

# **HIDALGO COUNTY EMERGENCY SERVICES DISTRICT No. 3**

## **Audited Financial Report**

Year Ended December 31, 2023

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**ADRIAN WEBB, CPA**  
**Certified Public Accountant**

**Hidalgo Emergency Services District No. 3**  
Audited Annual Financial Report  
For Year Ended December 31, 2023

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## **INTRODUCTORY SECTION**

## **HIDALGO COUNTY EMERGENCY SERVICES DISTRICT No. 3**

For the Year Ended December 31, 2023

### **Board of Directors**

Luis Flores III	President
Travis C. Richards	Treasurer
Gail J. Fisher	Member
Patrick Eronini	Member
Ramiro Rodriguez	Member

**ADRIAN WEBB**  
**Certified Public Accountant**  
Edinburg, Texas

**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 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Hidalgo County Emergency Services District No. 3'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 Hidalgo County Emergency Services District No. 3 as of December 31, 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 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 Hidalgo County Emergency Services District No. 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 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 Hidalgo County Emergency Services District No. 3'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 Hidalgo County Emergency Services District No. 3'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 Hidalgo County Emergency Services District No. 3'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, 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 July 19, 2024, on our consideration of the Hidalgo County Emergency Services District No. 3'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 Hidalgo County Emergency Services District No. 3'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 Hidalgo County Emergency Services District No. 3's internal control over financial reporting and compliance.

*Adrian Webb, CPA*

Adrian Webb, CPA  
Certified Public Accountant  
Edinburg, Texas  
July 19, 2024

## **FINANCIAL SECTION**

## **MANAGEMENT DISCUSSION & ANALYSIS**



**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT No. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

This section of Hidalgo County Emergency Services District No. 3 annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2023. Please read in conjunction with the District's financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS**

- The District's net position was \$4,132,497 as of December 31, 2023.
- During the year, the District's expenses were \$188,722 and \$601,967, was generated in assessments and other revenues for governmental activities resulting in a change in net position of \$407,888.
- The general fund reported a fund balance this year of \$3,706,920.

**OVERVIEW FINANCIAL STATEMENTS**

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements must include both government-wide and fund financial statements. Governments must also present a Management's Discussion and Analysis, Notes to the Financial Statements, and Required Supplementary Information. GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District has elected to present financial statements under this combined method.

Using this method, governments will present financial statements that begin with *governmental fund financial statements*, with columns for major funds (usually only a general fund). The next column is an adjustments column. It reconciles the amounts reported on the accrual basis of accounting. The final column of these combined statements shows the amounts that normally would appear in the *government-wide statements*.

**Combined Financial Statements (pages 8-11)**

**Governmental Fund Financial Statements (first column)**

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

*Governmental fund balance sheet* presents only current assets and liabilities. Capital assets and long-term liabilities are excluded.

*Governmental fund statements of revenues, expenditures, and changes in fund balance* report information about the inflows, outflows, and balances of current financial resources.

**Government-wide Financial Statements (final column).**

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT No. 3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Notes to the Financial Statements (pages 12-21)**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information (page 22)**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information as required by the Government Accounting Standards Board.

**THE DISTRICT'S NET POSITION**

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. A portion of the District's net position, or \$268,978, is invested in capital assets and is not available for future spending. The remaining portion of the District's net position, or \$3,863,519, is unrestricted in nature and available for future spending.

**The District's Net Position**

	<b>Governmental Activities</b>		<b>Increase /</b>
	<b>2023</b>	<b>2022</b>	<b>(Decrease)</b>
<b>ASSETS</b>			
Current Assets:			
Cash, Cash Equivalents and Investments	\$ 3,441,484	\$ 3,038,658	\$ 402,826
Property Taxes Receivable (net)	396,246	367,897	28,349
Interest and Other Receivables	42,630	48,734	(6,104)
Prepaid Insurance	1,901	1,475	426
<b>Total Current Assets</b>	<b>3,882,260</b>	<b>3,456,764</b>	<b>425,496</b>
Noncurrent Assets			
Capital Assets (net)	268,978	271,481	(2,503)
<b>Total Assets</b>	<b>4,151,238</b>	<b>3,728,245</b>	<b>422,993</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Aggregated Deferred Outflows	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>4,151,238</b>	<b>3,728,245</b>	<b>422,993</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	18,740	34,234	(15,494)
<b>Total Liabilities</b>	<b>18,740</b>	<b>34,234</b>	<b>(15,494)</b>
<b>NET POSITION</b>			
Net Invested in Capital Assets	268,978	271,481	(2,503)
Unrestricted	3,863,519	3,422,529	440,990
<b>Total Net Position</b>	<b>4,132,497</b>	<b>3,694,010</b>	<b>438,487</b>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<b>\$ 4,151,238</b>	<b>\$ 3,728,244</b>	<b>\$ 422,994</b>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT No. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Change in Net Position**

	<b>Activities</b>		<b>Increase</b>
	<b>2023</b>	<b>2022</b>	<b>(Decrease)</b>
<b>General Purpose Revenues:</b>			
<b>Revenues</b>			
Property Tax Revenue	\$ 517,515	\$ 497,250	\$ 20,265
Capital Contributions	20,041	26,478	(6,437)
Interest Revenue	59,055	4,720	54,335
<b>Total General Revenues</b>	<u>596,611</u>	<u>528,448</u>	<u>68,163</u>
<b>Governmental Activities</b>			
Emergency Services	<u>188,722</u>	<u>275,799</u>	<u>(87,077)</u>
<b>Total Expenses</b>	<u>188,722</u>	<u>275,799</u>	<u>(87,077)</u>
 Net Change in Net Position	 407,888	 252,649	 155,240
Beginning Net Position	<u>3,694,010</u>	<u>3,441,361</u>	<u>252,649</u>
Prior Period Adjustment	<u>30,599</u>	<u>-</u>	<u>30,599</u>
Ending Net Position	<u>\$ 4,132,497</u>	<u>\$ 3,694,010</u>	<u>\$ 407,889</u>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related requirements, if applicable.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unrestricted fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2023, the District's governmental funds reported a total fund balance of \$3,706,920. During the year, the fund balance of the District's governmental funds increased by \$446,347.

**General Fund Budget.** A comparison of the general fund budget and actual results is presented as required supplementary information on page 22.

- Expenditures were budgeted on September 15, 2022, for the year 2023 at \$216,450. Actual expenditures for the year were \$155,620 which creates a positive variance of \$60,830.
- Revenues were budgeted on September 15, 2022, for the year 2023 at \$502,764. Actual revenues for the year were \$601,967, which creates a positive variance of \$99,204.
- Overall revenues over expenditures were \$446,347 which in comparison with budgeted revenues over expenditures of \$286,314, created a positive variance of \$160,034.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT No. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**CAPITAL ASSETS**

The District's investment in capital assets as of December 31, 2023, totaled \$268,978, (net of accumulated depreciation). No capital purchases were made during the year. Decrease was due to assets reclassifications made during the year.

<b>Capital Assets</b>			
Primary Government			
2023-2022			
	2023	2022	Increase/(Decrease)
<b>Capital Assets</b>			
Medical Equipment and Fire Truck	\$ 850,589	\$ 1,029,463	\$ (178,874)
Total Capital Assets	850,589	1,029,463	(178,874)
<b>Accumulated Depreciation</b>			
Less Accumulated Depreciation	(581,610)	(757,982)	176,372
Capital Asset, Net	\$ 268,978	\$ 271,481	\$ (2,502)

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The District's 2024 Proposed Budget calls for revenues of \$656,991 and total expenditures of \$217,950, an increase of \$1,500 compared to 2023.
- General operating fund spending budget for 2024 was prepared based on history of actual definite revenues and essential expenses to operate.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances. If you have questions about this report or need any additional information, contact the District's business office at P.O. Box 3489 220C South 12<sup>th</sup> Street, Edinburg, Texas 78539.

## **BASIC FINANCIAL STATEMENTS**

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**As of December 31, 2023**

	General Fund	Total	Adjustments	Statement of Net Position
<b>ASSETS</b>				
Current Assets:				
Cash and Equivalents	606,196	606,196	-	606,196
Investments	2,835,288	2,835,288	-	2,835,288
Accrued Interest	12,072	12,072	-	12,072
Property Taxes, Net	396,246	396,246	-	396,246
Due From Others	30,558	30,558	-	30,558
Prepaid Insurance	1,901	1,901	-	1,901
Total Current Assets	3,882,260	3,882,260	-	3,882,260
Noncurrent Assets				
Capital Assets, Net	-	-	268,978	268,978
Total Noncurrent Assets	-	-	268,978	268,978
<b>Total Assets</b>	3,882,260	3,882,260	268,978	4,151,238
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Aggregated Deferred Outflows	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 3,882,260</u>	<u>\$ 3,882,260</u>	<u>\$ 268,978</u>	<u>\$ 4,151,238</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 18,740	\$ 18,740	\$ -	\$ 18,740
<b>Total Liabilities</b>	18,740	18,740	-	18,740
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenues	156,599	156,599	(156,599)	-
<b>Total Liabilities and Deferred Inflows of Resources</b>	175,339	175,339	(156,599)	18,740
<b>FUND BALANCES</b>				
Unassigned	3,706,920	3,706,920	(3,706,920)	-
<b>TOTAL FUND BALANCES</b>	3,706,920	3,706,920	(3,706,920)	-
<b>NET POSITION</b>				
Net Investment in Capital Assets			268,978	268,978
Unrestricted			3,863,519	3,863,519
<b>TOTAL NET POSITION</b>			4,132,497	4,132,497
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 3,882,260</u>	<u>\$ 3,882,260</u>		
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				<u>\$ 4,151,238</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**For the Year Ended December 31, 2023**

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Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Fund Balance - Governmental Funds - Balance Sheet	\$ 3,706,920
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.	268,978
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.	156,599
Total Net Position - Governmental Activities	<u>\$ 4,132,497</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3**  
**Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2023**

	<b>General Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>REVENUE</b>				
Property Tax Revenue	\$ 522,567	\$ 522,567	\$ (5,052)	\$ 517,515
Property Taxes - Penalties and Interest	20,345	20,345	(305)	20,041
Interest Revenue	59,055	59,055	-	59,055
<b>TOTAL REVENUES</b>	<u>601,967</u>	<u>601,967</u>	<u>(5,357)</u>	<u>596,611</u>
<b>EXPENDITURES</b>				
Emergency Services				
Advertising	180	180	-	180
Ambulance Service	111,000	111,000	-	111,000
Annual Assessment	5,089	5,089	-	5,089
Attorney Fees	25,934	25,934	-	25,934
Bank Service Charges	13	13	-	13
Emergency Services Retirement	6,696	6,696	-	6,696
Insurance	2,109	2,109	-	2,109
Professional Fees	4,600	4,600	-	4,600
Depreciation Expense	-	-	33,102	33,102
<b>TOTAL EXPENDITURES</b>	<u>155,620</u>	<u>155,620</u>	<u>33,102</u>	<u>188,722</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>446,347</u>	<u>446,347</u>	<u>(446,347)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>446,347</u>	<u>446,347</u>	<u>407,888</u>	<u>407,888</u>
<b>FUND BALANCES/NET POSITION -</b>				
As of January 1, 2023	3,260,573	3,260,573	433,437	3,694,010
Prior Period Adjustment				30,599
<b>FUND BALANCES/NET POSITION -</b>				
As of December 31, 2023	<u>\$ 3,706,920</u>	<u>\$ 3,706,920</u>		<u>\$ 4,132,497</u>



**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 3**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to  
the Statement of Activities  
For the Year Ended December 31, 2023**

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

Total Net Change in Fund Balances - Governmental Funds	\$ 446,347
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Depreciation expense reflected in the entity wide statements, is not reflected in governmental fund statements	(33,102)
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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.	(5,357)
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Change in Net Position - Governmental Activities	<u>\$ 407,888</u>
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## **NOTES TO THE FINANCIAL STATEMENTS**

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 1 – 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

#### Government-Wide and Fund Financial Statements

GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District had elected to present financial statements using this combination method.

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.

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 include 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.

#### **Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements are reported using the economic resources measurements 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. Revenues from taxing entities for budget assessments are recognized in the fiscal year for which the assessments apply.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

The District has the following funds:

#### **Governmental fund:**

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another funds.

When the expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the District's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the District that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

#### **New Accounting Pronouncements**

GASB Statement No. 91, Conduit Debt Obligations – The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effects of implementing GASP 91 have been reflected in the District's financial statements.

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 96, Subscription-Based Information Technology Arrangements – This statement was issued in May 2021 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The effects of implementing GASB 96 have been reflected in the District’s financial statements.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 – (“GASB 100”), The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB Statement No.100 will be implemented by the District in the fiscal year ending December 31, 2024, and the impact has not yet been determined.

GASB Statement No. 101, Compensated Absences – (“GASB 101”), The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will be implemented by the District in the fiscal year ending December 31, 2024, and the impact has not yet been determined.

GASB Statement No. 102, Certain Risk Disclosures – (“GASB 102”), The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. GASB Statement No.102 will be implemented by the District in the fiscal year ending December 31, 2024, and the impact has not yet been determined.

#### **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

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 years, 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.

#### 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.

## HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

### Notes to Financial Statements

December 31, 2023

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### 6. Compensated Absences

Vested or accumulated vacation leave is recorded as expenses and liabilities of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences," no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Given that the District does not have any employees, there are no compensated absences reported as of December 31, 2023.

##### 7. 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.
- 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.

- *Non-spendable*—Amounts that cannot be spent either because they are in a non-spendable 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.

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 8. 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.

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 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.

#### 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

#### Committed Fund Balance/Restricted Net Position

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

None.

### NOTE 3 – DETAILED NOTES ON FUNDS

#### A. Tax Levy

In 2003, the voters of the District approved the levy and collection of a tax not to exceed \$0.03 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2023, the District levied an ad valorem tax at the rate of \$.01540 per \$100 of assessed valuation, which resulted in a tax levy of \$517,515 on the adjusted taxable valuation of \$3,357,571,182 for the 2023 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied by October 1, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

#### B. 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 EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 3 – DETAILED NOTES ON FUNDS - CONTINUED

As of December 31, 2023, the bank balance amount of the District's deposits was \$606,196. 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, 2023, the District's actual bank balance of \$606,196 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.

#### C. 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, 2023.

The District has certificate of deposit investments as of December 31, 2023, with Lone Star National Bank in the amount of \$2,835,288. The funds are available without penalty at their maturity date, August 21, 2024. 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 at year end were fully collateralized. Analysis of Specific Deposit and Investment Risks:

Account Type	Carrying Amount	Bank Balance
Checking Account	606,196	606,196
Total	\$ 606,196	\$ 606,196

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:

#### **Interest Rate Risk**

This is the risk that changes in interest rate 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.

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 3 – DETAILED NOTES ON FUNDS - CONTINUED

#### 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 as of December 31, 2023, consisted of the following certificates of deposit:

	Maturity Date	Balance as of January 1, 2023	Increases	Decreases	Balance as of December 31, 2023
LSNB CD #45141942	May 25, 2023	157,939	37	(157,976)	-
LSNB CD #45141934	May 25, 2023	103,437	24	(103,461)	-
LSNB CD #45200156	July 3, 2023	219,730	276	(220,005)	-
LSNB CD #45228201	August 21, 2024	-	2,800,000	-	2,800,000
Total Investments		481,106	2,800,337	(481,443)	2,800,000

#### **D. Tax Receivables**

Receivables for the District as of December 31, 2023, were as follows:

General Fund	Receivables	Allowance for Uncollectables	Total (Net)
Property Taxes	\$ 417,101	\$ (20,855)	\$ 396,246
	\$ 417,101	\$ (20,855)	\$ 396,246

#### **E. Capital Assets**

Capital asset activity for the year ended December 31, 2023, was as follows:

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 3 – DETAILED NOTES ON FUNDS - CONTINUED

<b>Governmental Activities</b>	<b>Beginning Balance January 1, 2023</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance December 31, 2023</b>
Capital Assets Being Depreciated				
Equipment	26,001	-	-	26,001
Safety Equipment	73,624	-	-	73,624
Safety Vehicles and Related Equipment	750,964	-	-	750,964
Total Capital Assets Being Depreciated	850,589	-	-	850,589
Less Accumulated Depreciation For				
Equipment	(21,713)	(3,405)	-	(25,117)
Safety Equipment	(72,655)	(969)	-	(73,624)
Safety Vehicles and Related Equipment	(454,141)	(28,728)	-	(482,869)
Total Accumulated Depreciation	(548,509)	(33,102)	-	(581,610)
Net Capital Assets Being Depreciated	302,080	(33,102)	-	268,978
Governmental Activities - Total Capital Assets, Net	\$ 302,080	\$ (33,102)	\$ -	\$ 268,978

Depreciation expense was \$33,102, for the year ended December 31, 2023.

The fixed assets beginning balance has been restated based on the fixed asset note described in Note 3(k).

#### F. 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:

	General	
Deferred Inflow of Resources	Fund	Total
Deferred Property Taxes	\$ 156,599	\$ 156,599
	\$ 156,599	\$ 156,599

#### G. Accounts Payable

Accounts payable as of December 31, 2023, consisted of the following:

Description	Amount
Attorney Fees	
Franciso Prado	\$ 1,488
Linebarger Goggan Blair & Sampson, LLP	1,253
Ambulance Service	
Med-Care EMS, Inc.	16,000
Total Accounts Payable	\$ 18,740

#### H. 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 EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 3 – DETAILED NOTES ON FUNDS - CONTINUED

#### I. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC825-10) required 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 non-financial 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 on 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.

Financial Assets:	Carrying Amount	Fair Value
Cash and Cash Equivalents	\$ 606,196	\$ 606,196
Investments (Certificate of Deposit - Level 2)	2,835,288	2,847,202
Property Taxes Receivable (net)	396,246	396,246
Interest Receivable	12,072	12,072
Due From Others	30,558	30,558
Prepaid Insurance	1,475	1,475
Financial Liabilities:		
Accounts Payable	\$ 18,740	\$ 18,740

# HIDALGO COUNTY EMERFENCY SERVICES DISTRICT NO. 3

## Notes to Financial Statements

December 31, 2023

### NOTE 3 – DETAILED NOTES ON FUNDS – CONTINUED

#### J. Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; and errors and omissions, for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three years.

#### K. Prior Period Adjustments

The following is a summary of prior period adjustments for the District's net assets:

Description	Amount
Beginning Net Assets, as previously reported	\$ 3,694,010
To record correction of Capital Assets	(178,874)
To correct prior year overstatement of accumulated depreciation	209,473
Beginning Net Assets, as restated	<u>\$ 3,724,609</u>

#### L. Commitments and Contingencies

For the year ended December 31, 2023, the District had an on-going commitment with Med Care EMS to provide ambulance services for the general public in the District's area. The district engaged with Med Care EMS for on call 9-1-1 emergency medical services with mobile intensive care ambulance services. Med Care EMS agrees to obtain all necessary licenses, permits and approvals required to provide emergency medical services in the area. The parties agreed the District will not be responsible or liable for, but is also not prohibited from operating, repairing and insuring any facilities.

The initial contract was for a period of 3 years, starting on April 28, 2021. The contract could be cancelled by either party with 30 days written notice without cause. In April 2024, the District's board approved a 6-month extension of the contract to allow for further consideration or negotiation of a new contract.

#### M. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring up to July 19, 2024. 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, 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

For the Year Ended December 31, 2023

	<b>Original Budget</b>	<b>Final Appropriated Budget</b>	<b>Budgetary Basis Actual</b>	<b>Variances Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Property Tax Revenue	\$ 498,764	\$ 498,764	\$ 522,567	\$ 23,803
Property Taxes - Penalties and Interest	-	-	20,345	20,345
Interest Revenue	4,000	4,000	59,055	55,055
Total Revenues	<u>502,764</u>	<u>502,764</u>	<u>601,967</u>	<u>99,204</u>
<b>EXPENDITURES</b>				
Advertising	750	750	180	570
Ambulance Service	168,500	168,500	113,000	55,500
Annual Assessment	5,200	5,200	5,089	111
Attorney Fees	30,000	30,000	26,521	3,479
Emergency Services Retirement	6,000	6,000	5,696	304
Insurance	2,000	2,000	1,534	466
Professional Fees	4,000	4,000	3,600	400
Total Expenditures	<u>216,450</u>	<u>216,450</u>	<u>155,620</u>	<u>60,830</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>286,314</u>	<u>286,314</u>	<u>446,347</u>	<u>160,034</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>286,314</u>	<u>286,314</u>	<u>446,347</u>	<u>160,034</u>
<b>Fund Balance at Beginning of Period</b>	<u>3,260,573</u>	<u>3,260,573</u>	<u>3,260,573</u>	<u>-</u>
<b>Fund Balance at End of Period</b>	<u><u>\$ 3,546,887</u></u>	<u><u>\$ 3,546,887</u></u>	<u><u>\$ 3,706,920</u></u>	<u><u>\$ 160,034</u></u>

## **INTERNAL CONTROL/COMPLIANCE SECTION**



# **ADRIAN WEBB, CPA**

Certified Public Accountant

Edinburg, Texas

## **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 the Hidalgo County Emergency Services District No. 3 ("the District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Hidalgo County Emergency Services District No. 3's basic financial statements and have issued our report thereon dated July 19, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hidalgo County Emergency Services District No. 3'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 Hidalgo County Emergency Services District No. 3'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hidalgo County Emergency Services District No. 3'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.

*Adrian Webb, CPA*

ADRIAN WEBB, CPA  
Edinburg, Texas  
July 19, 2024

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT No. 3**

**Schedule of Findings and Responses  
For Year Ended December 31, 2023**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of Report Issued:

**UNMODIFIED**

Internal Control over financial reporting:

One or more material weaknesses identified?

**NO**

One or more significant deficiencies identified  
that are not considered to be material weaknesses?

**NO**

**B. Financial Statement Findings:**

None

**C. Prior Year Findings**

None