

**Upshur County Emergency Services
District No. 2**

**Financial Statements and
Independent Auditor's Report**

As of September 30, 2023



Independent Auditor's Report

**Honorable Board
Upshur County Emergency Services District No. 2
Gilmer, TX**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Upshur County Emergency Services District No. 2 (District) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Arnold Walker Arnold & Co., P.C.

May 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Upshur County Emergency Services District No.2, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2023. 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 \$114 thousand at September 30, 2023, as compared to \$75 thousand at September 30, 2022. During the year, the District's revenues exceeded expenditures by \$39 thousand. The District's tax rate of 10 cents per hundred dollar of taxable value raised \$507 thousand in revenue.

The total cost of all the District's activities was \$468 thousand. District expenses were \$40 thousand. Disbursements to the three fire departments within the District totaled \$428 thousand.

The District has no capital assets or debt.

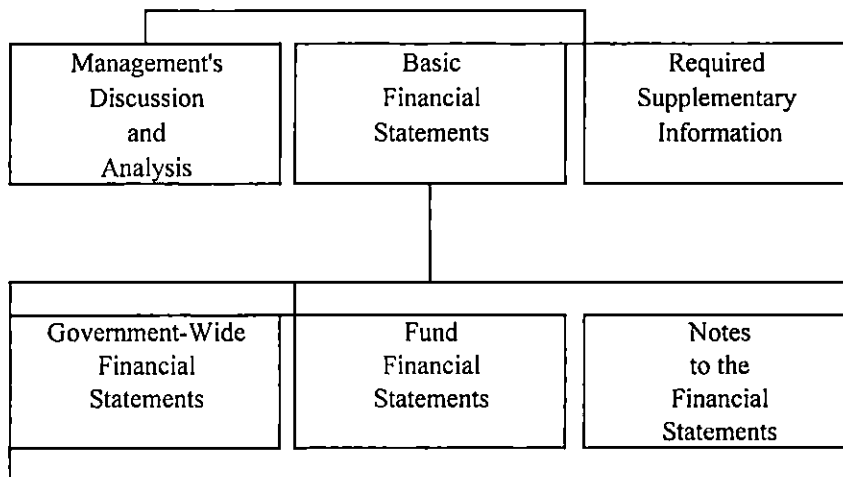
The District includes the City of Ore City Fire Department, Diana Volunteer Fire Department, and New Mountain Volunteer Fire Department.

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 information about the District's activities as a whole and present a longer-term view of the District's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- 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.

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



Summary ⇔ Detail

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 Fund Financial Statements		
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	*Statement of net position	*Balance sheet
	*Statement of activities	*Statement of revenues, expenditures & 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 come 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 after

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 assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include the *Governmental activities*. Property taxes finance most of these activities.

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 and by bond covenants.

The District has one fund:

- *Governmental funds*-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 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, additional information is provided that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$114 thousand at September 30, 2023 and \$75 thousand at September 30, 2022.

Table A-1
The District's Net Position
(in thousands of dollars)

	Governmental Activities	
	2023	2022
Current and other assets	160	90
Capital and non-current assets	-	-
TOTAL ASSETS	<u>160</u>	<u>90</u>
Long-term liabilities	-	-
Other liabilities	20	1
TOTAL LIABILITIES	<u>20</u>	<u>1</u>
Unavailable revenue-property taxes	26	14
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26</u>	<u>14</u>
Net position		
Invested in capital assets	-	-
Restricted	60	52
Unrestricted	54	23
TOTAL NET POSITION	<u>114</u>	<u>75</u>

The \$54 thousand of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

The \$60 thousand designated as restricted follows:

Restricted for future years expenses of fire departments --

Diana	35
New Mountain	<u>25</u>
Total	<u>60</u>

The District has no debt. Each year the District adopts a budget and sets a tax rate. Each city or rural fire department in the District is allocated a percentage of the budget. The City of Ore City Fire Department is given its contracted amount. New Diana and New Mountain Volunteer Fire Departments received monthly amounts and reimbursement for some invoices specifically approved by the Board against their budgeted amounts. Any unspent amount is carried forward as a reserved fund balance. The \$60 thousand of restricted net position is for this purpose.

Changes in net position.

The District's total revenues were \$567 thousand. An increase of \$91 thousand over the prior year, property tax revenue increased as taxable values increased.

The total cost of all programs was \$468 thousand. Approximately 9% was for District expenses, 21% was for contractual payments to the Ore City Fire Department, 53% was for payments to Diana Volunteer Fire Department and 17% was for payments to New Mountain Volunteer Fire Department.

Table A-2
The District's Changes in Net Position
(in thousands of dollars)

	Governmental Activities	
	2023	2022
Revenues		
<u>Program Revenues</u>		
Charges for Services	-	-
Operating Grants and Contributions	-	-
<u>General Revenues</u>		
Property Taxes	507	416
Total Revenues	507	416
 Expenses		
Fire protection	468	341
Total Expenses	468	341
 Increase (Decrease) in Net Position	39	75
Beginning Net Position	75	-
Ending Net Position	114	75

- The cost of all *governmental* activities this year was \$468 thousand.
- The amount that taxpayers paid for these activities through property taxes was \$507 thousand.
- The District had no program revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$114 thousand at September 30, 2023. The changes to fund balance mirror those as stated above.

General Fund Budgetary Highlights

\$565 thousand was budgeted to be spent on the original budget. \$450 thousand was spent. Approximately \$18 thousand of disbursements were charged to reserved fund balance for unspent funds from the prior year. Reserved fund balance increased \$8 thousand and unreserved fund balance increased \$31 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has no capital assets.

Long-Term Debt

The District has no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board considered many factors when setting the 2024 budget. The tax base available and the needs of the various fire departments were the main considerations. With these considerations, the Board adopted a budget to meet their needs. The budget for 2024 totals \$623 thousand, which is an increase of \$118 thousand. Most of the increase is for disbursements to Ore City and Diana Departments and for equipment purchases and Board insurance. The Board desires to help equip each fire department within the District to provide the best and quickest response fire protection as possible. It is anticipated that the equity position of the District will continue to remain about the same.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Board of Commissioner's.

Upshur County Emergency Services District No. 2
STATEMENT OF NET POSITION
 As of September 30, 2023

	Governmental Activities
ASSETS	
Current assets	
Cash	134,762
Accounts receivable, net of allowance	25,681
Total current assets	160,443
Capital assets	-
Total assets	160,443
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	20,376
Unearned revenue	-
Total current liabilities	20,376
Non-current liabilities	-
Total liabilities	20,376
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	25,681
Total deferred inflows of resources	25,681
NET POSITION	
Net invested in capital assets	-
Restricted for future years expenses of fire departments	60,317
Unrestricted	54,069
Total net position	114,386

The accompanying notes are an integral part of this statement.

Upshur County Emergency Services District No.2
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023

	Program Revenues		Net (Expense)
	Expenses	Charges for Services	Revenue and Changes in Net Position
Primary Government:			
GOVERNMENTAL ACTIVITIES		Operating Grants and Contributions	Governmental Activities
District expenses	39,614	-	(39,614)
Contractual disbursements to fire departments	99,000	-	(99,000)
Disbursements to rural volunteer fire departments	329,110	-	(329,110)
Total governmental activities	<u>467,724</u>	<u>-</u>	<u>(467,724)</u>
General Revenues			
Property taxes			506,973
Interest income			113
Total General Revenues			<u>507,086</u>
Changes in Net Position			39,362
Net Position -- Beginning			75,024
Net Position -- Ending			<u>114,386</u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Upshur County Emergency Services District No. 2
BALANCE SHEET--GENERAL FUND
 As of September 30, 2023

ASSETS

Cash in bank	134,762
Accounts receivable, net of allowances	<u>25,681</u>
Total assets	<u><u>160,443</u></u>

LIABILITIES

Accounts payable and accrued expenses	20,376
Unearned revenue	-
Total liabilities	<u><u>20,376</u></u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue-property taxes	<u>25,681</u>
Total deferred inflows of resources	<u><u>25,681</u></u>

FUND BALANCE

Reserved-rural department unspent funds	60,317
Unreserved, undesignated	<u>54,069</u>
Total fund balance	<u><u>114,386</u></u>
Total liabilities, deferred inflows, & fund balance	<u><u><u>160,443</u></u></u>

The accompanying notes are an integral part of this statement.

Upshur County Emergency Services District No. 2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE--GENERAL FUND
For the year ended September 30, 2023

REVENUE	
Taxes	506,973
Interest Income	113
Total revenue	<u>507,086</u>
EXPENDITURES	
Dispatching Services	10,800
Appraisal District Fees	10,379
Clerical/Bookkeeping Fees	6,000
Tax Collection Fees	1,166
Audit	3,500
Bond Insurance	2,500
Other District Expense	4,763
Contengency	506
Disbursements to Departments Contracts	
Ore City	99,000
Rural Departments	
Diana	248,081
New Mountain	63,404
Total expenditures	<u>450,099</u>
Excess (deficiency) of revenues over expenditures	<u>56,987</u>
Fund balance, beginning of year	75,024
Disbursement from reserved -	
rural departments - unspent funds	
New Mountain	<u>(17,625)</u>
Fund balance, end of year	<u><u>114,386</u></u>

The accompanying notes are an integral part of this statement.

Upshur County Emergency Services District No. 2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCE--BUDGET AND ACTUAL--GENERAL FUND
For the year ended September 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Taxes	506,373	506,973	600
Interest	-	113	113
Total revenue	<u>506,373</u>	<u>507,086</u>	<u>713</u>
EXPENDITURES			
Dispatching Services	10,800	10,800	-
Appraisal District Fees	13,725	10,379	3,346
Clerical/Bookkeeping Fees	6,000	6,000	-
Audit	3,500	3,500	-
Tax Collection Fees	2,000	1,166	834
Bond Insurance	2,500	2,500	-
E-Dispatch	1,500	-	1,500
Other District Expense	8,475	4,763	3,712
Contingency Fund	19,500	506	18,994
Disbursements to Departments Contracts			
Ore City	99,000	99,000	-
Rural Departments			
Diana	249,000	248,081	919
New Mountain	88,500	63,404	25,096
Total expenditures	<u>504,500</u>	<u>450,099</u>	<u>54,401</u>
Excess (deficiency) of revenues over expenditures	<u>1,873</u>	<u>56,987</u>	<u>55,114</u>
Fund balance, beginning of year	75,024	75,024	-
Disbursements from reserved -			
Rural departments - unspent funds			
New Mountain	-	(17,625)	(17,625)
Fund balance, end of year	<u>76,897</u>	<u>114,386</u>	<u>37,489</u>

The accompanying notes are an integral part of this statement.

Upshur County Emergency Services District No. 2
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upshur County Emergency Services District No. 2 is a governmental entity operating under the applicable laws and regulations of the State of Texas. It is governed by a Board of Commissioners.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in Statements on Auditing Standards No. 69 of the American Institute of Certified Public Accountants.

Upshur County Emergency Services District No. 2 was created in 2021. This District covers parts 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 District. The District includes the City of Ore City Fire Department and Diana and New Mountain Volunteer Fire Departments.

A. REPORTING ENTITY

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. 24, "The Financial Reporting Entity". There are no component units within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

The fund financial statements provide 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.

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

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The District reports the following major governmental fund:

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

E. OTHER ACCOUNTING POLICIES

1. Capital assets are reported in the applicable governmental activities column 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. The District has not acquired any capital assets through September 30, 2023.

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.

2. 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. COLLATERALIZATION OF DEPOSITS

The District maintains one checking account and a savings account. FDIC coverage and securities pledged were adequate at all times.

B. 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.

Property tax information for each year is as follows:

Year Ended 9/30	Assessed Value (net of exemptions)	Tax Rate Per \$100 Valuation	Tax Revenue Available
2022 (First Year)	427,709,811	.10	427,894
2023	514,024,000	.10	514,024

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are deposited into the general fund. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2023, were as follows:

	<u>Property Taxes</u>	<u>Charges for Services</u>	<u>Intergov- ernmental</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	28,535	-	-	-	28,535
Total - Governmental Activities	<u>28,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,535</u>
Amounts not scheduled for collection during the subsequent year	<u>2,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,853</u>

Payables at September 30, 2023, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	20,376	-	-	-	20,376
Total - Governmental Activities	<u>20,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,376</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

E. CAPITAL ASSET ACTIVITY

The District had no capital asset activity for the District for the year ended September 30, 2023.

F. RESERVED – RURAL FIRE DEPARTMENTS

A budget amount is approved for disbursements to the two rural volunteer fire departments, Diana and New Mountain. Any unspent budgeted amount carries over as a reserved fund balance and can be spent in subsequent years. The detail of these reserved fund balances is as follows:

	<u>Diana</u>	<u>New Mountain</u>	<u>Total</u>
Reserved fund balance unspent at 10/1/22	34,302	17,625	51,927
Current year disbursements against available unspent	-	(17,625)	(17,625)
Current year unspent budget	<u>919</u>	<u>25,096</u>	<u>26,015</u>
Reserved fund balance unspent at 9/30/23	<u>35,221</u>	<u>25,096</u>	<u>60,317</u>

G. RISK MANAGEMENT

The District is exposed to various risks of loss to torts of theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2023, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 29, 2024, the date which the financial statements were available to be issued.

I. LITIGATION

The District had no litigation at September 30, 2023.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Upshur County Emergency Services District No. 2
Gilmer, Texas

We have audited, in accordance with the 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 of the Upshur County Emergency Services District No. 2, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 29, 2024.

Report on Internal Control Over Financial Reporting

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

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 was for the limited purpose described in the first paragraph of this section 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

May 29, 2024

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Upshur County Emergency Services District No. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2023

Type of Report on Financial Statements:	Unmodified
Reportable Conditions:	None
Material Weaknesses Involving Reportable Conditions:	None
Noncompliance Material to the Financial Statements:	None
Questioned Costs:	None

Upshur County Emergency Services District No. 2
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended September 30, 2023

PRIOR YEAR'S FINDINGS

None

STATUS OF PRIOR YEAR'S FINDINGS

N/A

Upshur County Emergency Services District No. 2
CORRECTIVE ACTION PLAN
For the year ended September 30, 2023

PROGRAM

CORRECTIVE ACTION PLAN

N/A