

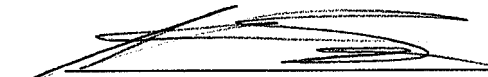
SMITH COUNTY EMERGENCY
SERVICES DISTRICT, NO. 1


FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTARY
AND SUPPLEMENTAL INFORMATION

For the Year Ended September 30, 2020

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
CERTIFICATE OF BOARD OF COMMISSIONERS
September 30, 2020

We, the undersigned, do hereby certify that the audit report of the above named emergency services district for the fiscal year ended September 30, 2020 was received by the Board of Commissioners on the 19th day of November 2020 and approved at a meeting of the Board of Commissioners on the 19th day of November 2020.



Signature of Board Secretary

Signature of Board President

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
FINANCIAL STATEMENTS WITH REQUIRED
SUPPLEMENTARY AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

Exhibit

FINANCIAL SECTION

Independent Auditor's Report – Basic Financial Statements Accompanied
by Required Supplementary and Supplemental Information

Basic Financial Statements:

Government-Wide Statements	
Statement of Net Position	A-1
Statement of Activities	A-2
Fund Statements	
Balance Sheet – General Fund	B-1
Statement of Revenues, Expenditures, and Changes in Fund Balances, with Reconciliation to Statement of Activities	B-2
Notes to the Financial Statements	

Required Supplementary Information

Budget Comparison Schedule – General Fund	C-1
---	-----

Supplemental Schedules

Schedule of Changes in Cash and Temporary Investments	D-1
Schedule of Temporary Investments	D-2
Schedule of Taxes Receivable	D-3
Board Members and Consultants	D-4

Norman L. White

Certified Public Accountant
Longview, Texas

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Smith County Emergency Services District, No. 1 (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Smith County Emergency Services District, No. 1 as of September 30, 2020, and the respective changes in financial position for the year then ended accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information on schedule C-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Smith County Emergency Services District, No. 1's basic financial statements. The Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules of changes in cash temporary investments, temporary investments, taxes receivable, and the board members and consultants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, schedules of changes in cash temporary investments, temporary investments, taxes receivable, and the board members and consultants are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully submitted,

A handwritten signature in black ink that reads "Norman White". The signature is written in a cursive, flowing style.

Norman White
November 9, 2020

FINANCIAL STATEMENTS

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
STATEMENT OF NET POSITION
September 30, 2020

Exhibit A-1

	Primary Government	
	Government Activities	Totals
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 329,403	\$ 329,403
Taxes Receivable, net	65,605	65,605
Total Current Assets	<u>395,008</u>	<u>395,008</u>
Non-current Assets		
Capital Assets		
Land	25,000	25,000
Buildings & Improvements	224,000	224,000
Equipment	212,196	212,196
Total Capital Assets	<u>461,196</u>	<u>461,196</u>
Accumulated Depreciation	<u>(297,286)</u>	<u>(297,286)</u>
Net Capital Assets	<u>163,910</u>	<u>163,910</u>
Total Non-current Assets	<u>163,910</u>	<u>163,910</u>
Total Assets	<u>\$ 558,918</u>	<u>\$ 558,918</u>
LIABILITIES		
NET POSITION		
Net Investment in Capital Assets	\$ 163,910	163,910
Unrestricted	395,008	395,008
Total Net Position	<u>\$ 558,918</u>	<u>\$ 558,918</u>

See accompanying notes to financial statements.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

Exhibit A-2

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 62,785	\$ -	\$ -	\$ (62,785)	\$ -	\$ (62,785)
Public Safety	1,133,496	-	-	(1,133,496)	-	(1,133,496)
Total Governmental Activities	<u>1,196,282</u>	<u>-</u>	<u>-</u>	<u>(1,196,282)</u>	<u>-</u>	<u>(1,196,282)</u>
 Total Government	 <u>\$ 1,196,282</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>(1,196,282)</u>	 <u>-</u>	 <u>(1,196,282)</u>
 General Revenues						
Property Taxes				1,090,780	-	1,090,780
Investment Income				3,962	-	3,962
Other Income				10	-	10
Total General Revenues				<u>1,094,752</u>	<u>-</u>	<u>1,094,752</u>
Change in Net Assets				<u>(101,530)</u>	<u>-</u>	<u>(101,530)</u>
 Net Position, September 30, 2019				<u>660,448</u>	<u>-</u>	<u>660,448</u>
 Net Position, September 30, 2020				<u>\$ 558,918</u>	<u>\$ -</u>	<u>\$ 558,918</u>

See accompanying notes to financial statements.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2020

Exhibit B-1

	<u>General Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 329,403	\$ 329,403
Taxes Receivable, Net	65,605	65,605
Total Assets	<u>395,008</u>	<u>395,008</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
Total Assets Plus Deferred Outflows of Resources	<u>\$ 395,008</u>	<u>\$ 395,008</u>
LIABILITIES		
Liabilities	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Uncollected	65,605	65,605
Total Deferred Inflows of Resources	<u>65,605</u>	<u>65,605</u>
FUND BALANCES		
Unassigned	329,403	329,403
Total Fund Balances	<u>329,403</u>	<u>329,403</u>
Total Liabilities Plus Deferred Inflows of Resources Plus Funds Balances	<u>\$ 395,008</u>	<u>\$ 395,008</u>

Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position:

Total fund balance - total governmental funds	\$ 329,403
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$461,196, net of accumulated depreciation of \$297,286, are not financial resources and, therefore, are not reported in the funds.	163,910
Property Taxes Uncollected	<u>65,605</u>
Net position of governmental activities.	<u>\$ 558,918</u>

See accompanying notes to financial statements.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended September 30, 2020

Exhibit B-2

	General Fund	Total Governmental Funds
REVENUES		
Property Taxes, Penalties and Interest	\$ 1,093,736	\$ 1,093,736
Investment Income	3,962	3,962
Miscellaneous	10	10
Total Revenues	<u>1,097,708</u>	<u>1,097,708</u>
EXPENDITURES		
General Government		
Legal and Professional	3,600	3,600
Appraisal District	14,929	14,929
Tax Collection Fees	18,087	18,087
Office Supplies	451	451
Insurance and Bonds	13,744	13,744
Training	1,310	1,310
Miscellaneous	695	695
Total General Government	<u>52,816</u>	<u>52,816</u>
Public Safety	<u>1,133,496</u>	<u>1,133,496</u>
Total Expenditures	<u>1,186,312</u>	<u>1,186,312</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(88,604)</u>	<u>(88,604)</u>
Net Change in Fund Balances	(88,604)	(88,604)
Fund Balances, Beginning	418,007	418,007
Fund Balances, Ending	<u>\$ 329,403</u>	<u>\$ 329,403</u>

See accompanying notes to financial statements.

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES OF FUND BALANCES TO
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

Net change in fund balances - total governmental funds	\$ (88,604)
--	-------------

Amounts reported for governmental activities in Statement of
Activities are different because:

Revenues in the governmental funds that do not provide current financial resources are not reported as revenues in the funds (property taxes (\$2,957). However, these are reported as revenues on the Statement of Activities.	(2,957)
---	---------

However, for the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives:

Expenditures for capital assets	-	
Less current year depreciation	(9,969)	<u>(9,969)</u>

Change in net assets of governmental activities	\$ <u><u>(101,530)</u></u>
---	----------------------------

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE A - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

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

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

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Presentation

The District's basic financial statements consist of government-wide statements including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole.

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

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The

focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

2. Fund Accounting

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

Governmental Funds

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

General Fund

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

3. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

4. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the year when use is first permitted; matching requirements, in which the

District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has no items that qualify for reporting in this category for the fiscal year ended September 30, 2020.

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

5. Budget Process

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

The District's Board of Commissioners (the Board) adopts an "appropriated budget" for the General Fund. For the fiscal year ended September 30, 2020, an "appropriated budget" was adopted for the District's general operations. At a minimum, the District is required to present the original and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund.

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

Once a budget is approved, it can be amended only by approval of a majority of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board. The Board did amend the budget two times during the year ended September 30, 2020. Both budget amendments were to increase the amount of disbursements made to the Lindale Volunteer Fire Department (LVFD) to be applied to the note payable for the pay off of a fire truck. The first amendment, which was made in March 2020, increased the expenses for the LVFD disbursements by \$100,000, to be used by the LVFD to make a payment on the note payable. The second amendment was made in July 2020 to distribute an additional \$165,388 to allow the LVFD to pay off the note payable on the fire truck.

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

6. Cash and Cash Equivalents

All investments are certificates of deposit, with one year or less maturity, at the District's depository bank.

7. Receivables

Property taxes that were levied during the fiscal year, and prior years, but are uncollected as of September 30, 2020, are recorded as delinquent taxes receivable. Because of historical collections, no allowance for doubtful accounts has been recorded.

8. Capital Assets

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

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

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

Description	Estimated Lives
Buildings and Improvements	40 years
Equipment	7-12 years

9. Accrued Liabilities and Long-Term Obligations

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

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

10. Net Position

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

11. Related Organizations

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

The only financial transactions between the two entities are (1) the LVFD requesting reimbursement funds to cover their operating expenses each month, including any requested funding necessary for the purchase of necessary fire fighting equipment, and (2) approval by the District's Board of Commissioners to fund the LVFD's requests. During the fiscal year ended September 30, 2020, the Board provided a total of \$1,118,691 to the LVFD for operating expenses.

12. Fund Balance Classifications

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

commit and assign funds to a particular restricted fund balance, as well as to establish the restricted fund balance.

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

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

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

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

There are no formally adopted minimum fund balance policies.

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

13. Encumbrance System

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

14. Pension Plan

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

15. Operating Revenues and Expenses

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

16. Fair Values of Financial Instruments

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

Cash and equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Certificates of deposit: The carrying amounts reported in the statement of financial position are the original costs of the certificates of deposit plus any earned interest added to the certificate principal.

Long-term debt: The fair values of the notes payable are based on their principal balances (carrying amounts).

17. Use of Estimates

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

18. Subsequent Events

Subsequent events have been evaluated through November 9, 2020, which is the date the financial statements are issued.

NOTE C - CASH AND INVESTMENTS

The District's depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis 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.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act.

The District's cash deposits on September 30, 2020 were entirely covered by FDIC insurance, even though there was a letter of credit from Texas Bank & Trust available for additional coverage.

The Public Funds Investment Act (the "Act") (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes and the District's Investment Policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) fully collateralized repurchase agreements, 5) bankers acceptances, 6) commercial paper, 7) money market mutual funds and no-load mutual funds, and 8) public investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC). The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

During the year ended September 30, 2020 the District had no types of investments other than certificates of deposit.

NOTE D - PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the

October 1 levy date. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs. The taxable value of the property tax roll upon which the levy for the 2019-2020 fiscal year was based was \$1,611,613,087.

The tax rate assessed for the year ended September 30, 2020, to finance General Fund operations was \$0.067664 per \$100 valuation.

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

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

NOTE E – CAPITAL ASSETS

	Balance 9/30/19	Additions	Deletions	Balance 9/30/20
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 25,000	-	-	\$ 25,000
Capital Assets being Depreciated:				
Buildings & Improvements	224,000	-	-	224,000
Equipment	212,196	-	-	212,196
Total Capital Assets being Depreciated	436,196	-	-	436,196
Less Accumulated Depreciation				
Buildings and Improvements	(83,863)	(5,600)	-	(89,463)
Equipment	(203,458)	(4,369)	-	(207,827)
Total Accumulated Depreciation	(287,321)	(9,969)	-	(297,290)
Total Capital Assets being Depreciated, Net	148,879	(9,969)	-	138,910
Governmental Activities Capital Assets, Net	\$ 173,879	\$(9,969)	-	\$ 163,910

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

NOTE F - FIRE PROTECTION SERVICES

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

NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all of these types of risks of loss, including liability, comprehensive, public officials' liability, and workmen's compensation for the Lindale VFD firefighters.

REQUIRED SUPPLEMENTARY INFORMATION

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
BUDGET COMPARISON SCHEDULE -
REQUIRED SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND
Year Ended September 30, 2020

Exhibit C-1

	Original Budget	Amend.	Amend. Budget	Actual	Variance
REVENUES					
Property Taxes, Penalties & Interest	\$ 1,023,002	\$ 0	\$ 1,023,002	\$ 1,093,736	\$ 70,734
Investment Income	2,500	0	2,500	3,962	1,462
Miscellaneous	0	0	0	10	10
Total Revenues	<u>1,025,502</u>	<u>0</u>	<u>1,025,502</u>	<u>1,097,708</u>	<u>72,206</u>
EXPENDITURES					
General Government					
Legal and Professional	5,600	0	5,600	3,600	2,000
Appraisal District	14,929	0	14,929	14,929	0
Tax Collection Fees	18,500	0	18,500	18,087	413
Office Supplies	2,000	0	2,000	451	1,549
Insurance and Bonds	15,679	0	15,679	13,744	1,935
Election	3,000	0	3,000	0	3,000
Training	3,500	0	3,500	1,310	2,190
Miscellaneous	2,200	0	2,200	695	1,506
Total General Government	<u>65,408</u>	<u>0</u>	<u>65,408</u>	<u>52,816</u>	<u>12,592</u>
Public Safety	<u>981,805</u>	<u>265,388</u>	<u>1,247,193</u>	<u>1,133,496</u>	<u>113,697</u>
Total Expenditures	<u>1,047,213</u>	<u>265,388</u>	<u>1,312,601</u>	<u>1,186,312</u>	<u>126,289</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(21,711)</u>	<u>(265,388)</u>	<u>(287,099)</u>	<u>(88,604)</u>	<u>198,495</u>
Net Change In Fund Balances	(21,711)	(265,388)	(287,099)	(88,604)	198,495
Fund Balances, Beginning	418,007	0	418,007	418,007	0
Fund Balances, Ending	<u>\$ 396,296</u>	<u>\$ (265,388)</u>	<u>\$ 130,908</u>	<u>\$ 329,403</u>	<u>\$ 198,495</u>

SUPPLEMENTAL SCHEDULES

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
SCHEDULE OF CHANGES IN CASH AND TEMPORARY INVESTMENTS
GOVERNMENTAL FUND
SEPTEMBER 30, 2020

Exhibit D-1

	<u>GENERAL FUND</u>
SOURCES OF CASH AND TEMPORARY INVESTMENTS	
Cash Receipts from Revenues	\$ 1,087,576
Interest Income	3,962
Miscellaneous	10
Total Sources of Cash	<u>1,091,548</u>
USES OF CASH AND TEMPORARY INVESTMENTS	
Disbursements for Operating Expenses	<u>1,180,152</u>
Total Uses of Cash	<u>1,180,152</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS	(88,604)
CASH AND TEMPORARY INVESTMENT BALANCE - BEGINNING OF YEAR	<u>418,007</u>
CASH AND TEMPORARY INVESTMENT BALANCE - END OF YEAR	<u><u>\$ 329,403</u></u>

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
SCHEDULE OF TEMPORARY INVESTMENTS
GOVERNMENTAL FUND
SEPTEMBER 30, 2020

Exhibit D-2

	INTEREST RATE	MATURITY DATE	FACE AMOUNT
<u>Certificates of Deposit</u>			
Texas Bank & Trust #87699	1.50%	November 12, 2020	\$ 17,661
Texas Bank & Trust #87700	1.50%	November 19, 2020	17,720
Texas Bank & Trust #87701	1.50%	November 20, 2020	17,743
Texas Bank & Trust #87551	1.50%	October 10, 2020	<u>17,155</u>
Total			\$ <u><u>70,279</u></u>

SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO. 1
SCHEDULE OF TAXES RECEIVABLE
SEPTEMBER 30, 2020

Exhibit D-3

Taxes Receivable, October 1, 2019	\$ 68,561
Tax Roll	1,089,691
Adjustments	<u>1,089</u>
Total to be Accounted For	1,159,341
Tax Collections	<u>1,093,736</u>
Taxes Receivable, September 30, 2020	\$ <u><u>65,605</u></u>

ASSESSED VALUATION SUMMARY	<u>2019</u> <u>Tax Roll</u>
Property Valuations	\$ <u><u>1,616,422,322</u></u>
Tax Rate Per \$100 Valuation	\$ <u><u>0.067664</u></u>
Tax Roll	\$ <u><u>1,093,736</u></u>

Tax Year: October 1, 2019 to September 30, 2020.

Percent of Assessed Valuation to Fair Market Price	<u><u>100%</u></u>
--	--------------------

Percent of Total Current Taxes Collected to Total Taxes Levied	<u><u>99%</u></u>
--	-------------------

**SMITH COUNTY EMERGENCY SERVICES DISTRICT, NO.1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020**

Exhibit D-4

Direct Mailing Address:

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

District Telephone No:

(903) 882-6492

<u>Name & Address</u> <u>Board Members</u>	<u>Term of</u> <u>Office</u> <u>Date Hired</u>	<u>Fees and</u> <u>Expense</u> <u>Reimburse</u>	<u>Resident</u> <u>of</u> <u>District</u>	<u>Title at</u> <u>End of</u> <u>Year</u>
Carolyn Todd 18115 CR 431 Lindale, Texas	1/2019-12/2022	-	Yes	President
Louie Brown 12265 CR 461 Tyler, Texas	1/2019-12/2022	-	Yes	Vice-President
Kenneth Smith 13048 Shadow Ridge Road Lindale, Texas	1/2017-12/2020	-	Yes	Secretary
Charles Froebe 12852 Westbrook Dr. Tyler, Texas	1/2017-12/2020	-	Yes	Assistant-Treasurer
John Yarbrough P.O. Box 1948 Lindale, Texas	1/2019-12/2022	-	Yes	Treasurer
<u>Consultants</u>				
Glen Patrick P.O. Box 1080 Tyler, Texas 75710	10/10/1996	\$0		Attorney
Michael Barnett Chief Appraiser Smith County Appraisal District 245 SSE Loop 323 Tyler, Texas 75702	5/23/1996	\$14,929		Chief Appraiser
Gary Barber Smith County Tax Collector P.O. Box 2011 Tyler, Texas 75710	9/12/1996	\$11,927		Tax Collector
Norman White, CPA 1516 Judson Road Longview, Texas 75601	7/8/2020	\$3,600		Auditor