



MARGARET NIXON, CPA

CERTIFIED PUBLIC ACCOUNTANT

June 12, 2023

District Commissioners
Upshur County Emergency Services District No. 1
100 Tyler Street
Gilmer, Texas 75644

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Upshur County Emergency Services District No. 1 as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Upshur County Emergency Services District No. 1's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Upshur County Emergency Services District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upshur County Emergency Services District No. 1's internal control.

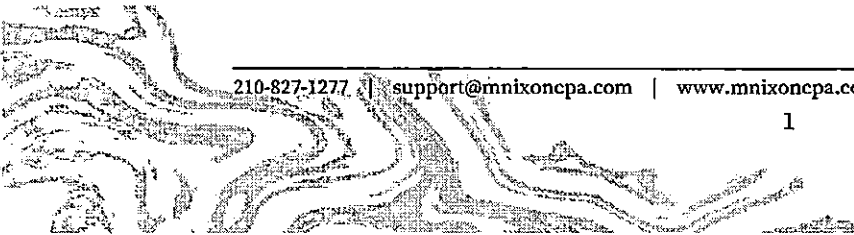
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in internal control to be material weaknesses:

1. Policies and Procedures

The District lacks some formal policies and procedures. a) The district has not adopted an established record retention policy causing difficulty locating critical records such as contracts and invoices. b) The District has adopted certain practices, such as disbursement of funds to the Rural Departments intended to be a grant disbursements program that have not been formalized. c) Some board members are also officers at some Rural Departments, due to competing interest and the inherited nature of limited resources in small rural areas, it is recommended that appropriate internal controls such segregation of duties are clearly defined implemented.

Appropriate policies and procedures should address roles, rules, consequences, and tools. Lack of policies and procedures or loosely defined general standards that are not properly documented may lead to violations that become ambiguous, subjective and open to interpretation and potentially to litigation. Additionally, proper policies and procedures show that the organization took reasonable efforts to prevent, detect and correct any improper conduct. Policies and procedures should be formally approved by the board and



provide clear operational guidance. To remedy this control deficiency, management may purchase templates of policy and procedures and modify to the District's needs, hire consultants to assist in the drafting of the policies and procedures. The board should also asses if the implementation of other policies and procedures relevant to their operations are necessary. Additionally, fraud awareness training is recommended to board members.

The Board has indicated that they will start efforts to evaluate what would be more effective given current circumstances, such as hire a third party to assist with the development and implementation of policies and procedures or buy a package and implement it themselves.

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. We consider the following deficiencies in internal control to be significant deficiencies:

2. Financial Statements

For the year ended September 30, 2022, management requested us to prepare the draft of the District's financial statements, including the related notes. As a result, certain adjustments were required to be made to the accounting records such as recording adjustments to taxes receivable, fixed assets, and long-term debt. Organizations with limited staff and resources tend to have difficulty preparing the annual financial reports and applying all of the necessary accounting principles to be in compliance with generally accepted accounting principles (GAAP). However, auditing standards have clarified that internal control is the same for all entities, regardless of size. We cannot be considered part of the District's internal controls (which includes the preparation of the financial statements), so the fact that we prepared the draft financial statements and related notes represents a control deficiency for the District. To remedy the control deficiency, management may obtain training or hire additional consultants outside of the auditor to assist in the drafting of the financial statements. However, management may ultimately decide to accept the deficiency and continue to have the auditors prepare the draft financial statements. It is our responsibility to report this deficiency to ensure management has the information necessary to make an informed decision that is best for the District.

The Board has indicated that they have decide to accept the deficiency and continue to have the auditors prepare the draft financial statements.


3. Budgeting

We noted significant variance between actual vs. budgeted expenditures. It is not uncommon to encounter situations that require adjustments throughout the year and although variances were favorable, the budget should be amended in a timely manner.

The Board has indicated that they will evaluate the need to amend the budget as circumstances arise.

This communication is intended solely for the information and use of management, and District Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Margaret Nixon, CPA
San Antonio, Texas
June 12, 2023



MARGARET NIXON, CPA

CERTIFIED PUBLIC ACCOUNTANT

June 12, 2023

District Commissioners
Upshur County Emergency Services District No. 1
100 Tyler Street
Gilmer, Texas 75644

We have audited the financial statements of the governmental activities and major fund of Upshur County Emergency Services District No. 1 for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 16, 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 Upshur County Emergency Services District No. 1 are described in Note 1 to the financial statements. All accounting policies were adopted this year due to being a newly created entity. 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 of the District's 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 estimate affecting the District's financial statements was:

Management's estimate of the depreciable lives of equipment purchased is based on the expected useful life of the asset. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

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 trivial, and communicate them to the appropriate level of management. As a result of our audit procedures, we found misstatements that required correction, either individually or in the aggregate. Management has corrected such misstatements.



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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 12, 2023. 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.

Other Matters

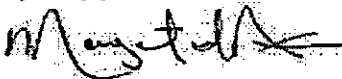
We applied certain limited procedures to management's discussion and analysis and budgetary comparison information which are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response 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 information and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on comparative statements, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of Upshur County Emergency Services District No. 1 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Margaret Nixon, CPA
San Antonio, Texas
June 12, 2023

**UPSHUR COUNTY
EMERGENCY SERVICES DISTRICT NO. 1**

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2022**

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**UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

DISTRICT OFFICIALS

| | |
|--------------------------------------|------------------------|
| PRESIDENT | MICHAEL KUZA |
| VICE PRESIDENT | BOBBY JENKINS |
| TREASURER/ASSISTANT SECRETARY | SCOTT MISCHNICK |
| SECRETARY/ASSISTANT TREASURER | KENNY SOUTHWELL |
| MEMBER | CLODDIE HENSON |

| | |
|-----------------|--|
| ATTORNEY | COVELER & PEELER, P.C. ATTORNEYS AT LAW |
| AUDITOR | MARGARET NIXON, CPA |

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

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MARGARET NIXON, CPA
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

District Commissioners
Upshur County Emergency Services District No. 1

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Upshur County Emergency Services District No. 1, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Upshur County Emergency Services District No. 1, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upshur County Emergency Services District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 these are conditions or events, considered in the aggregate, that raise substantial doubt about Upshur County Emergency Services District No. 1'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

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

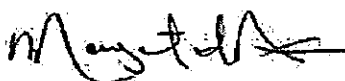
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risk. 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 Upshur County Emergency Services District No. 1'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 management's discussion and analysis, budgetary comparison information, schedule of changes in the net pension liability and related ratios 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 the 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 our 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.



Margaret Nixon, CPA
San Antonio, Texas
June 12, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Upshur County Emergency Services District No. 1, we offer readers the District’s financial statements narrative overview and analysis of the District’s financial performance during the fiscal year ended September 30, 2022. The information presented here should be read in conjunction with the Independent Auditor’s Report and the District’s financial statements.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$2.02 million at September 30, 2022.
- During the year, the District’s expenses were \$249 thousand less than the \$1.08 million generated in taxes and other revenues for governmental activities.
- The total cost of the District’s programs decreased by \$250 thousand from last year, but no new programs were added.
- The general fund balance this year was \$1.30 million compared to \$1.04 the prior year.
- There was no new debt acquired by the District this year.

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.

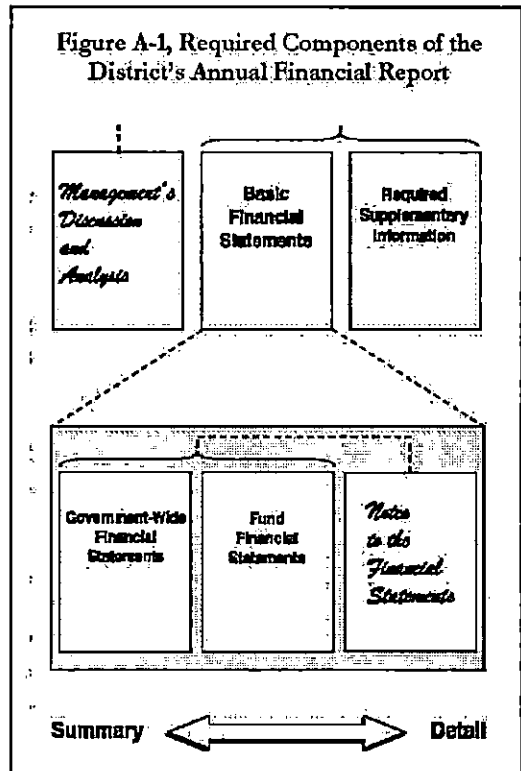


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

| Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements | | |
|--|--|---|
| <i>Type of Statements</i> | Government-wide | Fund Statement |
| | | Governmental Funds |
| <i>Scope</i> | Entire District's government (except fiduciary funds). | The activities of the District that are not proprietary or fiduciary. |
| <i>Required financial statements</i> | <ul style="list-style-type: none"> • Statement of Net Position. • Statement of activities. | <ul style="list-style-type: none"> • Balance Sheet. • Statement of revenues, expenditures, and changes in fund balances. |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus. | Modified accrual accounting and current financial resources focus. |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term. | Only assets expected to be used-up and liabilities that become due during the year or soon thereafter, no capital assets included. |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter. |

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, deferred outflows of resources, deferred inflows of resources, and liabilities as applicable. 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, deferred outflows of resources, deferred inflows of resources 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 additional nonfinancial factors such as changes in the District’s tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District’s basic services are included here, such as Emergency Services and general administration. Property and Sales taxes finance most of these activities.

Fund Financial Statements

The District has one 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 combined net position was \$2.02 million at September 30, 2022. (See Table A-1). Net position invested in capital assets net of related debt reflects the book value of the District’s capital assets in excess of the debt which financed those assets. The \$1.47 million of unrestricted net position represents resources available to fund next year programs.

Table A-1
Upshur County Emergency Services District No. 1 Net Position
(Amounts in thousands)

| | Governmental Activities | | Total Percentage Change |
|--|----------------------------|-------------------|-------------------------------|
| | 2022 | 2021 | 2022 - 2021 |
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and Cash Equivalents | \$ 1,370.3 | \$ 1,197.3 | 14.5% |
| Property Taxes Receivable | 190.02 | 192.0 | -1.0% |
| <i>Total Current Assets</i> | <u>1,560.3</u> | <u>1,389.3</u> | 12.3% |
| <i>Noncurrent Assets</i> | | | |
| <i>Property and Equipment</i> | | | |
| Property and Equipment (net of accumulated depreciation) | 852.2 | 873.7 | -2.5% |
| <i>Total Noncurrent Assets</i> | <u>852.2</u> | <u>873.7</u> | -2.5% |
| TOTAL ASSETS | <u>2,412.5</u> | <u>2,263.0</u> | 6.6% |
| LIABILITIES AND NET POSITION | | | |
| <i>Liabilities</i> | | | |
| <i>Current Liabilities</i> | | | |
| Accounts Payable | 66.9 | 159.9 | -58.1% |
| Interest Payable | 22.9 | 21.4 | 7.0% |
| Note Payable - Current | 67.0 | 68.1 | -1.5% |
| <i>Total Current Liabilities</i> | <u>156.9</u> | <u>249.3</u> | -37.1% |
| <i>Noncurrent Liabilities:</i> | | | |
| Note Payable- Long Term | 236.1 | 303.2 | |
| <i>Total Noncurrent Liabilities</i> | <u>236.1</u> | <u>303.2</u> | -22.1% |
| TOTAL LIABILITIES | <u>393.0</u> | <u>552.5</u> | -28.9% |
| <i>Net Position</i> | | | |
| Net Investment in Capital Assets | 549.0 | 502.5 | |
| Unrestricted | 1,470.5 | 1,208.0 | 21.7% |
| TOTAL NET POSITION | <u>2,019.5</u> | <u>1,710.5</u> | 18.1% |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 2,412.5</u> | <u>\$ 2,263.0</u> | 6.6% |

Changes in Net Position. The District’s total revenues were \$1,08 million. The District revenues come from property taxes and interest income. The total cost of all programs and services was \$834 thousand.

Governmental Activities

The property tax rate was \$0.07000 per \$100 and property tax revenues resulted in an decrease of \$454 thousand.

Table A-2
Changes in District's Net Position
(Amounts in thousands)

| | Governmental Activities | |
|-------------------------------------|----------------------------|-----------------|
| | 2022 | 2021 |
| General Revenues | | |
| Total General Revenues | \$ 1,082.6 | \$ 1,649.8 |
| Total Revenues | <u>1,082.6</u> | <u>1,649.8</u> |
| General Expenses | | |
| General Administration | 165.2 | 233.6 |
| Emergency Services | 668.4 | 849.6 |
| Total Expenses | <u>833.6</u> | <u>1,083.2</u> |
| Increase (Decrease) in Net Position | <u>\$ 249.0</u> | <u>\$ 566.6</u> |

Table A-3 reflect the cost of all functions the net cost (total cost less fees generated by the activities).

- The net cost reflects what was funded by local tax dollars. The cost of all governmental activities this year was \$834 thousand and was financed primarily through property taxes.

Table A-3
Net Cost of Selected District Functions
(Amounts in thousands)

| | Governmental Activities | | Total Percentage Change |
|------------------------|----------------------------|-------------------|-------------------------------|
| | 2022 | 2021 | 2022 - 2021 |
| General Expenses | | | |
| General Administration | \$ 165.2 | \$ 233.6 | -29.3% |
| Emergency Services | 668.4 | 849.6 | -21.3% |
| Total Expenses | <u>\$ 833.6</u> | <u>\$ 1,083.2</u> | -23.0% |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$1.09 million representing an increase of 34% in local taxes.

General Fund Budgetary Highlights

The District did not revise its budget during the year. Actual expenditures were \$188 thousand less than budgeted amounts. The most significant variances resulted from capital outlays and administrative cost.

Revenues were \$54 thousand more than final budgeted amount. The increase in revenues is due to collections being higher than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At the end of 2022, the District had invested \$1.01 million in capital assets. (see table A-4 below). This amount, less accumulated depreciation, results in a net capital asset value of \$852 thousand. Assets purchased by rural departments with the District's provided funds remain with them until contract dissolution.

Table A-4
Capital Assets
(In Thousands of dollars)

| | Governmental Activities | | Total Percentage Change |
|-------------------------------|----------------------------|-----------------|-------------------------------|
| | 2022 | 2021 | 2022 - 2021 |
| Vehicles & Equipment | \$ 919.2 | 859.2 | 7.0% |
| Construction in Progress | - | 90.5 | -100.0% |
| Buildings | 90.5 | - | 100.0% |
| Less accumulated depreciation | (157.5) | (75.9) | 107.5% |
| Net Capital Assets | <u>\$ 852.2</u> | <u>\$ 873.8</u> | -2.5% |

Detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

This year, the District did not obtain new debt. As of September 30, 2022, the District had \$303 thousand in outstanding debt as shown on Table A-5.

Table A-5
Long-term Debt
(Amounts in thousands)

| | Governmental Activities | | Total Percentage Change |
|----------------------|----------------------------|-----------------|-------------------------------|
| | 2022 | 2021 | 2022 - 2021 |
| Loan for Fire Trucks | \$ 303.2 | \$ 371.2 | -18.3% |
| Total Expenses | <u>\$ 303.2</u> | <u>\$ 371.2</u> | -18.3% |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The property tax rate for the 2023 budget preparation remained the same as last year at rate of \$0.07000 per \$100 valuation. The projected revenues for the 2023 budget preparation are expected to increase to 1.11 million.

General operating fund spending increased in the 2023 budget from the 2022 actual expenditures of \$819 thousand to \$1.07 million. This is a 30.40% decrease primarily due to no capital outlays expected next year.

The above indicators were taken into account when adopting the general fund budget for 2023. Amounts available for appropriation in the general fund budget are \$1.11 million an increase of 3.23% over the 2022 actual revenue of \$1.08 million. If these estimates are realized, the District's budgeted general fund is expected to increase by the close of 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide District No. 1 citizens, taxpayers, customers, and investors and creditors 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, contact the District by through the District's web site <https://upshuresd.com> or by mail at 100 Tyler Street Gilmer, Texas 75644.

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

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

- Government – wide financial statements

- Fund financial statements:
 - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| <i>Current Assets</i> | |
| Cash and Cash Equivalents | \$ 1,370,331 |
| Property Taxes Receivable | 190,017 |
| <i>Total Current Assets</i> | 1,560,348 |
| <i>Noncurrent Assets</i> | |
| <i>Property and Equipment</i> | |
| Property and Equipment (net of accumulated depreciation) | 852,162 |
| <i>Total Noncurrent Assets</i> | 852,162 |
| TOTAL ASSETS | 2,412,510 |
| LIABILITIES AND NET POSITION | |
| <i>Liabilities</i> | |
| <i>Current Liabilities</i> | |
| Accounts Payable | 66,934 |
| Interest Payable | 22,894 |
| Note Payable - Current | 67,040 |
| <i>Total Current Liabilities</i> | 156,868 |
| <i>Noncurrent Liabilities:</i> | |
| Note Payable- Long Term | 236,117 |
| <i>Total Noncurrent Liabilities</i> | 236,117 |
| TOTAL LIABILITIES | 392,985 |
| <i>Net Position</i> | |
| Net Investment in Capital Assets | 549,005 |
| Unrestricted | 1,470,520 |
| TOTAL NET POSITION | 2,019,525 |
| TOTAL LIABILITIES AND NET POSITION | \$ 2,412,510 |

The accompanying notes are an integral part of these financial statements.

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

| Functions and Programs | Expenses | Program Revenues | | Net Revenue (Expense) |
|-----------------------------------|---------------------|----------------------------|--|-----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Total Government Activities |
| Governmental Activities | | | | |
| General Administration | \$ (165,185) | \$ - | \$ - | \$ (165,185) |
| Emergency Services | (668,416) | - | - | (668,416) |
| Total Governmental Activities | <u>\$ (833,601)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(833,601)</u> |
| General Revenues | | | | |
| Property Taxes | | | | 1,075,275 |
| Other Income | | | | 7,302 |
| Total General Revenues | | | | <u>1,082,577</u> |
| Change in Net Position | | | | 248,976 |
| Net Position at Beginning of Year | | | | <u>1,710,549</u> |
| Truck from the City of Gilmer | | | | <u>60,000</u> |
| Net Position at End of Year | | | | <u>\$ 2,019,525</u> |

The accompanying notes are an integral part of these financial statements.

**UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

| | <u>General Fund</u> |
|--|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,370,331 |
| Property Taxes Receivable | <u>190,017</u> |
| Total Assets | <u>1,560,348</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | |
| <i>Liabilities</i> | |
| Accounts Payable | <u>66,934</u> |
| Total Liabilities | <u>66,934</u> |
| <i>Deferred Inflows of Resources</i> | |
| Unavailable Property Tax Revenue | <u>189,081</u> |
| <i>Fund Balance</i> | |
| Restricted for Payment of Equipment | 92,016 |
| Unassigned | <u>1,212,317</u> |
| Total Fund Balance | <u>1,304,333</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | |
| | <u>\$ 1,560,348</u> |

The accompanying notes are an integral part of these financial statements.

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

| | |
|---|---------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUND | \$ 1,304,333 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 852,162 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | (303,157) |
| Interest Payable is not due and payable in the current period and therefore is not reported in the funds. | (22,894) |
| Property Taxes Receivable on the Statement of Net Position that do not provide current financial resources are reported as deferred revenue in the funds. | <u>189,081</u> |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | <u>\$ 2,019,525</u> |

The accompanying notes are an integral part of these financial statements.

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

| | General Fund |
|---|-----------------|
| REVENUES | |
| Property Taxes | \$ 1,078,091 |
| Interest and Other Income | 7,302 |
| Total Revenues | 1,085,393 |
| EXPENDITURES | |
| Administrative | 165,185 |
| Departments Contracts | |
| City of Gilmer | 90,000 |
| City of Ore City | - |
| City of Big Sandy | 30,000 |
| City of Gladewater | 44,000 |
| Rural Departments | |
| Bettie VFD | 55,454 |
| East Mountain VFD | 28,346 |
| Ewell VFD | 38,024 |
| Glenwood VFD | 42,126 |
| Harmony VFD | 37,643 |
| Pleasant Grove VFD | 59,029 |
| Pritchett VFD | 39,921 |
| Simpsonville VFD | 43,859 |
| West Mountain VFD | 52,981 |
| Capital Outlays | 68,053 |
| Interest Expense | 23,963 |
| Total Expenditures | 818,584 |
| Excess (deficiency) of revenues over (under) expenditures | 266,809 |
| Fund Balance at Beginning of Year | 1,037,524 |
| Fund Balance at End of Year | \$ 1,304,333 |

The accompanying notes are an integral part of these financial statements.

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

| | | |
|---|--------|--------------------|
| NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS | \$ | 266,809 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change of property tax receivable reported in the statement of activities does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund. | | |
| | | (2,817) |
| The issuance of long-term debt (e.g. notes payable and capital leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items. | | |
| | | 66,553 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| | | <u>(81,569)</u> |
| CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES | \$ | <u>248,976</u> |

The accompanying notes are an integral part of these financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District was originally formed by the Upshur County Commissioners' Court into a Rural Fire Prevention District under the name of Upshur County Rural Fire Prevention District #1 after a Public Election on May 14th, 1990 and now known as Upshur County Emergency Services District No. 1. The District was created to provide emergency services and promote public safety, welfare, health and convenience of persons residing in the District. This District covers a great portion of the County of Upshur. Property tax is levied on property in Upshur County to provide revenues for operations. Disbursements are made to the fire departments within the county.

The Board of Commissioners is appointed by the Commissioners Court of Upshur County and it has authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity". There are no component units within the reporting entity.

The financial statements of the District have been prepared in accordance 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. The more significant of the District's accounting policies are described below:

A. THE FINANCIAL REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The District has no component units. Blended component units, although legally separate entities are, in substance, part of the government's operations; thus, data from these units are to be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the Statement of Net Position and the statement of activities. Government-wide statements report information on all of the activities of the District. Governmental activities are supported mainly by property taxes.

The Statement of Activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers 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 or segment. Taxes and other items not properly included in program revenues are reported as general revenue.

Separate **fund financial statements** are provided reports on the financial condition and results of operations for the District's one fund category - governmental. The District's one fund, the general fund, is a major fund.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2021, and became due October 1, 2021 have been assessed to finance the budget of the fiscal year beginning October 1, 2021.

Expenditures generally are recorded when a fund liability is incurred.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the District and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes and investment of idle funds. Primary expenditures are for general administration, emergency services and management.

The District has no other major governmental funds.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the District.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. INVESTMENTS

State statutes authorize the District to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The District has all its monies in interest bearing checking accounts, savings accounts, money market accounts or certificates of deposit.

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

F. PROPERTY TAXES RECEIVABLE

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based on historical trends. An allowance for uncollectible accounts has not been established as management believes all accounts to be collectible.

Property taxes are levied based on taxable value at January 1 and become due October 1 and past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. CAPITAL ASSETS

Capital Assets, which include radio equipment and fire trucks are reported 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All acquisitions are recorded at cost, if purchased or at fair value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A salvage value of 10% of original cost is utilized for fire trucks and other vehicles. When assets are disposed of, their cost and accumulated depreciation are removed from the accounts and the resulting or losses are credited or charged to operations. Land and construction in progress are recorded at cost and it is not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

| | |
|---------------------------|------------|
| Fire Stations (Buildings) | 25 years |
| Fire Fighting Equipment | 7-10 years |
| Fire Trucks | 12.5 years |
| Vehicles light/medium | 5 years |

I. DEFERRED INFLOWS OF REVENUES

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as inflow of resource in the period the amount becomes available.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as unavailable revenue.

J. LONG-TERM OBLIGATIONS

In the government- wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities.

In the fund type financial statements, governmental fund types the face amount of debt issued is reported as other financing sources.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. LEASES

In June 2017, the GASB issued GASB Statement No. 87, *Leases* effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases are recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use adoption of GASB Statement No. 87 did not result in restatement of previously reported fund balance for the year ended September 30, 2022.

L. FUND BALANCE

Fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

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

Committed – Represents amounts that can be used only for the specific purposes determined by a formal action of the District’s commissioners. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – Represents amounts which the District intends to use for a specific purpose but do not meet the criteria of restricted or committed. The District may make assignments and has chosen not to delegate that authority to any other individuals.

Unassigned – Represents the residual balance that may be spent on any other purpose of the District.

When an expenditure is incurred for a purpose in which multiple classifications are available, the District wishes restricted balances to be spent first, committed second, and assigned third.

M. NET POSITION

Net Position represent the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. ESTIMATES

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

O. USE OF ESTIMATES

Certain reclassifications have been made to the prior periods presented to conform to the current presentation. These reclassifications had no effect on fund equity.

NOTE 2 – CASH AND CASH INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. 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.

1. Cash

At September 30, 2022, the carrying amount of the District's deposits in the bank was \$1,370,331 and the bank balance was \$1,381,449. Deposits in the bank balances were covered by federal deposit insurance; however, deposits in excess of FDIC were not collateralized as of September 30, 2022.

2. 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 Public Funds Investment Act ("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. Additionally, investment practices of the District were in accordance with local policies.

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,

The District had no investments at September 30, 2022.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2 – CASH AND CASH INVESTMENTS (Cont.)

3. 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:

a. 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. At year end, the District was not significantly exposed to credit risk.

b. 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.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to a concentration of credit risk.

d. Interest Rate Risk

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

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 3 – AD VALOREM (PROPERTY) TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

For tax year 2022, the assessed tax rate for the District was \$0.07000 per \$100 on an assessed valuation of \$1,496,189,151 used to fund 2022 activities. Total tax levy for fiscal year 2022 was \$1,047,332. As of September 30, 2022, the delinquent current taxes for 2022 were \$189,081.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

| Governmental Activities | Beginning Balance | Additions | Disposals/ Transfers | Ending Balance |
|--|----------------------|------------------|-------------------------|-------------------|
| Vehicles & Equipment | \$ 859,194 | \$ 60,000 | \$ - | \$ 919,194 |
| Construction in Progress | 90,479 | - | (90,479) | - |
| Building | - | 90,479 | - | 90,479 |
| Less Accumulated Depreciation | (75,942) | (81,569) | - | (157,511) |
| Governmental Capital Assets, Depreciation Net of Accumulated Depreciation | <u>\$ 873,731</u> | <u>\$ 68,910</u> | <u>\$ (90,479)</u> | <u>\$ 852,162</u> |

The District received title for a fire truck valued at \$60,000 fair market value from the City of Gilmer with unrestricted use.

NOTE 5 – LONG TERM OBLIGATIONS

Long-term obligations payable at September 30, 2022 comprise of the following:

| Governmental Activities | Beginning Balance | Additions | Reductions | Ending Balance |
|-----------------------------|----------------------|-------------|--------------------|-------------------|
| <i>Notes Payable:</i> | | | | |
| Fire Truck Loan | \$ 371,210 | \$ - | \$ (68,053) | \$ 303,157 |
| <i>Total Notes Payable:</i> | <u>\$ 371,210</u> | <u>\$ -</u> | <u>\$ (68,053)</u> | <u>\$ 303,157</u> |

In 2021, the District entered into a lease purchase agreement for two fire trucks with First Government Lease Co. who subsequently sold the agreement to Carson Community Bank. The term of the lease requires five yearly equal payments of \$92,016 totaling \$460,080 (the price) of which \$88,870 will constitute interest. The stated interest rate is 3.99%; however, the resulting calculated effective interest rate is 8.24%. The District has the option to purchase the equipment at any time during the lease term for the total lease price less any payments already made.

Future minimum payments under this note as of September 30, 2022 are as follows:

| Fiscal Year Ending September 30 | Total |
|-------------------------------------|-------------------|
| 2023 | \$ 92,016 |
| 2024 | 92,016 |
| 2025 | 92,016 |
| 2026 | 92,016 |
| Total Long Term Note Payments | <u>368,064</u> |
| Less Amounts Representing Interest | <u>(64,907)</u> |
| Net Minimum Long Term Note Payments | <u>\$ 303,157</u> |

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6 – CONTINGENT LIABILITIES

Litigation

The District is not aware of any pending or threatened litigation.

NOTE 7 – SERVICE PROVIDERS

The District is currently engaged with various cities and rural volunteer fire departments to provide Fire Services to the taxpayers of the District, as well as dispatching services. The District pays the cities and departments an approved amount to cover for approved expenses related to services provided. Each city or rural fire department in the County is allocated a percentage of the budget. Each city is given its contracted amount. The rural fire departments submit invoices for payment against their budget. Any unspent amounts are carried forward as a reserved fund balance.

In 2022 the District split when Upshur County Emergency Services No. 2 was created and ceased to contract with Ore City, Diana VFD and New Mounting VFD since this District. The district also terminated its contract with another VFD due to an active investigation.

For fiscal year 2022, the District paid to the cities \$164,000 and \$397,383 to the rural volunteer fire departments for specified contracted services.

NOTE 8 – BUDGETARY DATA

Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles. Once approved, the Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The budget for the general fund operations is prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. The District does not record encumbrances as part of its accounting records.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

A budgeted amount is approved for each fire department each year. Any unspent budget at September 30 each year is carried over to the subsequent year for each department. This carryover increases the budget for the subsequent year. Likewise, if any department overspends its budget any year, the subsequent years' budget is decreased by this overspent amount. Since the unspent budget carries forward, a portion of fund balance is reserved for this carryover.

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 9 – RISK MANAGEMENT

The Upshur County Emergency Services District No. 1, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover this risk the District contracts with the Volunteer Firemen's Insurance Services (VFIS) of Texas to provide insurance coverage for Property/Casualty. VFIS is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by VFIS. Liability by the District is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2022, were \$75,101.

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

**UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| | Budget Amounts | | Actual | Variance |
|--|---------------------|---------------------|---------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| REVENUES | | | | |
| Property Taxes | \$ 1,031,298 | \$ 1,031,298 | \$ 1,078,091 | \$ 46,793 |
| Interest and Other Income | - | - | 7,302 | 7,302 |
| TOTAL REVENUES | 1,031,298 | 1,031,298 | 1,085,393 | 54,095 |
| EXPENDITURES | | | | |
| Administrative | 358,136 | 358,136 | 165,185 | 192,951.00 |
| Departments Contracts | | | | |
| City of Gilmer | 90,000 | 90,000 | 90,000 | - |
| City of Big Sandy | 30,000 | 30,000 | 30,000 | - |
| City of Gladewater | 44,000 | 44,000 | 44,000 | - |
| Rural Departments | | | | |
| Bettie VFD | 40,600 | 40,600 | 55,454 | (14,854.00) |
| East Mountain VFD | 42,120 | 42,120 | 28,346 | 13,774.00 |
| Ewell VFD | 42,450 | 42,450 | 38,024 | 4,426.00 |
| Glenwood VFD | 43,860 | 43,860 | 42,126 | 1,734.00 |
| Harmony VFD | 41,000 | 41,000 | 37,643 | 3,357.00 |
| Pleasant Grove VFD | 40,034 | 40,034 | 59,029 | (18,995) |
| Pritchett VFD | 47,427 | 47,427 | 39,921 | 7,506 |
| Simpsonville VFD | 46,050 | 46,050 | 43,859 | 2,191 |
| West Mountain VFD | 48,490 | 48,490 | 52,981 | (4,491) |
| Capital Outlays | 92,016 | 92,016 | 68,053 | 23,963 |
| Interest Expense | - | - | 23,963 | (23,963) |
| TOTAL EXPENDITURES | 1,006,183 | 1,006,183 | 818,584 | 187,599 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 25,115 | 25,115 | 266,809 | 241,694 |
| Fund Balance - October 1 | 1,037,524 | 1,037,524 | 1,037,524 | - |
| Fund Balance - September 30 | \$ 1,062,639 | \$ 1,062,639 | \$ 1,304,333 | \$ 241,694 |

UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEPTEMBER 30, 2022

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District’s Board and as such is a good management control device.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. Actual expenditures did not exceed appropriations for the year ended September 30, 2022.

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OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Balance Sheet – General Fund
- Comparative Statements of Revenues, Expenditures and Changes in Fund Balances

**UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
COMPARATIVE BALANCE SHEETS - GENERAL FUND
SEPTEMBER 30, 2022 AND 2021**

| | 2022 | 2021 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,370,331 | \$ 1,197,283 |
| Property Taxes Receivable | 190,017 | 192,026 |
| Total Assets | 1,560,348 | 1,389,309 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| <i>Liabilities</i> | - | - |
| Accounts Payable | 66,934 | 159,887 |
| <i>Total Liabilities</i> | 66,934 | 159,887 |
| <i>Deferred Inflows of Resources</i> | | |
| Unavailable Property Tax Revenue | 189,081 | 191,898 |
| <i>Fund Balance</i> | | |
| Restricted for Payment of Equipment | 92,016 | 92,016 |
| Unassigned | 1,212,317 | 945,508 |
| <i>Total Fund Balance</i> | 1,304,333 | 1,037,524 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 1,560,348 | \$ 1,389,309 |

**UPSHUR COUNTY EMERGENCY SERVICES DISTRICT NO. 1
COMPARATIVE STATEMENTS OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GENERAL FUND
FOR YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| REVENUES | | |
| Property Taxes | \$ 1,078,091 | \$ 1,337,695 |
| Interest and Other Income | 7,302 | 4,839 |
| Total Revenues | <u>1,085,393</u> | <u>1,342,534</u> |
| EXPENDITURES | | |
| Administrative | 165,185 | 322,879 |
| Departments Contracts | | |
| City of Gilmer | 90,000 | 93,000 |
| City of Ore City | - | 50,000 |
| City of Big Sandy | 30,000 | 30,000 |
| City of Gladewater | 44,000 | 44,000 |
| Rural Departments | | |
| Bettie VFD | 55,454 | 63,454 |
| Diana VFD | - | 69,229 |
| East Mountain VFD | 28,346 | 51,336 |
| Ewell VFD | 38,024 | 50,000 |
| Glenwood VFD | 42,126 | 47,888 |
| Harmony VFD | 37,643 | 53,233 |
| New Mountain VFD | - | 36,763 |
| Pleasant Grove VFD | 59,029 | 52,153 |
| Pritchett VFD | 39,921 | 60,803 |
| Simpsonville VFD | 43,859 | 50,000 |
| West Mountain VFD | 52,981 | 41,051 |
| Capital Outlays | 68,053 | 571,210 |
| Interest Expense | 23,963 | - |
| Total Expenditures | <u>818,584</u> | <u>1,686,999</u> |
| Excess (deficiency) of revenues over (under) expenditures | 266,809 | (344,465) |
| OTHER FINANCING SOURCES (USES) | | |
| Loan Proceeds for Fire Trucks | - | 371,210 |
| Grant for Fire Trucks | - | 115,332 |
| Total Other Financing Sources (uses) | <u>-</u> | <u>486,542</u> |
| Fund Balance at Beginning of Year | <u>1,037,524</u> | <u>914,983</u> |
| Prior Period Adjustment | - | (19,536) |
| Fund Balance at End of Year | <u>\$ 1,304,333</u> | <u>\$ 1,037,524</u> |

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