

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
DECEMBER 31, 2024

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Rachael Payne, CPA, PLLC

Certified Public Accountant

P O Box 1107
Carthage, Texas 75633

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

Telephone: (903) 693-8522
Email: rachael@robwilcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Panola County Emergency Services District No. 1
Carthage, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities and the major fund information of the Panola County Emergency Services District No. 1 (the District), as of and for the year ended December 31, 2024, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the District as of December 31, 2024, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Panola County Emergency Services District No. 1 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 controls 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

My 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 my 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*, I:

- 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 my judgment, there are conditions or events, considered in the aggregate, that raises substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 22 be presented to supplement the basic financial statements. Such information, although not a required 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 inquiries 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Fire Department Operating Expenses on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the Schedule of Fire Department Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 27, 2025, on my consideration of the District's internal control over financial reporting and on my 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 my 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 the District's internal control over financial reporting and compliance.

Rachael Payne

Rachael Payne, CPA, PLLC
Carthage, Texas
May 27, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Panola County Emergency Services District No. 1, discuss and analyze the District's financial performance for the year ended December 31, 2024. Please read it in conjunction with the independent auditor's report on page 1, and the District's basic financial statements that begin on page 7.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent period by \$4,017,971 (net position).
- At the close of the current year, fund balance for the District's general fund was \$1,158,484.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to the financial reports of a business enterprise. The Statement of Net Position (on page 7) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities (on page 9) presents information showing how the government's net position changed during the most recent period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Fund Financial Statements

The fund financial statements start on page 10. The District reports only one fund type: governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. These statements also reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The District maintains only one individual governmental fund, the general fund, which it uses to account for all of its operations.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The notes to the financial statements (starting on page 14) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis of comparative balances and changes therein for the current year's operations presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District increased from \$3,474,428 to \$4,017,971. The increase resulted from the District's revenues exceeding expenditures by \$543,543 as shown in Table II on page 5. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by legislation, legal requirements, or designations made by the Board – was \$1,199,627 at December 31, 2024. Unrestricted net position decreased by \$2,900 during the year.

A large portion of the District's net position, 71%, reflects its investment in capital assets (e.g., buildings and equipment). The District uses these capital assets to provide its fire protection services; consequently, these assets are not available for future spending.

Table I
Panola County Emergency Services District No. 1

NET POSITION

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2024 | 2023 |
| ASSETS: | | |
| Current and other assets | \$ 2,340,662 | \$ 1,986,481 |
| Capital assets | 2,818,344 | 2,271,901 |
| Total Assets | <u>5,159,006</u> | <u>4,258,382</u> |
| LIABILITIES: | | |
| Other liabilities | <u>59,306</u> | <u>15,420</u> |
| Total Liabilities | <u>59,306</u> | <u>15,420</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Unearned revenues-advance tax collections | <u>1,081,729</u> | <u>768,534</u> |
| Total Deferred Inflows of Resources | <u>1,081,729</u> | <u>768,534</u> |
| NET POSITION: | | |
| Invested in capital assets, net of related debt | 2,818,344 | 2,271,901 |
| Unrestricted | <u>1,199,627</u> | <u>1,202,527</u> |
| Total Net Position | <u>\$ 4,017,971</u> | <u>\$ 3,474,428</u> |

Table II
Panola County Emergency Services District No. 1

CHANGES IN NET POSITION

| | Governmental Activities | |
|-----------------------------------|-------------------------|---------------------|
| | 2024 | 2023 |
| Revenues: | | |
| General Revenues: | | |
| Property taxes | \$ 1,319,914 | \$ 1,196,629 |
| Grants and contributions | 34,432 | 14,454 |
| Investment earnings | 36,353 | 26,338 |
| Other miscellaneous revenues | 3,615 | 3,435 |
| Total Revenue | <u>1,394,314</u> | <u>1,240,856</u> |
| Expenses: | | |
| Fire department operating expense | 183,911 | 226,984 |
| Other contracted services | 32,000 | 34,000 |
| Fire marshal expenses | 25,000 | 25,000 |
| PPE expenses | 57,046 | - |
| Tax assessment and collection | 23,392 | 23,452 |
| Repairs and maintenance | 22,710 | - |
| Professional & legal | 55,975 | 50,070 |
| Insurance | 89,217 | 79,256 |
| Training | 966 | - |
| Other board expenses | 3,159 | 2,550 |
| Contingency and other | - | 55,238 |
| Depreciation | 357,395 | 310,335 |
| Total Expenses | <u>850,771</u> | <u>806,885</u> |
| Increase in net position | 543,543 | 433,971 |
| Net Position at January 1 | <u>3,474,428</u> | <u>3,040,457</u> |
| Net Position at December 31 | <u>\$ 4,017,971</u> | <u>\$ 3,474,428</u> |

THE DISTRICT'S FUNDS

As the District completed the year, its governmental fund reported a fund balance of \$1,158,484, a decrease of \$5,526 from the prior year. This is due to the current year's expenditures exceeding current year revenues.

The Board made one budget amendment during the year. Budgeted property tax revenues increased by \$127,819 and budgeted interest income increased by \$28,000. The most significant amendment to expenditures was an increase to capital expenditures of \$490,000 to account for additional smaller capital items for the VFD's and a fire truck purchased for Beckville VFD which was previously included in the 2023 budget but was delayed until 2024. Budgeted expenditures for repairs and maintenance, other contracted services, and insurance were also increased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2024, the District had \$9,283,431 invested in a broad range of capital assets, including buildings and improvements and equipment used in providing fire protection services.

This year's additions included building improvements in the amount of \$250,457, truck purchases in the amount of \$594,105, other equipment in the amount of \$43,926, and construction in progress on Clayton VFD building addition in the amount of \$15,350.

At year end, the District had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the 2025 budget and tax rates. These factors included, but were not limited to, property values and anticipated needs of the individual fire departments and for general board expenditures.

The Board adopted a 2025 budget of \$1,419,320 and a tax rate of \$.03.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Drew Nixon, CPA, 1509 West Panola, Carthage, Texas 75633.

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2024

ASSETS

| | |
|---|--------------|
| Cash and cash equivalents | \$ 1,497,162 |
| Investments | 600,000 |
| Taxes receivable | 41,143 |
| Other receivables | 128,047 |
| Prepaid expenses | 74,310 |
| Capital assets, net of accumulated depreciation | |
| Land | 40,889 |
| Construction in progress | 15,350 |
| Buildings and improvements | 496,847 |
| Equipment | 2,265,258 |
| | <hr/> |
| Total Assets | 5,159,006 |
| | <hr/> |

LIABILITIES

| | |
|-------------------|--------------|
| Accounts payable | <hr/> 59,306 |
| | |
| Total Liabilities | <hr/> 59,306 |
| | <hr/> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|-----------------|
| Unearned revenue - advance tax collections | <hr/> 1,081,729 |
| | |
| Total Deferred Inflows of Resources | <hr/> 1,081,729 |
| | <hr/> |

NET POSITION

| | |
|---|--------------------------|
| Invested in capital assets, net of related debt | 2,818,344 |
| Unrestricted | <hr/> 1,199,627 |
| | |
| Total Net Position | <hr/> <hr/> \$ 4,017,971 |

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

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PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES
DECEMBER 31, 2024

| <u>FUNCTIONS</u> | <u>Expenses</u> | <u>PROGRAM REVENUES</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|------------------------------------|-------------------|-------------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| <u>Primary Government:</u> | | | | | <u>Governmental Activities</u> |
| Fire department operating expenses | \$ 183,911 | \$ - | \$ 3,825 | \$ 30,607 | \$ (149,479) |
| Other contracted services | 32,000 | - | - | - | (32,000) |
| Fire marshal expenses | 25,000 | - | - | - | (25,000) |
| PPE expenses | 57,046 | - | - | - | (57,046) |
| Repairs and maintenance | 22,710 | - | - | - | (22,710) |
| Training | 966 | - | - | - | (966) |
| Tax assessment and collection | 23,392 | - | - | - | (23,392) |
| Professional & legal | 55,975 | - | - | - | (55,975) |
| Insurance | 89,217 | - | - | - | (89,217) |
| Other board expenses | 3,159 | - | - | - | (3,159) |
| Depreciation | 357,395 | - | - | - | (357,395) |
| Total primary government | <u>\$ 850,771</u> | <u>\$ -</u> | <u>\$ 3,825</u> | <u>\$ 30,607</u> | <u>(816,339)</u> |
| <u>GENERAL REVENUES</u> | | | | | |
| Property taxes | | | | | 1,319,914 |
| Investment earnings | | | | | 36,353 |
| Other revenues | | | | | 3,615 |
| Total general revenues | | | | | <u>1,359,882</u> |
| Change in net position | | | | | 543,543 |
| Net position - beginning of year | | | | | <u>3,474,428</u> |
| Net position - end of year | | | | | <u>\$ 4,017,971</u> |

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

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

| | Governmental Fund Type | |
|---|------------------------|---------------------|
| | General Fund | Total |
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 1,497,162 | \$ 1,497,162 |
| Investments | 600,000 | 600,000 |
| Receivables (net of allowances) | | |
| Delinquent taxes | 41,143 | 41,143 |
| Other receivables | 13,626 | 13,626 |
| Prepaid expenses | 74,310 | 74,310 |
| Due from Panola County | 114,421 | 114,421 |
| Total Assets | <u>2,340,662</u> | <u>2,340,662</u> |
| <u>LIABILITIES</u> | | |
| Accounts payable | <u>59,306</u> | <u>59,306</u> |
| Total Liabilities | <u>59,306</u> | <u>59,306</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Unearned revenue - advance tax collections | 1,081,729 | 1,081,729 |
| Deferred Revenues - property taxes | <u>41,143</u> | <u>41,143</u> |
| Total Deferred Inflows of Resources | <u>1,122,872</u> | <u>1,122,872</u> |
| <u>FUND BALANCE</u> | | |
| Unassigned Fund Balance | <u>1,158,484</u> | <u>1,158,484</u> |
| Total Fund Balance | <u>1,158,484</u> | <u>1,158,484</u> |
| Total Liabilities, Deferred Inflows and Fund Balance | <u>\$ 2,340,662</u> | <u>\$ 2,340,662</u> |

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

**PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024**

| | |
|---|--------------|
| Total Fund Balances - Governmental Funds | \$ 1,158,484 |
|---|--------------|

Taxes from current and prior year levies assumed to be collectible are reclassified from deferred inflows of revenues. The net effect of this reclassification is to increase net position.

41,143

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Details of these assets are included in the notes to the financial statements and can be found in Note 7. The net effect of including capital assets (net of depreciation) is to increase net position.

2,818,344

Net Position of Governmental Activities

\$ 4,017,971

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

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

| | Governmental Fund Type | |
|------------------------------------|----------------------------|----------------------------|
| | General Fund | Total |
| <u>REVENUES</u> | | |
| Property taxes | \$ 1,317,287 | \$ 1,317,287 |
| Investment earnings | 36,353 | 36,353 |
| Grants and contributions | 34,432 | 34,432 |
| Other revenues | 3,615 | 3,615 |
| Total Revenues | <u>1,391,687</u> | <u>1,391,687</u> |
| <u>EXPENDITURES</u> | | |
| Fire department operating expenses | 183,911 | 183,911 |
| Other contracted services | 32,000 | 32,000 |
| Fire marshal expenses | 25,000 | 25,000 |
| PPE expenses | 57,046 | 57,046 |
| Repairs and maintenance | 22,710 | 22,710 |
| Training | 966 | 966 |
| Tax assessment and collection | 23,392 | 23,392 |
| Professional & legal | 55,975 | 55,975 |
| Insurance | 89,217 | 89,217 |
| Other board expenses | 3,159 | 3,159 |
| Contingency | 40,819 | 40,819 |
| Capital expenditures | <u>863,018</u> | <u>863,018</u> |
| Total Expenditures | <u>1,397,213</u> | <u>1,397,213</u> |
| Net Change in Fund Balance | (5,526) | (5,526) |
| Fund Balance, Beginning of Year | <u>1,164,010</u> | <u>1,164,010</u> |
| Fund Balance, End of Year | <u><u>\$ 1,158,484</u></u> | <u><u>\$ 1,158,484</u></u> |

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

**PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2024**

| | | |
|--|----|---------|
| Total Net Change in Fund Balance - Governmental Funds | \$ | (5,526) |
|--|----|---------|

| | | |
|--|--|---------|
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is shown as increases in capital assets. The effect of removing 2024 capital outlays is to increase net position. | | 903,838 |
|--|--|---------|

| | | |
|---|--|-----------|
| Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of current year depreciation expense is to decrease net position. | | (357,395) |
|---|--|-----------|

| | | |
|---|--|--|
| The portion of tax revenue reported in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds. The current adjustment reflects a net decrease in the deferral of the revenue. | | <div style="border-top: 1px solid black; display: inline-block;">2,626</div> |
|---|--|--|

| | | |
|--|----|--|
| Change in Net Position of Governmental Activities | \$ | <div style="border-bottom: 3px double black; display: inline-block;">543,543</div> |
|--|----|--|

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

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 – CREATION OF THE DISTRICT

The Panola County Emergency Services District No. 1 was created after a public election held in 1996, under the provision of Section 48-d of Article III of the Constitution of Texas. The District was established to provide fire protection services to residents of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the District's primary government and component units over which the District exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the District. The District exercises no influence over any other reporting entity; therefore, the District has no component units. The District has a relationship with Panola County, Texas, in that the Commissioners of the District, by statute, are appointed by the Commissioner's Court of Panola County, Texas. The District, however, is responsible for its own financial activities and is not considered a component unit of Panola County.

B. Basic Financial Statements – Government-Wide Financial Statements

The government-wide financial statements report information on all of the activities of the District. The primary purpose of the financial statements is to show whether the District is better off or worse off as a result of the year's activities. Governmental activities are normally supported by taxes and intergovernmental revenues. The District maintains only a governmental activities fund.

The Statement of Net Position and the Statement of Activities are government-wide financial statements. These two statements report the District's net position and changes in it. In the Statement of Activities, the District's program revenues are offset by program expenses. Program revenues include charges for services, operating grants, and capital grants and contributions. The District's net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, one must consider non-financial factors as well, such as changes in the District's property tax base.

C. Basic Financial Statements – Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The District only uses one governmental fund. This fund uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the District's general operations and the basic services it provides. The differences between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules are described following each of the fund financial statements.

The District reports the following major governmental fund:

General Fund – The General Fund is the primary operating fund of the District. This fund is used to account for all financial resources of the District. All unrestricted general tax revenues and unrestricted other receipts are recorded in this fund. General operating expenditures, fixed charges, and capital improvement costs are paid from the General Fund.

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Basic Financial Statements – Fund Financial Statements (cont.)

The *Emergency Services District Operating Guide*, issued in 2010 by the Texas Department of Rural Affairs, suggests that an emergency services district use three types of governmental funds (if applicable): (1) General Fund; (2) Tax Debt Service Fund; and (3) Sales Tax Fund. The District only uses the General Fund.

D. Measurement Focus/Basis of Accounting

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. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting applicable to governmental funds in accordance with the standards established by the Governmental Accounting Standards Board. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources, 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Revenues from local sources consist primarily of property taxes received from Panola County taxpayers. Property tax revenues are recognized under the susceptible to accrual concept. 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.

The District does not utilize a formal encumbrance accounting system.

E. Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with an original maturity of less than 90 days.

F. Capital Assets

Capital assets, which include buildings and improvements and equipment, are reported in the government-wide financial statements. 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’s capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated life of greater than 1 year.

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Capital Assets (cont.)

Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Buildings & improvements | 22 |
| Equipment & vehicles | 8-10 |

Land and construction in progress are not depreciated.

G. Inventory

The District does not maintain inventories of supplies, and therefore, reports all supplies on the purchase basis. Supplies are recorded as expenditures when they are purchased. Inventory of supplies at year end is not material.

H. Budgets and Budgetary Accounting

The board of commissioners is responsible for preparing and adopting the District's annual budget. This budget is prepared on the modified accrual basis of accounting applicable to governmental funds. The budget is primarily a management tool. The board is responsible for monitoring expenditures within guidelines established by the budget and is authorized to transfer budgeted amounts between line items within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the board.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Deferred revenue is reported in the governmental fund Balance Sheet. Net delinquent taxes receivable as of December 31, 2024 are recorded as deferred revenue. Also, any current taxes collected between October 1 and December 31 in the current year are not available for use until January 1 of next year. These advance tax collections are recorded as deferred inflows of resources.

J. Fund Balance Classification

In the fund financial statements, governmental funds may report fund balances in the following classifications:

1. *Nonspendable fund balance* – amounts that are not in spendable form, such as fund balances associated with inventories, prepaids, and long-term loans and notes receivable.
2. *Restricted fund balance* – amounts that can be spent only for the specific purposes stipulated by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Fund Balance Classification (cont.)

3. *Committed fund balance* – amounts that can only be used for the specific purposes determined by a formal action of the District’s Board of Commissioners (the District’s highest level of decision-making authority). These amounts cannot be used for any other purpose unless the District’s Board of Commissioners takes the same level of action to remove or change the constraint.
4. *Assigned fund balance* – amounts intended to be used by the government for specific purposes but to not meet the criteria to be classified as restricted or committed. Intent can be expressed by the District’s Board of Commissioners or an individual to whom the Board of Commissioners has delegated the authority to assign fund balances.
5. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources, as they are needed. There were no fund balance amounts classified as nonspendable, restricted, committed, or assigned as of December 31, 2024.

K. Net Position

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. *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, and adding back any unspent proceeds. *Unrestricted net position* represents resources over which the Board has discretionary control and are used to carry out operations of the District in accordance with its by-laws. 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 and regulations of other governments. The District had no restricted net position at year end.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – CONTRACTS WITH VOLUNTEER FIRE DEPARTMENTS

The District has entered into contracts with the City of Carthage, City of Tatum, and seven Volunteer Fire Departments (VFDs), which include Flatwoods, Inter Community, Woods, Clayton, Beckville, Community Four, and Gary VFDs, for the provision of fire protection and prevention services to the residents of the District. Through 2024, these were continuous agreements that may have been terminated upon adequate written notice by either party. In March and April 2025, however, new annual contracts were signed by all VFDs and the City of Carthage.

NOTE 4 – EXPENDITURES

In 2024, the District disbursed amounts to each volunteer fire department in the amount of \$2,500 each for the months of January through March 2024 and \$3,500 each for the months April through December 2024. Expenditures in excess of the monthly payment amounts were submitted to the District for payment as needed. The remaining expenditures reflect the cost of goods and services shared by the District and the departments.

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 – DEPOSITS AND INVESTMENTS

During the 2024 fiscal year, all deposits and investments were comprised of bank demand deposits and bank time deposits. The District's demand deposits and time deposits are fully covered by federal depository insurance and collateral held by the District's agent, First State Bank & Trust Co., in the name of the District.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. Specific policies applicable to deposits and investments of the District and the risks of such are described below.

- a. **Custodial Credit Risk-Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy regarding types of deposits allowed is that such deposits be covered by depository insurance or fully collateralized by pledged securities held by the pledging institution's agent in the name of Panola County Emergency Services District No. 1. The highest combined balances of cash, savings, and time deposit accounts amounted to \$2,333,331 and occurred during the month of December 2024. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,761,040. The total amount of FDIC coverage at the time of the highest combined balance was \$250,000. During the year, the District was not exposed to custodial credit risk for deposits. At December 31, 2024 the District's cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.
- b. **Custodial Credit Risk- Investments.** For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's temporary investments are on deposit with First State Bank and are not included in this type of custodial credit risk. During the year, the District was not exposed to custodial credit risk for investments.
- c. **Concentration Risk.** This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a specific policy regarding concentration of credit risk, as it does not contemplate the investment of funds in such instruments. During the year, the District was not exposed to concentration of credit risk.
- d. **Interest Rate Risk.** Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not have a specific policy regarding interest rate risk, as it does not contemplate the investment of funds in such instruments. During the year, the District was not exposed to interest rate risk.

A summary of the composition of the deposit balances as of December 31, 2024 is shown below:

| <u>Type of Deposit</u> | <u>Fair Value</u> | <u>Maturity in Less than 1 Year</u> | <u>Maturity in 1-10 Years</u> | <u>Maturity in Over 10 Years</u> | <u>Credit Rating</u> |
|-----------------------------------|---------------------|---|-----------------------------------|--------------------------------------|--------------------------|
| Demand Deposit Accounts | \$ 1,497,162 | \$ 1,497,162 | \$ - | \$ - | N/A |
| Certificates of Deposit | <u>600,000</u> | <u>600,000</u> | <u>-</u> | <u>-</u> | N/A |
| Total Deposits and Investments | <u>\$ 2,097,162</u> | <u>\$ 2,097,162</u> | <u>\$ -</u> | <u>\$ -</u> | |

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6 - AD VALOREM TAXES

The District's ad valorem taxes are levied on October 1, but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. Because the taxes are not due and payable until January 1, no current taxes receivable are reported as of December 31.

Since delinquent taxes were due on January 1 of the fiscal and budget year, any unpaid taxes are recorded as a receivable, net of allowance for uncollectibles. This receivable has been reported in the assets section of the balance sheet and offset as deferred revenues in the deferred inflows of resources section.

The following is a summary of the gross delinquent taxes and the allowance for uncollectible taxes:

| | |
|---|------------------|
| Delinquent Taxes | \$ 54,857 |
| Less: Allowance for Uncollectible Taxes | <u>(13,714)</u> |
| Net Taxes receivable | <u>\$ 41,143</u> |

By policy, any taxes, regardless of character (delinquent, advance) collected between October 1 and December 31, are not available for use until January 1, the beginning of the next fiscal year. Therefore, all of these receivable and advance collections are recorded as unearned revenues in the deferred inflows of resources section of the balance sheet and statement of net position.

A summary of taxes collected and recognized as current, unearned or deferred revenue is summarized below:

| | <u>Recognized in Current Year</u> | <u>Deferred Revenue</u> | <u>Unearned Revenues</u> |
|--|---------------------------------------|-----------------------------|------------------------------|
| Advanced tax collections collected in prior year | \$ 768,534 | \$ - | \$ - |
| Collections from January 1, 2024 to September 30, 2024 | 548,753 | - | - |
| Advance collections of 2024 taxes | - | - | 967,308 |
| Due from Panola County Tax Assessor at December 31, 2024 | - | - | 114,421 |
| Delinquent taxes receivable (net of allowance) | <u>-</u> | <u>41,143</u> | <u>-</u> |
| Total | <u>\$ 1,317,287</u> | <u>\$ 41,143</u> | <u>\$ 1,081,729</u> |

The 2024 tax rate per \$100 valuation is .03.

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 7 – CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended December 31, 2024 was as follows:

| | Primary Government | | | |
|---|------------------------------|-------------------|--------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 40,889 | \$ - | \$ - | \$ 40,889 |
| Construction in progress | <u>-</u> | <u>15,350</u> | <u>-</u> | <u>15,350</u> |
| Total capital assets not being depreciated | <u>40,889</u> | <u>15,350</u> | <u>-</u> | <u>56,239</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 679,790 | 250,457 | - | 930,247 |
| Equipment | <u>7,658,914</u> | <u>638,031</u> | <u>-</u> | <u>8,296,945</u> |
| Total capital assets being depreciated | <u>8,338,704</u> | <u>888,488</u> | <u>-</u> | <u>9,227,192</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | 406,436 | 26,964 | - | 433,400 |
| Equipment | <u>5,701,256</u> | <u>330,431</u> | <u>-</u> | <u>6,031,687</u> |
| Total Accumulated Depreciation | <u>6,107,692</u> | <u>357,395</u> | <u>-</u> | <u>6,465,087</u> |
| Total capital assets being depreciated, net | <u>2,231,012</u> | <u>531,093</u> | <u>-</u> | <u>2,762,105</u> |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>\$ 2,271,901</u> | <u>\$ 546,443</u> | <u>\$ -</u> | <u>\$ 2,818,344</u> |

NOTE 8 – 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. At no time during the last three fiscal years have claims exceeded commercial coverage.

NOTE 9 – COMMITMENTS

During the course of routine business of the District, contracts and agreements are entered into for various products and services. Although appropriations lapse at the end of the budget year, the District intends to honor any existing commitments and provide for future expenditures by inclusion in the next budget period.

In March 2022, the District entered a cost-sharing agreement with Panola County to fund expenses related to the creation of a Fire Marshal/Emergency Management Coordinator position. The District will provide \$25,000 per year to Panola County to supplement the wages of the position and will provide additional funds for equipment as needed.

In November 2024, the District began a building addition project for Clayton Volunteer Fire Department. As of December 31, 2024, construction in progress on this project was \$15,350. This project was completed in January 2025 with a total cost of \$23,750.

NOTE 10 – SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through May 27, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
DECEMBER 31, 2024

| | Budgeted Amounts | | Actual | Variance |
|------------------------------------|------------------|--------------|--------------|--|
| | Original | Final | Amounts | With Final Budget Positive (Negative) |
| <u>REVENUES</u> | | | | |
| General Revenues: | | | | |
| Property taxes | \$ 1,182,635 | \$ 1,310,454 | \$ 1,317,287 | \$ 6,833 |
| Investment earnings | 4,000 | 32,000 | 36,353 | 4,353 |
| Grant revenues | - | - | 23,825 | 23,825 |
| Other revenues | - | - | 14,222 | 14,222 |
| Total Revenues | 1,186,635 | 1,342,454 | 1,391,687 | 49,233 |
| <u>EXPENDITURES</u> | | | | |
| Fire department operating expenses | 294,000 | 294,000 | 183,911 | 110,089 |
| Other contracted services | 30,000 | 34,000 | 32,000 | 2,000 |
| Fire marshal expenses | 25,000 | 25,000 | 25,000 | - |
| SCBA & PPE expenses | 124,000 | 124,000 | 57,046 | 66,954 |
| Repairs and maintenance | - | 25,000 | 22,710 | 2,290 |
| Training | 4,000 | 4,000 | 966 | 3,034 |
| Tax assessment & collection | 30,000 | 30,000 | 23,392 | 6,608 |
| Professional & legal | 60,000 | 60,000 | 55,975 | 4,025 |
| Insurance | 70,000 | 100,000 | 89,217 | 10,783 |
| Other board expenses | 6,000 | 6,100 | 3,159 | 2,941 |
| Contingency | 75,635 | 50,000 | 40,819 | 9,181 |
| Capital expenditures | 468,000 | 958,000 | 863,018 | 94,982 |
| Total Expenditures | 1,186,635 | 1,710,100 | 1,397,213 | 312,887 |
| Net Change in Fund Balance | - | (367,646) | (5,526) | 362,120 |
| Fund Balance, Beginning of Year | 1,164,010 | 1,164,010 | 1,164,010 | - |
| Fund Balance, End of Year | \$ 1,164,010 | \$ 796,364 | \$ 1,158,484 | \$ 362,120 |

Expenditures in Excess of Budgeted Amounts

None.

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

OTHER SUPPLEMENTAL INFORMATION

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF FIRE DEPARTMENT OPERATING EXPENSES
DETAILED BY VOLUNTEER FIRE DEPARTMENT
DECEMBER 31, 2024

| | Inter-Community VFD | Flatwoods VFD | Woods VFD | Clayton VFD | Beckville VFD | Gary VFD | Community Four VFD | Total |
|------------------------------|---------------------|---------------|-----------|-------------|---------------|-----------|--------------------|------------|
| <u>FIRE DEPARTMENT</u> | | | | | | | | |
| <u>OPERATING EXPENSES:</u> | | | | | | | | |
| Building & truck maintenance | \$ 19,330 | \$ 10,093 | \$ 23,646 | \$ 13,345 | \$ 10,275 | \$ 7,293 | \$ 6,907 | \$ 90,889 |
| Fuel | 2,591 | 1,845 | 1,556 | 1,334 | 1,910 | 2,262 | 1,443 | 12,941 |
| Misc. equipment | 7,671 | 2,595 | 4,480 | 4,482 | 6,109 | 2,861 | 2,938 | 31,136 |
| Operating Funds | 4,306 | 4,926 | 5,107 | 4,681 | 8,982 | 5,248 | 7,733 | 40,983 |
| Training | 1,550 | - | 207 | 172 | - | - | 6,033 | 7,962 |
| Other capital expenditures | - | - | - | - | - | - | - | - |
| Total Operating Expenses | \$ 35,448 | \$ 19,459 | \$ 34,996 | \$ 24,014 | \$ 27,276 | \$ 17,664 | \$ 25,054 | \$ 183,911 |

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

Rachael Payne, CPA, PLLC

Certified Public Accountant

P O Box 1107
Carthage, Texas 75633

Member of
American Institute of Certified Public
Accountants
Texas Society of Certified Public Accountants

Telephone: (903) 693-8522
Email: rachael@robwilcpa.com

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

To the Board of Commissioners of the
Panola County Emergency Services District No. 1
Carthage, Texas

I 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 and the major fund information of the Panola County Emergency Services District No. 1, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated May 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Panola County Emergency Services District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that I consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panola County Emergency Services District No. 1's financial statements are free of material misstatement, I 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Panola County Emergency Services District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Rachael Payne

Rachael Payne, CPA, PLLC
Carthage, Texas
May 27, 2025

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2024

2024-1 – Significant Deficiency in Internal Controls over Purchasing

Criteria: The *Emergency Services District Operating Guide* and *Texas Local Government Code* set forth laws governing purchasing for Emergency Services Districts. Panola County Emergency Services District should have controls in place to ensure compliance with these laws.

Condition: The below purchasing controls were not effectively designed and/or implemented:

1. Checks written for expenditures exceeding \$2,000 should be countersigned by a Board member. Two checks exceeding \$2,000 were not countersigned by a Board member. In addition, it was discovered that at least twice, multiple payments were made on the same day to the same vendor that in aggregate exceeded the \$2,000 threshold, but these checks were not countersigned by a board member. Payments should not be split in order to avoid the approval threshold.
2. The District did not fully comply with competitive bidding procedures for the purchase of a fire truck purchased in April 2024. While competitive proposals were solicited, received and awarded by the Board, the request for bids/proposals was not appropriately advertised according to Local Government Code Chapter 262.

Cause: The District did not design and/or implement appropriate controls to address the risks associated with purchasing. The District has no formal written internal control policy. As such, individuals within the District may or may not know or understand their roles and responsibilities when it comes to the purchasing process.

Asserted Effect: The nature of these issues presents a heightened risk of inappropriate or incorrect activity, as well as a risk of misappropriation or abuse of assets.

District's Response/Corrective Action Plan:

The District is in agreement with these findings and is currently in the process of developing written internal control policies, including written policies over purchasing. Once completed, the District will hold initial training, and subsequent, recurring training, for all ESD board members, the Fire Marshal, and contracted VFD's to communicate these policies to ensure that all within the District understand their roles and responsibilities.

2024-2 – Significant Deficiency in Internal Controls over Board Training

Criteria: The *Emergency Services District Operating Guide* and *Texas Local Government Code* set forth laws governing ongoing training requirements for ESD commissioners, as well as training in the *Texas Public Information Act* and the *Texas Open Meetings Act*. The District should have controls in place to ensure compliance with these laws.

Condition: Certification of training was not provided for all ESD commissioners.

Cause: The District did not design and/or implement appropriate controls to ensure commissioners complete required training.

Asserted Effect: Lack of required training by ESD commissioners creates a risk of commissioners being unfamiliar with key requirements of these laws, and thus a risk of noncompliance.

District's Response/Corrective Action Plan:

The District is in agreement with these findings and is currently in the process of scheduling required training for all commissioners, as well as incorporating this requirement into their written internal control documents to ensure future compliance.

PANOLA COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2024

Finding:

2023-1 – Significant Deficiency in Aggregate in Internal Controls over Purchasing

Status: Not Corrected. The District is currently in the process of developing written internal control policies, including policies over purchasing. Once completed, the District will hold initial training, and subsequent, recurring training, for all ESD board members, the Fire Marshall, and contracted VFD's to communicate these policies to ensure that all within the District understand their roles and responsibilities. Implementation was planned for January 2025 but has been delayed.

2023-2 – Significant Deficiency in Internal Controls over Board Training

Status: Not Corrected. The District is currently in the process of scheduling required training for all commissioners, as well as incorporating this requirement into their internal control documents to ensure future compliance.

2022-1 – Significant Deficiency in Aggregate in Internal Controls over Purchasing

Status: Not Corrected. The District is currently in the process of developing written internal control policies, including policies over purchasing. Once completed, the District will hold initial training, and subsequent, recurring training, for all ESD board members, the Fire Marshall, and contracted VFD's to communicate these policies to ensure that all within the District understand their roles and responsibilities. Implementation was planned for January 2025 but has been delayed.