

KAUFMAN COUNTY EMERGENCY
SERVICES DISTRICT #3
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

MURREY PASCHALL & CAPERTON, PC
Certified Public Accountants

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
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M **Murrey Paschall & Caperton PC**
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Kaufman County Emergency Services District #3
Terrell, Texas

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Kaufman County Emergency Services District #3 ("District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Kaufman County Emergency Services District #3, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kaufman County Emergency Services District #3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kaufman County Emergency Services District #3 ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those 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 Kaufman County Emergency Services District #3 internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kaufman County Emergency Services District #3 ability to continue as a going concern for a reasonable period of time.

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

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 4-8 and 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Murrey Paschall & Caperton, PC

Murrey, Paschall & Caperton, P.C.

Certified Public Accountants

Forney, Texas

November 10, 2023

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

In accordance with Governmental Accounting Standards Board ("GASB") Statement No.34, the management of Kaufman County Emergency Services District No. 3 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2023. Please review it in conjunction with the District's basic financial statements, which begin on page 9.

Financial Highlights

- The District's assets exceeded its liabilities by \$572,762 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$484,484.
- Total net assets increased by \$88,278, which represents an 18.2% increase to 2022.
- The District had \$1,290,793 in expenses related to governmental activities with \$1,379,072 in total revenues to cover the cost of those programs.
- FY2022 financial statements were audited by Misty Culpepper, CPA. An unqualified opinion was issued in the report dated October 28, 2022.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 & 10) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 11. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities:

Our analysis of the District as a whole begins on page 9. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets, the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, *increases or decreases* in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's jurisdiction, the availability of capital projects, and continuing local government support to assess the *overall health* of the District.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements:

Our analysis of the District's major funds begins on page 9. The fund financial statements begin on page 11 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. However, the Board of Fire Commissioners has the ability to establish other funds to help control and manage money for particular purposes. The District only has governmental funds.

Governmental Funds: The District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the *modified accrual* method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation after the fund financial statements.

Budgetary comparison statements are included in the basic financial statements. These statements and schedules demonstrate compliance with the District's adopted and final revised budget.

The budgetary comparison statements can be found on page 23 of this report.

Notes to Financial Statements: The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

THE DISTRICT AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

Comparative data is accumulated and presented to assist analysis. The District's total net assets changed from one year ago, increasing from \$484,484 to \$572,762. Net assets of the District's activities increased 18.2% or \$88,278.

The following table provides a summary of the District's net assets at September 30:

Summary of Net Assets		
<u>Governmental Activities</u>		
	<u>2023</u>	<u>2022</u>
Cash	\$ 566,138	\$ 477,860
Accounts receivable	<u>102,945</u>	<u>57,400</u>
Total Assets	<u>\$ 669,083</u>	<u>\$ 535,260</u>
Deferred tax revenue	\$ <u>96,321</u>	\$ <u>50,776</u>
Total Liabilities	<u>\$ 96,321</u>	<u>\$ 50,776</u>
Net Assets:		
Unrestricted	<u>572,762</u>	<u>484,484</u>
Total Net Assets	<u>\$ 572,762</u>	<u>\$ 484,484</u>

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

The following table provides a summary of the District's changes in net assets for the year ended September 30:

<u>Summary of Changes in Net Assets</u> <u>Governmental Activities</u>				
	<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>
General Revenues:				
Property taxes	\$ 1,375,166	99.72	\$ 1,008,386	99.90
Other income	<u>3,906</u>	<u>0.28</u>	<u>1,019</u>	<u>0.10</u>
Total Revenues	<u>1,379,072</u>	100.00	<u>1,009,404</u>	100.00
Expenses:				
Contracted fire services	1,241,000	96.14	920,000	94.95
Tax collection fees	13,006	1.01	11,194	1.16
Administrative expenses	6,164	0.47	14,263	1.47
Contract labor	11,796	0.91	9,100	0.94
Professional fees	<u>18,827</u>	<u>1.47</u>	<u>14,396</u>	<u>1.49</u>
Total Expenses	<u>1,290,793</u>	100.00	<u>968,953</u>	100.00
Change in Net Assets	88,278		40,452	
Beginning net assets	<u>484,484</u>		<u>444,033</u>	
Ending Net Assets	<u>\$ 572,762</u>		<u>\$ 484,484</u>	

CAPITAL ASSETS

The District does not have any capital assets as of September 30, 2023.

ECONOMIC FACTORS

The District has operated in the Terrell, Texas area since its inception in 1997. The District is supported exclusively by taxes levied on property owners within its District. Housing is expanding at a good pace, with projections of an increase in property tax for the District of approximately \$383k in the upcoming fiscal year.

This budgetary year finances will need to be managed conservatively, as a result of the increased rate paid to the Volunteer Fire Departments. The challenge we face as a responsible governmental organization is balancing our financial resources with the demands for improved service coming from a growing population, and the corresponding demands for improved service coming from our residents, and local and state governmental entities. We do intend to make the most of our citizens' support to provide consistently outstanding fire and emergency services in every sector of Kaufman County Emergency Services District #3.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addresses to the Kaufman County Emergency Services District #3, P.O. Box 2121, Terrell, TX 75160.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2023

ASSETS

Current Assets:

Cash in bank - Note 2	\$ 566,138
Accounts receivable - property taxes	<u>102,945</u>

Total Current Assets	<u>669,083</u>
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TOTAL ASSETS	<u><u>\$ 669,083</u></u>
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LIABILITIES

Current Liabilities:

Deferred property tax revenue	\$ 96,321
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Total Current Liabilities	<u>96,321</u>
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TOTAL LIABILITIES	<u><u>\$ 96,321</u></u>
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NET ASSETS

Unrestricted	<u>\$ 572,762</u>
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TOTAL NET ASSETS	<u><u>\$ 572,762</u></u>
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The accompanying notes are an integral part of the financial statements.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>			<u>Net Revenues and Change in Net Assets Primary Government</u>
	<u>Expenses</u>	<u>Levied Tax Income</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Governmental Activities:				
General government	\$ 1,241,000	\$ 1,375,166	\$ -	\$ 134,166
County tax collection fees	13,006	-	-	(13,006)
Administrative expenses	6,164	-	-	(6,164)
Contract labor	11,796	-	-	(11,796)
Professional fees	18,827	-	-	(18,827)
Total Primary Government	<u>\$ 1,290,793</u>	<u>\$ 1,375,166</u>	<u>\$ -</u>	<u>\$ 84,373</u>
General Revenues:				
Interest and Admin income				<u>3,905</u>
Total General Revenues				<u>3,905</u>
Change in Net Assets				88,278
Net Assets - Beginning				<u>484,484</u>
Net Assets - Ending				<u>\$ 572,762</u>

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

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash in bank - Note 2	\$ 566,138	\$ 566,138
Accounts receivable - property taxes	<u>102,945</u>	<u>102,945</u>
 Total Assets	 <u>\$ 669,083</u>	 <u>\$ 669,083</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Deferred property tax revenue	\$ <u>96,321</u>	\$ <u>96,321</u>
 Total Current Liabilities	 <u>96,321</u>	 <u>96,321</u>
 Total Liabilities	 <u>96,321</u>	 <u>96,321</u>
 Fund Balances		
Unassigned	<u>572,762</u>	<u>572,762</u>
Total Fund Balances	<u>572,762</u>	<u>572,762</u>
 Total Liabilities and Fund Balance	 <u>\$ 669,083</u>	 <u>\$ 669,083</u>

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

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2023

Total Fund Balance - Total Governmental Funds	\$	572,762
<p style="margin-left: 20px;">Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p style="margin-left: 20px;">Capital assets net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.</p>		
		-
<p style="margin-left: 20px;">Long-term liabilities including bonds payable, notes payable and pension liabilities are not due in the current period and therefore, are not reported in the funds.</p>		
		<u>-</u>
<p style="margin-left: 20px;">Net Assets of Governmental Activities</p>		
	\$	<u><u>572,762</u></u>

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

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Governmental Fund</u>	
	<u>Types</u>	
	General Fund	Total Governmental Funds
REVENUES		
Levied tax income	\$ 1,375,166	\$ 1,375,166
Other income	3,905	3,905
	1,379,071	1,379,071
EXPENDITURES		
Fire protection	1,241,000	1,241,000
County tax collection fees	13,006	13,006
Administrative expenses	6,164	6,164
Professional (Legal, Accounting, Consulting)	18,827	18,827
Contract labor	11,796	11,796
Capital expenditures	-	-
	1,290,793	1,290,793
Excess (Deficiency) of Revenues over Expenditures	88,278	88,278
Fund Balances - Beginning	484,484	484,484
Fund Balances - Ending	\$ 572,762	\$ 572,762

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

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	88,278
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		-
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives and reported as depreciation expense. This is the amount of capital expenditures net any depreciation expense for the current period.		-
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Changes in Net Assets of the Governmental Activities	\$	<u>88,278</u>
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The accompanying notes are an integral part of the financial statements.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kaufman County Emergency Services District #3 is a body, both corporate and political, created for the purpose of providing support to the Volunteer Fire Departments in Ables Springs, College Mound, Elmo and Terrell and contracting them to ensure fire protection and fire fighting operations in those areas. The District was specifically formed under the auspices of Acts 1989, 71st Legislation, Chapter 794, and created by action of the Board on January 18, 1997.

The District is a jointly governed entity administered by a Board of Fire Commissioners (“Board”) that acts as the authoritative and legislative body of the entity. The Board is comprised of 5 members, all voting members, appointed by the Commissioners Court. Each member is elected as an officer of the District: President, Vice-President, Secretary/Asst.Treasurer, Treasurer and one member-at-large. Each Officer serves a two year term, and there are no limits for reappointment.

The Board of Fire Commissioners annually appoints the President of the Board from existing board members. The President’s responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the District, its officers and employees.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

B. Government-wide financial statements

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges for taxes levied to property owners in the District's service area and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Levied tax revenue associated with the current fiscal period are considered susceptible to accrual and deferred revenue liability. In general, revenue items are considered measurable and available only when the District receives the cash.

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 only uses governmental funds.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those that must 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 Texas and the bylaws of the District.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end. Under the modified accrual basis, only levied tax revenue is considered to be both measurable and available at fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an 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.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

D. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. The District currently has not capital assets.

The District reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of September 30, 2023, no impairment of long-lived assets is necessary.

E. Reservations of Fund Balance

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet.

Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. The District does not currently have any reservations of fund balance. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

F. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are 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 legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

H. Fair Value of Financial Assets

The District measures and discloses certain financial assets and liabilities at fair value. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. The entity's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The entity uses the active market approach to measure fair value of financial assets or liabilities.

I. Budgets

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of an ordinance.
3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year-end.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023

NOTE 2 – CASH AND INVESTMENTS

As of September 30, 2023 the cash in bank is as follows:

Cash in Bank – American National Bank	\$ 19,115	
Cash in Bank – Texas Bank and Trust		547,024
 Total		 \$ 566,138

Cash deposits are reported at carrying amount, which reasonably estimates fair value. The limit for FDIC insured funds is \$250,000 per depositor. Additionally, the District has secured by collateral pledged by the depository through ANB and TBT sufficient funds as of September 30, 2023.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

VFD – Fire Protection Agreements

The District has entered into agreements with the following volunteer fire departments to provide fire protection and prevention services to the District. The District has agreed to fund the operations of these departments quarterly, as funds are available, based on budgets provided by the departments. These agreements expire each fiscal year, but continue on a year-to-year basis unless terminated by either party with a ninety day notice.

	<u>Contract FY2023</u>	<u>Contract FY2024</u>
Ables Springs VFD	\$ 289,000	\$ 332,350
College Mound VFD	152,000	174,800
Elmo VFD	400,000	460,000
Terrell VFD	400,000	368,000
Total Funding	\$ 1,241,000	\$ 1,335,150

**Note – ~15% increase approved for all VFDs. Noted Terrell received additional funding of \$80,000 in the 2023 budget to purchase property.*

NOTE 4 – PROPERTY TAXES

The District has contracted with the Kaufman County Tax Assessor Collector to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the roll as of January 1, 2022, upon which the 2022 levy was based, was \$1,378,408,732 after adjustments as certified by the Kaufman Central Appraisal District.

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Taxes are due by January 31 following the October 1 levy date. On February 1 of each year, a tax lien attaches to the property. The total 2022 levy was \$1,378,409 and the tax rate was 10% per \$100 assessed valuation.

NOTE 5 – SUBSEQUENT EVENTS

The District has evaluated all events or transactions that occurred after September 30, 2023 up through November 10, 2023, the date the financial statements were available to be issued.

Required Supplemental Information

KAUFMAN COUNTY EMERGENCY SERVICES DISTRICT #3
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original / Final Budget	Actual	Variance
Revenue:			
Levied tax income	\$ 1,378,676	\$ 1,375,166	\$ (3,510)
Other income	<u>1,100</u>	<u>3,905</u>	<u>2,805</u>
 Total Revenue	 <u>1,379,776</u>	 <u>1,379,071</u>	 <u>(705)</u>
Expenditures:			
Reserve Fund (transfer)	-	-	-
Fire protection	1,241,000	1,241,000	-
County collection fees	12,000	13,006	(1,006)
Administrative expenses	16,926	6,164	10,762
Professional (Legal, Accounting, Consulting)	31,250	18,827	12,423
Contract labor	11,700	11,796	(96)
Capital assets / equipment	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>1,312,876</u>	 <u>1,290,793</u>	 <u>22,083</u>
 Excess of revenues over expenditures	 66,900	 88,278	 21,378
 Fund Balances - Beginning	 <u>484,484</u>	 <u>484,484</u>	 <u>-</u>
 Fund Balances - Ending	 <u>\$ 551,384</u>	 <u>\$ 572,762</u>	 <u>\$ 21,378</u>

See Independent Auditor's Report.

M **Murrey Paschall & Caperton PC**
Certified Public Accountants

November 10, 2023

To the Board of Directors and Management
Kaufman County Emergency Services District #3

We have audited the financial statements of the governmental activities and each major fund of the Kaufman County Emergency Services District #3 (District) as of and for the year ended September 30, 2023, and have issued our report thereon dated November 10, 2023. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated August 9, 2023, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team has complied with all relevant ethical requirements regarding independence.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of the District's Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Kaufman County Emergency Services District #3 are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There were no significant accounting estimates to note.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to financial statement users. There was no long-term debt or any other sensitive disclosures to note.

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

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements during the current year.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Kaufman County Emergency Services District #3’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Kaufman County Emergency Services District #3’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

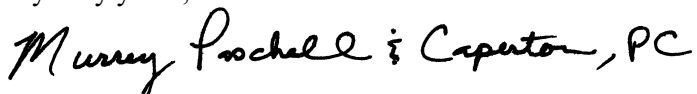
OTHER MATTERS

We applied certain limited procedures to the MD&A and Budget and Actual schedules by fund type, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION ON USE

This information is intended solely for the information and use of the Board of Directors and management of the Kaufman County Emergency Services District #3 and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Murrey Paschall & Caperton, PC". The signature is written in a cursive, flowing style.

Murrey Paschall & Caperton, P.C.