(11.87%)
Total Deferred Inflows of Resources	<u>\$ 1,696,554</u>	<u>\$ 1,818,857</u>	<u>\$ (121,233)</u>	<u>(6.67%)</u>
Total Liabilities	<u>\$ 1,738,969</u>	<u>\$ 1,860,202</u>	<u>\$ (121,233)</u>	<u>(6.52%)</u>
Net Position:				
Net Position, Investment in Capital Assets	\$ 5,240,870	\$ 4,937,391	\$ 303,479	6.15%
Unrestricted	1,815,596	1,591,536	224,060	14.08%
Total Net Position	<u>\$ 7,056,466</u>	<u>\$ 6,528,927</u>	<u>\$ 527,539</u>	<u>8.08%</u>

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

The \$1,815,596 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 \$1,942,991. 98% of the District's revenue comes from property taxes.

The total cost of all programs and services was \$1,415,452; 92.9% of these costs were for public safety.

Governmental Activities

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

	<u>2020</u>	<u>2019</u>	Increase/ (Decrease) <u>2019-2020</u>	Percentage Change <u>2019-2020</u>
Program Revenues:				
Capital Grants and Contributions	\$ -	\$ 100,000	\$ (100,000)	(100.00%)
General Revenues:				
Property Taxes	1,903,895	1,764,115	139,780	7.92%
Interest	8,354	23,722	(15,369)	(64.79%)
Insurance Proceeds	28,888	-	\$ 28,888	N/A
Miscellaneous Revenue	1,856	1,641	215	13.10%
Total Revenues	<u>\$ 1,942,991</u>	<u>\$ 1,889,477</u>	<u>\$ 53,514</u>	<u>2.83%</u>
Functions Programs:				
General Government	\$ 100,161	\$ 290,420	\$ (190,259)	(65.51%)
Public Safety	1,315,290	679,380	635,910	93.60%
Total Expenses	<u>\$ 1,415,452</u>	<u>\$ 969,800</u>	<u>\$ 445,652</u>	<u>45.95%</u>
Increase (Decrease) in Net Position	<u>\$ 527,539</u>	<u>\$ 919,677</u>	<u>\$ (392,138)</u>	<u>(42.64%)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1,942,991, an increase of \$53,514 from the prior year. This increase was due to an increase in property tax revenue.

The District's property tax rate was .0775 per \$100 valuation for the year ended December 31, 2020.

Expenditures from governmental fund types totaled \$1,718,930, a decrease of \$226,071 from the preceding year. General and administrative expenditures decreased \$132,796 and expenditures for public safety decreased \$93,276. The decrease in public safety expenditures was a result of less repairs and purchases made during the year, as well as tax refunds paid out due to the compressor lawsuit in the prior 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 \$171,944 above final budget amounts. Actual expenditures were \$15,550 less than final budget amounts. Overall, there was an increase of \$187,494 to fund balance.

RUSK COUNTY EMERGENCY SERVICES DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested \$6,586,228 in capital assets consisting of construction in progress, buildings and improvements, land and equipment. (See Table A-3.)

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

	<u>Governmental Activities</u>		Increase/ (Decrease) <u>2019-2020</u>	Percentage Change <u>2019-2020</u>
	<u>2020</u>	<u>2019</u>		
Construction in Progress	\$ 1,060,798	\$ 639,727	\$ 421,071	65.82%
Land	76,835	76,835	-	N/A
Buildings and Improvements	274,263	274,263	-	0.00%
Equipment	5,174,332	4,942,213	232,119	4.70%
Total Capital Assets	<u>\$ 6,586,228</u>	<u>\$ 5,933,039</u>	<u>\$ 653,190</u>	<u>11.01%</u>
Less: Accumulated Depreciation	\$ (1,345,359)	\$ (995,648)	\$ (349,711)	(35.12%)
Net Capital Assets	<u>\$ 5,240,869</u>	<u>\$ 4,937,391</u>	<u>\$ 303,479</u>	<u>6.15%</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 no long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General Fund spending decreased in the 2021 budget to \$1,627,125. The significant budget increases for the 2021 year are in the Contingencies expenditure accounts.
- Amounts available for appropriation in the General Fund budget are \$1,627,125, a decrease of \$76,611 from the final 2020 budgeted resources of \$1,703,736.

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.

Rusk County Emergency Services District #1
Statement of Net Position
December 31, 2020

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 2,289,362
Receivables	
Property Taxes (net of allowance for uncollectibles)	1,265,204
Capital Assets (net of accumulated depreciation)	
Construction in Progress	1,060,798
Land	76,835
Buildings	236,614
Equipment	<u>3,866,623</u>
Total Assets	<u>\$ 8,795,436</u>
<u>Liabilities</u>	
Accounts Payable	<u>\$ 42,415</u>
Total Liabilities	<u>\$ 42,415</u>
<u>Deferred Inflows of Resources</u>	
Unearned Revenue	636,491
Unearned Deferred Revenue	<u>1,060,063</u>
Total Deferred Inflows of Resources	<u>\$ 1,696,554</u>
<u>Net Position</u>	
Net Position, Investment in Capital Assets	\$ 5,240,870
Unrestricted	<u>1,815,596</u>
Total Net Position	<u><u>\$ 7,056,466</u></u>

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, 2020

	<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	\$ 100,161	\$ -			\$ (100,161)
Public Safety	1,315,290	-			(1,315,290)
Total governmental activities	<u>\$ 1,415,452</u>	<u>\$ -</u>			<u>\$ (1,415,452)</u>
General Revenues:					
Property Taxes				\$ 1,903,895	
Interest				8,354	
Insurance Proceeds				28,888	
Miscellaneous				1,855	
Total general revenues				<u>\$ 1,942,991</u>	
Change in net position					527,539
Net position - beginning					6,528,927
Net position - ending					<u>\$ 7,056,466</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, 2020

	<u>General Fund</u>
<u>Assets</u>	
Cash	
Cash with Fiscal Agent	\$ 1,861,303
Receivables:	428,058
Current Taxes	1,115,854
Delinquent Taxes	215,941
Allowance for Uncollectible Taxes	(66,592)
Total Assets	<u>\$ 3,554,565</u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts Payable	\$ 42,415
Total Liabilities	<u>\$ 42,415</u>
Deferred Inflows of Resources	
Unearned Revenue	636,491
Unearned Deferred Revenue	1,265,205
Total Deferred Inflows of Resources	<u>\$ 1,901,696</u>
Fund Balances:	
Committed	\$ 286,106
Unassigned	1,324,348
Total Fund Balances	<u>\$ 1,610,454</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,554,565</u>

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, 2020

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

Total Fund Balances-Total Governmental Funds (Page 11)	\$ 1,610,454
Net Delinquent Property Taxes Receivable is a "long-term asset" and no available to pay for current period expenditures and therefore is deferred in the funds.	205,142
Capital assets used in governmental activities are not financial resource and, therefore, are not reported in the funds	<u>5,240,871</u>
Net Position of Governmental Activites (Page 9)	<u><u>\$ 7,056,466</u></u>

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

Rusk County Emergency Services District #1
Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds
For the Year Ended December 31, 2020

Revenues:		
Ad Valorem Taxes		\$ 1,867,326
Interest		8,354
Total Revenues		<u>\$ 1,875,681</u>
Expenditures:		
Payments for Public Safety:		
Carlisle	\$ 102,442	
Church Hill	35,379	
Crim's Chapel	77,214	
East Side	41,864	
Elderville-Lakeport	26,369	
Garrison	6,400	
Henderson	61,069	
Rusk County Rescue Unit	93,648	
Kilgore	27,686	
Kilgore Rescue Unit	26,388	
Laneville	44,042	
Mt. Enterprise	78,045	
New London	36,400	
New Salem	25,456	
Overton	28,906	
Reklaw	173,254	
Tatum	65,792	
Rusk County Emergency Management	245	
Tower and Pager Expenditures	13,157	
New Communication System	10,367	
Insurance and Other Public Safety	644,646	
Total Payments for Public Safety	<u>644,646</u>	
General and Administrative Expenditures		\$ 1,618,769
Total Expenditures		<u>100,161</u>
Excess (deficiency) of Revenues Over Expenditures		<u>\$ 1,718,930</u>
Other Financing Sources (See Note C)		<u>\$ 156,750</u>
Miscellaneous		\$ 1,856
Insurance Proceeds		28,888
Total Other Financing Sources		<u>\$ 30,744</u>
Net Change in Fund Balance		<u>\$ 187,494</u>
Fund Balance, January 1, 2020		<u>1,422,960</u>
Fund Balance, December 31, 2020		<u>\$ 1,610,454</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, 2020

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

Net Change in Fund Balances-Total Governmental Funds (Page 13)	\$ 187,494
Delinquent property tax collections provide current financial resources to the funds, but has no effect on net position	(82,749)
Delinquent property taxes receivable which do not provide current financial resources are not reported as revenue in the funds	119,318
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated usefulness and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	303,476
Changes in Net Position of Governmental Activities (Page 10)	<u>\$ 527,539</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, 2020

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, 2020.

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, 2020. 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.

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, 2020 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, 2020 were collateralized in accordance with Texas Law.

Cash deposits were properly secured at all times during the year ended December 31, 2020.

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, 2020 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, 2020 for the District's major fund, including the applicable allowances for uncollectibles, are as follows:

	General Fund
Current Property Taxes	\$ 1,115,854
Delinquent Property Taxes	<u>215,941</u>
Total Gross Receivables	\$ 1,331,795
Less: Allowance for Uncollectible Taxes	<u>(66,592)</u>
Net Total Receivables	<u>\$ 1,265,204</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, 2020.

	General Fund
<u>Unearned Revenue:</u>	
Advance Tax Collections	\$ 636,491
Total Unearned Revenue:	<u>\$ 636,491</u>
<u>Unearned Deferred Revenue:</u>	
Current Property Taxes Receivable	\$ 1,115,854
Less: Allowance for Uncollectible Taxes	<u>(55,793)</u>
Net Current Property Taxes Receivable	<u>\$ 1,060,062</u>

C. Capital Grants, Insurance Recoveries, and Miscellaneous Revenue

During the year, the District received \$28,888 from an insurance claim from VFIS of Texas/WinStar Insurance for engine repairs of \$21,673 for the Mt. Enterprise VFD and a tower replacement, which was the cost of \$7,215.38 for New Salem VFD. These funds are classified as insurance proceeds in the financial statements.

The District also received a reimbursement for workers' compensation in the amount of \$1,856.

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, 2020 was as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Governmental activities:				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 639,727	\$ 421,071	\$ -	\$ 1,060,798
Land	76,835	-	-	76,835
Total Capital Assets not Being Depreciated	<u>\$ 716,562</u>	<u>\$ 421,071</u>	<u>\$ -</u>	<u>\$ 1,137,633</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 274,263	\$ -	\$ -	\$ 274,263
Equipment	4,942,213	232,119	-	5,174,332
Total Capital Assets Being Depreciated	<u>\$ 5,216,476</u>	<u>\$ 232,119</u>	<u>\$ -</u>	<u>\$ 5,448,595</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ (27,928)	\$ 9,722	\$ -	\$ (37,650)
Equipment	(967,721)	339,989	-	(1,307,709)
Total Accumulated Depreciation	<u>\$ (995,648)</u>	<u>\$ 349,711</u>	<u>\$ -</u>	<u>\$ (1,345,359)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 4,220,828</u>	<u>\$ 581,830</u>	<u>\$ -</u>	<u>\$ 4,103,236</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,937,390</u>	<u>\$ 1,002,901</u>	<u>\$ -</u>	<u>\$ 5,240,870</u>

Depreciation was charged to public safety.

E. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for tower usage provide for minimum future payments as of December 31, 2020 as follows:

Year Ending December 31,	
2021	8,075
2022	8,385
2023	8,555
2024	8,729
2025	8,908
	<u>\$ 42,652</u>

Lease Expenditures in 2020 \$ 8,394

The District signed a lease agreement on November 27, 2007 to provide for a Mt. Enterprise tower site. This lease is for a term of 99 years. The lease payments are \$1,200 a year for the first five years. At the end of the first five years of the lease term and at five year intervals throughout the rest of the lease term, the yearly rent shall be adjusted by an increase of ten percent of the previous annual rental amount. The District may cancel the lease at any time during the life of the lease by giving written notice of termination and paying a sum equal to 5 years of annual rental computed at the annual rental rate in effect at the time of giving the notice.

Additionally, the District has a lease agreement for use of an antenna and transmitter located in Henderson, Texas.

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	\$ 125,000
Crims Chapel VFD	51,935
Church Hill VFD	5,595
New London VFD	11,880
New Salem VFD	7,215
Overton VFD	50,589
Reklaw VFD	33,892
Total	<u>\$ 286,106</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, 2020. 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>
Mt. Enterprise	\$ 2,807	Water tender repairs
Reklaw VFD	1,855	Radios
Tatum VFD	13,913	Brush truck repairs
Reklaw VFD	20,700	Concrete work/repairs
Rusk County ESD	471	Captain uniform/attire
	<hr/>	
	\$ 39,747	

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad Valorem Taxes	\$ 1,699,209	\$ 1,695,382	\$ 1,867,326	\$ 171,944
Interest	-	8,354	8,354	-
Total Revenues	\$ 1,699,209	\$ 1,703,736	\$ 1,875,680	\$ 171,944
Expenditures:				
Public Safety	\$ 1,585,131	\$ 1,589,881	\$ 1,589,881	\$ -
General and Administrative	114,078	115,711	100,161	15,550
Total Expenditures	\$ 1,699,209	\$ 1,705,592	\$ 1,690,042	\$ 15,550
Excess (deficiency) of Revenues over Expenditures	\$ -	\$ (1,856)	\$ 185,638	\$ 187,493
Other Financing Sources:				
Insurance Proceeds	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	1,856	1,856
Total Other Financing Sources	\$ -	\$ -	\$ 1,856	\$ 1,856
Net Change in Fund Balance	\$ -	\$ (1,856)	\$ 187,494	\$ 189,349
Fund Balance, January 1, 2020	1,422,960	1,422,960	1,422,960	-
Fund Balance, December 31, 2020	\$ 1,422,960	\$ 1,421,104	\$ 1,610,454	\$ 189,349
Reconciliation of Exhibit 5 to Exhibit 4:				
Total other financing sources - Exhibit 5			\$ 1,856	
Insurance proceeds				28,888
Total other financing sources - Exhibit 4 (page 13)				\$ 30,744
Total expenditures - Exhibit 5			\$ 1,690,042	
Public Safety expenditures funded with insurance proceeds				28,888
Total expenditures - Exhibit 4 (page 13)				\$ 1,718,930

**Rusk County Emergency Services District #1
Schedule of Findings and Responses
For the Year Ended December 31, 2020**

Not applicable for the year ended December 31, 2020.