

**Hidalgo County
Emergency Services
District No. 3**

**Audited
Financial Report**

**Year Ended
December 31, 2021**

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3
 For The Year Ended December 31, 2021

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INTRODUCTORY SECTION

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3
For the Year Ended December 31, 2021

OFFICERS AND DIRECTORS

LUIS FLORES III
President

AARON VELA
Vice President

TRAVIS C. RICHARDS
Secretary-Treasurer

GAIL J. CAPPADONA
Member

PATRICK ERONINI
Member

FINANCIAL SECTION



Oscar R. Gonzalez CPA & Associates PLLC

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Partners:
Oscar R. Gonzalez, CPA
Melissa Gonzalez, CPA

Associates:
Janet Robles, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hidalgo County Emergency Services District No. 3

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hidalgo County Emergency Services District No. 3 (the District), as of and for the year ended December 31, 2021, 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, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

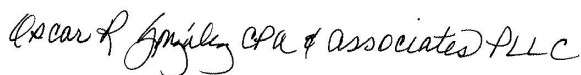
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The District's internal control over financial reporting and compliance.



Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

Pharr, Texas
August 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hidalgo County Emergency Services District Number 3 (The District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

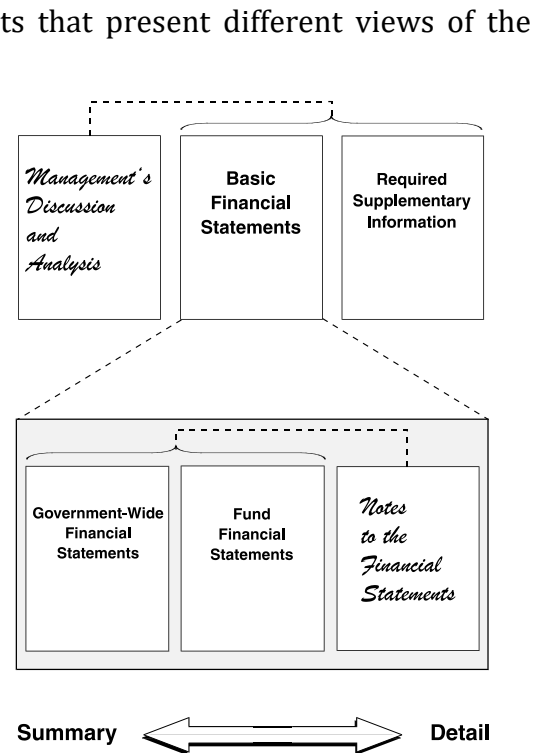
- The District's total combined net position was \$3,441,361 as of December 31, 2021.
- During the year, the District's expenses were \$330,685 and \$532,155 was generated in taxes and interest revenue for governmental activities.
- The general fund reported a fund balance this year of \$2,943,440.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

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

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as emergency services. Property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Members of the District Board of Directors established other funds to control and manage money for particular purposes or to show that it is properly using certain taxes.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in

MANAGEMENT'S DISCUSSION AND ANALYSIS

the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$3,441,361 at December 31, 2021. (See Table A-1).

Table A-1			
Hidalgo County Emergency Services District No. 3			
(In dollars)			
	Primary Government		Increase / Decrease
	2021	2020	2021-2020
ASSETS			
Current Assets:			
Cash, Cash Equivalents, and Investments	\$ 2,760,500	\$ 2,350,807	\$ 409,693
Property Taxes Receivable (net)	341,021	381,689	(40,668)
Interest and Other Receivables	158	285	(127)
Prepaid Insurance	1,475	870	605
Total Current Assets	3,103,154	2,733,651	369,503
Noncurrent Assets			
Capital Assets (net)	353,743	520,850	(167,107)
Total Assets	3,456,897	3,254,501	202,396
DEFERRED OUTFLOW OF RESOURCES			
Aggregated Deferred Outflows	-	-	-
Total Deferred Outflows of Resources	-	-	-
LIABILITIES			
Current Liabilities:			
Accounts Payable	15,536	14,610	926
Total Liabilities	15,536	14,610	926
DEFERRED INFLOW OF RESOURCES			
Aggregated Deferred Inflows	-	-	-
Total Deferred Inflows of Resources	-	-	-
NET POSITION			
Net Investment in Capital Assets	353,743	520,850	(167,107)
Restricted	-	-	-
Unrestricted	3,087,618	2,719,041	368,577
Total Net Position	\$ 3,441,361	\$ 3,239,891	\$ 201,470

Financial Analysis:

- Total assets for the primary government increased from \$3,254,501 to \$3,456,897 a net increase of \$202,396 from last year.
- Total liabilities for the primary government increased from \$14,610 to \$15,536 a net increase of \$926 from last year.
- In 2021 net position for the Primary Government increased from \$3,239,891 to \$3,441,361, a net increase of \$201,470 from last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- There was an increase in unrestricted net position from \$2,719,041 to \$3,087,618, a net increase of \$368,577 from last year.

Change in Net Position. Referring to Table A-2, the total change in net position for the year was an increase of \$143,040.

Table A-2
Hidalgo County Emergency Services District No. 3
(In dollars)

	Primary Government		Increase / Decrease 2021-2020
	2021	2020	
General Purpose Revenues and Transfers:			
Revenues			
Property Tax Revenue	\$ 528,072	\$ 524,112	\$ 3,960
Capital Contribution	-	25,000	(25,000)
Interest Revenue	4,083	5,535	(1,452)
Total General Revenues and Transfers	<u>532,155</u>	<u>554,647</u>	<u>(22,492)</u>
Governmental Activities			
Emergency Service	330,685	496,217	(165,532)
Total Expenses	<u>330,685</u>	<u>496,217</u>	<u>(165,532)</u>
Change in Net Position	201,470	58,430	143,040
Net Position Beginning-of Period	3,239,891	3,181,461	1,299,870
Prior Period Adjustment	-	-	-
Net Position at End of Period	<u>\$ 3,441,361</u>	<u>\$ 3,239,891</u>	<u>\$ 201,470</u>

- Total general revenues for the primary government decreased from \$554,647 to \$532,155 a net decrease of \$22,492 from last year.
- Total expenses for the primary government decreased from \$496,217 to \$330,685 a net decrease of \$165,532 from last year.
- The total change in net position for the calendar year 2021 was \$201,470, an increase from last year's net position of \$3,239,891.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Expenditures were budgeted on September 17, 2020, for year 2021 at \$213,800. On December 16, 2021 the budget was amended and decreased expenditures to \$173,165. Actual expenditures for the year were \$163,578, which creates a positive variance of \$9,587.
- Revenues were budgeted on September 17, 2020, for year 2021 at \$503,000. On December 16, 2021 the budget was amended but the budgeted revenues remained the same. Actual revenues for the year were \$550,755, which creates a positive variance of \$47,755.
- Overall revenues over expenditures were \$387,177 which in comparison with budgeted revenues over expenditures of \$329,835 created a variance of \$57,342.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had \$353,743 invested in medical equipment and a fire truck. (See Table A-3.)

Table A-3
General Capital Assets

	Primary Government			
	Balance as of 12/31/2020	Additions	Deletions	Balance as of 12/31/2021
<u>Capital Assets</u>				
Medical Equipment and Fire Truck	\$ 1,029,463	\$ -	\$ -	\$ 1,029,463
Construction in Progress	-	-	-	-
<i>Total Capital Assets</i>	1,029,463	-	-	1,029,463
<u>Accumulated Depreciation</u>				
Accumulated Depreciation	(508,613)	(167,107)	-	(675,720)
<i>Total Accumulated Depreciation</i>	(508,613)	(167,107)	-	(675,720)
Total Capital Assets Net of Accumulated Depreciation	\$ 520,850	\$ (167,107)	\$ -	\$ 353,743

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2022 Proposed Budget calls for revenues of \$503,759 and total expenditures of \$215,400, a decrease of \$41,476 compared to 2021.
- Tax Revenue for 2022 is based on a purposed \$0.0197/\$100 tax rate, lower compared to 2021.
- General operating fund spending budget for 2022 was prepared based on history of actual definite revenues and essential expenses to operate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Board of Directors on P.O. Box 3489 220C South 12th Street Edinburg, Texas 78539.

BASIC FINANCIAL STATEMENTS

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Statement of Net Position

December 31, 2021

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,280,365	\$ 2,280,365
Investments	480,135	480,135
Property Taxes Receivable (net)	341,021	341,021
Interest Receivable	158	158
Prepaid Insurance	1,475	1,475
Total Current Assets	3,103,154	3,103,154
Noncurrent Assets		
Capital Assets (net)	353,743	353,743
Total Assets	3,456,897	3,456,897
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated Deferred Outflows	-	-
Total Deferred Outflows of Resources	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,456,897	3,456,897
LIABILITIES		
Current Liabilities		
Accounts Payable	15,536	15,536
Total Liabilities	15,536	15,536
DEFERRED INFLOWS OF RESOURCES		
Aggregated Deferred Inflows	-	-
Total Deferred Inflows of Resources	-	-
NET POSITION		
Net Investment in Capital Assets	353,743	353,743
Restricted	-	-
Unrestricted	3,087,618	3,087,618
Total Net Position	3,441,361	3,441,361
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 3,456,897	\$ 3,456,897

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Statement of Activities

For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Emergency Services	\$ 330,685	\$ -	\$ -
<i>Total Governmental Activities</i>	<i>\$ 330,685</i>	<i>\$ -</i>	<i>\$ -</i>

General Purpose Revenues and Transfers:

Revenues

Property Tax Revenue

Interest Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Net Position at End of Period

The notes to these statements are an integral part of these statements.

Capital Grants and Contributions	Net (Expense) Revenue	
	Primary Government	
	Governmental Activities	Total
\$ -	\$ (330,685)	\$ (330,685)
\$ -	(330,685)	(330,685)

528,072	528,072
4,083	4,083
-	-
<u>532,155</u>	<u>532,155</u>
201,470	201,470
3,239,891	3,239,891
<u>\$ 3,441,361</u>	<u>\$ 3,441,361</u>

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Balance Sheet Governmental Funds December 31, 2021

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,280,365	\$ 2,280,365
Investments	480,135	480,135
Property Taxes Receivable (Net)	341,021	341,021
Interest Receivable	158	158
Prepaid Insurance	1,475	1,475
<i>Total Assets</i>	3,103,154	3,103,154
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated Deferred Outflows	-	-
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 3,103,154	\$ 3,103,154
LIABILITIES		
Accounts Payable	\$ 15,536	\$ 15,536
<i>Total Liabilities</i>	15,536	15,536
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenues	144,178	144,178
<i>Total Liabilities and Deferred Inflows of Resources</i>	159,714	159,714
FUND BALANCE		
Committed for		
Unassigned	2,943,440	2,943,440
<i>Total Fund Balance</i>	2,943,440	2,943,440
<i>Total Liabilities, Deferred Inflows of Resources and and Fund Balance</i>	\$ 3,103,154	\$ 3,103,154

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Position
 December 31, 2021

Total Fund Balance - Governmental Funds	\$	2,943,440
Capital assets are expensed as capital outlay in the governmental fund statement. However, they are capitalized as capital assets and reflected in the Statement of Net Position.		353,743
Property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the statement of Net Position.		144,178
Rounding		-
Total Net Position-Governmental Funds	\$	<u><u>3,441,361</u></u>

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Total Governmental Funds
REVENUES		
Property Tax Revenue	\$ 546,672	\$ 546,672
Interest Revenue	4,083	4,083
<i>Total Revenues</i>	550,755	550,755
EXPENDITURES		
Ambulance Services	88,000	88,000
Annual Assessment	5,120	5,120
Attorney Fees	30,221	30,221
Delinquent Tax Collection Attorney	8,660	8,660
Emergency Services Retirement System	5,940	5,940
First Responder Service	20,000	20,000
Insurance	1,361	1,361
Legal Advertisement	276	276
Professional Fees	4,000	4,000
<i>Total Expenditures</i>	163,578	163,578
<i>Excess of Revenues Over (Under) Expenditures</i>	387,177	387,177
<i>Net Change in Fund Balance</i>	387,177	387,177
<i>Fund Balance at Beginning of Period</i>	2,556,263	2,556,263
<i>Fund Balance at End of Period</i>	\$ 2,943,440	\$ 2,943,440

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3
 Reconciliation of Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balance to the Statement of Activities
 For the Year Ended December 31, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	387,177
Capital assets are expensed as capital outlay in the governmental fund statement; however, they are capitalized as capital assets and reflected in the Statement of Net		-
Depreciation expense reflected in the entity wide statements, is not reflected in governmental funds statements		(167,107)
The amount of current property tax levy that has been recorded as revenue during the period and is expected to be collected within about 60 days after year-end should be included as revenue for the current period.		(18,600)
Changes in Net Position-Governmental Funds	\$	201,470

The notes to these statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

This summary of significant accounting policies of Hidalgo County Emergency Services District No. 3 (The District) is presented to assist the reader in understanding the District's financial statements. The financial statements and notes are representations of the District's management.

The District was created and organized as provided by Article III, Section 48-d, of the Texas Constitution to protect life and property from fire and to conserve natural and human resources. The District is a political subdivision of the state. A five-member fire commissioners board governs operations of the District. Members of the board are appointed by the Hidalgo County Commissioner's Court.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to the state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units by the Financial Accounting Standards Board (FASB), when applicable.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary Government: Hidalgo County Emergency Services District No. 3

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units with a governmental reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District.

Based on these criteria, the District is a component unit of Hidalgo County.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of the net position and the statement of activities. These statements report information on all of the non-fiduciary financial information for the District. Eliminations have been made to minimize the double-counting of internal activities. Individual funds are not displayed, but the statements highlight governmental activities (generally supported by taxes and the District general revenue). The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues includes 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide reports on the financial condition and results of operations about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Currently the District only has one General Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increase (revenues) and decrease (expenses) in net total assets.

Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred. 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.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation *(continued)*

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of current period. The District considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received if any.

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 needed.

New Accounting Pronouncements

In year 2021, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 95 Postponement of the Effective Dates of Certain Authoritative Guidance.
- a. Statement No. 95* - The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018, and later.

The requirements of this Statement are effective immediately.

The adoption of Statement No. 95 has no impact on the District's financial statements.

Fund Types and Major Funds

Governmental Funds

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations

- *General Fund* – reports the primary fund of the District. This fund is used to account for all financial resources not reported in other funds.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash and Investments

The District considers cash and cash equivalents any account maturing within ninety days for financial statement reporting purposes. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Property Taxes

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

Taxable property includes real property and certain personal property situated in the District. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to county-wide revaluation every five years. The effective rate is based upon the previous year's total assessed valuation.

Allowances for uncollectible tax receivables within the General and Debt Service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and included as part of the allowance for uncollectible; except for tax receivables over 20 year, the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The District does no write off tax receivable greater than 20 years.

3. Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the Governmental funds.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Capital Assets

Capital assets include property, plant, and equipment, are reported in the applicable governmental activities' column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are capital assets valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Infrastructure	30 Years
Improvements	20 Years
Machinery and Equipment	3-15 Years

5. Long-Term Obligations

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance cost are deferred and amortized over the life of the bonds using the straight line method as the amount is immaterial against the effective interest method. Unamortized bond premium and discount, issuance cost and gain or loss on refunding are not netted against the liability, but recorded in the asset portion of the financial statements. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made

by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources. As of the end of the fiscal year there are no outstanding long-term obligations.

6. Net Position / Fund Equity

In the government-wide financial statements, net position is classified as Invested in Capital Assets-Net of Related Debt, Restricted Net Position, or Unrestricted Net Position. The three categories are described below:

- *Invested in Capital Assets-Net of Related Debt:* This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Restricted Net Position*: This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position*: This category represents the net position of the District which is not restricted for any project or any other purpose.

The District adopted GASB 54 as part of its fiscal year end December 31, 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.

- *Nonspendable*—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted*—Amounts that can be spent only for specific purposes because of the District Charter, the District Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed*—Amounts that can be used only for specific purposes determined by a formal action by Board Members ordinance or resolution.
- *Assigned*—Amounts that are designated by the President of the Board for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board Members.
- *Unassigned*—All amounts not included in other spendable classifications.

7. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. An estimate is used for the allowance for uncollectible Taxes, which is calculated by management in accordance with policy and is based on prior year's results of collectability.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budget Basis of Accounting

The District prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the District's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

2. Expenditures in Excess of Budget

Expenditures exceeded appropriations in the following budgeted category.

Legal Advertisements	\$138
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3. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	Not Applicable

4. Committed Fund Balance / Restricted Net Position

This year, the District's Board of Directors committed the fund balance towards the following projects:

None

III. DETAILED NOTES ON FUNDS

A. Deposits

District's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

III. DETAILED NOTES ON FUNDS (CONTINUED)

A. Deposits (continued)

At December 31, 2021, the bank balance amount of the District's deposits was \$2,164,173. The District has one depository account which is with Lone Star National Bank.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk. As of December 31, 2021, the District's actual bank balance of \$2,164,173 was not exposed to custodial credit risk and was fully insured or collateralized by Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 and with pledged securities in the amount of \$5,370,000.

	Balance as of 12/31/2021
Petty Cash	\$ 125
Lone Star National Bank	2,280,240
Total Cash and Cash Equivalents	<u>\$ 2,280,365</u>

B. Investments

The District is required by Government code Chapter 2256, the public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purposes financial statements disclosed that in the areas of investment practices, management reports and establish appropriate policies. The District has adopted, implemented and publicized an investment policy as of December 31, 2021.

The District has certificate of deposit investments at December 31, 2021, with Lone Star National Bank in the amount of \$480,135. The funds are available without penalty at their maturity dates of May 25, 2023 and July 3, 2023. They are not considered as cash equivalents because they have maturities of 3 months or more as of the end of year.

Lone Star National Bank fully secures the District's deposits and investments with pledged securities and FDIC Insurance. The depository account and the certificates of deposit totaled \$5,370,000 at year end were fully collateralized.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

III. DETAILED NOTES ON FUNDS (CONTINUED)

B. Investments *(continued)*

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk. By limiting the exposure of its investments, the District reduces its risk to the rising or decreasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by the depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District money was not exposed to custodial credit risk.

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was exposed to concentration of credit risk, but highly collateralized. The District was in compliance with its diversification investment guidelines.

Foreign Currency Risk

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

Investments at December 31, 2021 consisted of the following certificates of deposit:

	Maturity Date	Balance as of 1/1/2021	Increases	Decreases	Balance as of 12/31/2021
LSNB CD #45141942	May 25, 2023	\$ 157,230	\$ 354	\$ -	\$ 157,584
LSNB CD #45141934	May 25, 2023	102,972	232	-	103,204
LSNB CD #45200156	July 3, 2023	218,965	382	-	219,347
Total Investments		<u>\$ 479,167</u>	<u>\$ 968</u>	<u>\$ -</u>	<u>\$ 480,135</u>

B. Tax Receivables

Receivables for the District at December 31, 2021, were as follows:

<u>General Fund</u>	<u>Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Total (Net)</u>
Property Taxes	<u>\$ 358,970</u>	<u>\$ (17,949)</u>	<u>\$ 341,021</u>
	<u>\$ 358,970</u>	<u>\$ (17,949)</u>	<u>\$ 341,021</u>

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

III. DETAILED NOTES ON FUNDS (CONTINUED)

C. Deferred Inflow of Resources

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the deferred inflows of resources reported in the fund financial statements were as follows:

Deferred Inflow of Resources	General Fund	Total
Deferred Property Taxes	\$ 144,178	\$ 144,178
	\$ 144,178	\$ 144,178

D. Accounts Payable

Accounts payable at December 31, 2021 consisted of the following:

Vendor	Payable
Francisco Prado	\$ 1,535
Hidalgo County EMS	8,000
Annual Assessment- Hidalgo County Appraisal	1,001
Linn-San Manuel Fire Dept.	5,000
Total Accounts Payable	\$ 15,536

E. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance as of 1/1/2021	Additions	Deletions	Ending Balance as of 12/31/2021
Governmental Activities				
<u>Capital Assets</u>				
Medical Equipment	\$ 1,029,463	\$ -	\$ -	\$ 1,029,463
<i>Total Capital Assets</i>	1,029,463	-	-	1,029,463
<u>Less Accumulated Depreciation</u>				
<i>Total Accumulated Depreciation</i>	508,613	167,107	-	675,720
Governmental Activities Capital Assets, net	\$ 520,850	\$ 167,107	\$ -	\$ 353,743

Depreciation expense was \$167,107 for the year ended December 31, 2021.

F. Litigation

There is no known litigation pending against the District as the date of the report. The management of the District is unaware of any pending or threatened litigation, assessments, or unasserted claims against the District.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

III. DETAILED NOTES ON FUNDS (CONTINUED)

G. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the District.

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

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

Time deposits: Fair values of certificates of deposit are at cost plus accrued interest.

Accounts Receivable – The carrying amount approximates fair value because of the short maturity of these instruments.

Payable and Accruals: The carrying amounts approximate fair value because of the short maturity period.

<u>Financial Assets:</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 2,280,365	\$ 2,280,365
Investment	480,135	480,135
Property Taxes Receivable (net)	341,021	341,021
Interest Receivable	158	158
Prepaid Insurance	1,475	1,475
<u>Financial Liabilities:</u>		
Accounts Payable	\$15,536	\$15,536

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Notes to Financial Statements

December 31, 2021

III. DETAILED NOTES ON FUNDS (CONTINUED)

H. Prior Period Adjustments

Prior period adjustments as of December 31, 2021 consist of the following:

None

I. Commitments and Contingencies

None

J. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring up to August 9, 2022. The date the report was available to be issued. There are no additional subsequent events as of the date of the report.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Schedule of Revenues, Expenditures, and
Changes in Fund Balance-Budget and Actual
General Fund (Non-GAAP, Budgetary Basis)
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
Revenues				
Property Tax Revenue	\$ 498,000	\$ 498,000	\$ 546,672	\$ 48,672
Interest Revenue	5,000	5,000	4,083	(917)
Total Revenues	<u>503,000</u>	<u>503,000</u>	<u>550,755</u>	<u>47,755</u>
Other Financing Sources	-	-	-	-
Total Revenues and Other Financing Sources	<u>503,000</u>	<u>503,000</u>	<u>550,755</u>	<u>47,755</u>
Expenditures				
Ambulance Services	96,000	96,000	88,000	8,000
Annual Assessment	5,100	5,120	5,120	-
Attorney Fees	30,000	40,000	38,881	1,119
Board Training	2,500	-	-	-
Equipment	50,000	-	-	-
Emergency Services Retirement System	4,500	5,940	5,940	-
Financial Audit	4,000	4,000	4,000	-
First Responder Service	20,000	20,000	20,000	-
Insurance	1,200	1,967	1,361	606
Legal Advertisements	500	138	276	(138)
Total Expenditures	<u>213,800</u>	<u>173,165</u>	<u>163,578</u>	<u>9,587</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>213,800</u>	<u>173,165</u>	<u>163,578</u>	<u>9,587</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>289,200</u>	<u>329,835</u>	<u>387,177</u>	<u>57,342</u>
Net Change in Fund Balance	<u>289,200</u>	<u>329,835</u>	<u>387,177</u>	<u>57,342</u>
<i>Fund Balance at Beginning of Period</i>	2,556,263	2,556,263	2,556,263	-
Fund Balance at End of Period	<u>\$ 2,845,463</u>	<u>\$ 2,886,098</u>	<u>\$ 2,943,440</u>	<u>\$ 57,342</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:	<u>\$ -</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 163,578
Differences – budget to GAAP:	
Depreciation expense is not a budgetary purpose, but is for financial reporting purposes.	167,107
Total expenditures as reported on the statement of activities.	<u>\$ 330,685</u>

INTERNAL CONTROL/COMPLIANCE SECTION



Oscar R. Gonzalez CPA & Associates PLLC

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Melissa Gonzalez, CPA

Associates:
Janet Robles, CPA

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 Directors of
Hidalgo County Emergency Services District No. 3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hidalgo County Emergency Services District No. 3 (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated August 9, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oscar R. Gonzalez CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

Pharr, Texas
August 9, 2022

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Schedule of Findings and Responses
For the Year Ended December 31, 2021

A. Summary of Auditor's Results

UNMODIFIED

1. Financial Statements

Type of Report Issued:

X YES NO

Internal control over financial reporting:

One or more material weaknesses identified?

YES X NONE REPORTED

One of more significant deficiencies identified

that are not considered to be material weaknesses?

YES X NONE REPORTED

B. Financial Statement Findings

None

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

None