

FORT BEND COUNTY EMERGENCY
SERVICES DISTRICT NO. 3

Financial Statements
with
Report of Independent Auditor

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Fort Bend County Emergency Services District No. 3

Opinion

We have audited the financial statements of the governmental activities and general fund of Fort Bend 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, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and general fund of Fort Bend County Emergency Services District No. 3, as of December 31, 2023, and the changes in financial position and the budgetary comparison of the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Fort Bend 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 opinion.

Responsibilities of Management for the Financial Statements

Fort Bend County Emergency Services District No. 3's 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 Fort Bend 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 opinion. 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 GAAS 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 GAAS, 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 Fort Bend 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 Fort Bend 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

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.

Brenham, Texas
May 13, 2024

Seidel S. Smith

Fort Bend County
Emergency Services District No. 3
P.O. Box 295
Orchard, Texas 77464

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial activities of the Fort Bend County Emergency Services District No. 3 for the year ended 2023. The information presented herein should be considered in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

The Statement of Net Position and the Statement of Activities are statements required under GASB 34 and provide information about the activities of the district as a whole and present a longer-term view of the District's finances.

Overview of the Financial Statements

The annual report consists of three parts - Independent Auditors Report, Management Discussion and Analysis, Basic Financial Statements and Fund Financial Statements.

- The first statement shows Statements of Net Position and Governmental Funds Balance Sheet.
- The next statement presents the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The financial statements also include notes that explain some of the information in the financial statements and provide more details.

Reporting the District as a Whole

The accompanying **Government Wide Financial Statements** include two statements that present financial data for the district as a whole. The Statement of Activities reports information about the district as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All the current year revenues and expenses are taken into account regardless of when funds are received or paid.

These two statements report the District's net position and liabilities and changes in them. The difference between the District's assets and liabilities are one way to measure the district's financial position.

Reporting the District's Most Significant Funds

The fund financial statements provide detailed information about the District's general fund which is the only fund.

- General fund is a governmental fund. This fund focuses on how much money flows into and out of the district and the balances left at year end that are available for spending. The governmental fund statements provided detailed short term view of the District's general government operations and the basic services it provides.

Government-Wide Financial Statements

Statement of Net Position

	<u>2023</u>	<u>2022</u>
Current & Other assets	\$ 546,830	\$ 974,762
Capital assets	<u>630,314</u>	<u>56,264</u>
Total assets	1,177,144	1,031,026
Outstanding debt	500,721	500,721
Other liabilities	<u>20,484</u>	<u>16,509</u>
Total liabilities	521,205	517,230
Deferred inflows of resources	35,193	88,589
Net investment in capital assets	129,593	56,264
Unrestricted net position	<u>491,153</u>	<u>368,944</u>
Total net position	620,746	425,208

Statement of Activities

	<u>2023</u>	<u>2022</u>
Property tax revenue	\$ 332,966	\$ 202,775
Other income	<u>19,967</u>	<u>1,810</u>
Total revenue	352,933	204,585
Professional fees	18,324	17,783
Other administrative expenses	13,241	12,927
Department expenses	113,093	101,584
Interest	<u>12,737</u>	<u>13,908</u>
Total expenses	157,395	146,202
Change in net position	<u>\$ 195,538</u>	<u>\$ 58,383</u>

As of December 31, 2023, the District had net position of \$620,746. As of December 31, 2022 net position was \$425,208, for a net increase of \$195,538.

Current assets decreased \$427,932 in 2023 primarily due to a fire truck deposit being placed in service in the current year which resulted in an increase in capital assets.

Deferred inflows of resources decreased \$53,396 in 2023 due to a decrease in property tax collections before year end.

Property taxes increased by \$130,191 in 2023 due to an increase in the property tax values for the 2022 assessment.

General Fund Budget

Differences between the budget and the actual income/expenses are summarized as follows:

- Income was \$94,511 more than budgeted in 2023 primarily due to the increase in property tax revenue.
- Overall, expenditures were \$559,201 more than budgeted in 2023 primarily due to the arrival of a new fire truck that was budgeted for in prior years.

Capital Assets

The District owns the following capital assets:

	Balance Dec. 31, 2022	Additions	Retirements	Balance Dec. 31, 2023
<u>Governmental activities</u>				
Capital assets being depreciated				
Machinery and equipment	\$ 343,671	\$ 595,975	\$ -	\$ 939,646
Total at historical cost	343,671	595,975	-	939,646
Less: accumulated depreciation for:				
Machinery and equipment	287,407	21,925	-	309,332
Total accumulated depreciation	287,407	21,925	-	309,332
Total capital assets being depreciated, net	56,264	574,050	-	630,314
Governmental activities capital assets, net	<u>\$ 56,264</u>	<u>\$ 574,050</u>	<u>\$ -</u>	<u>\$ 630,314</u>

Long-Term Debt

In 2021, the District borrowed \$549,721 for the purchase of a pumper truck. At the end of 2023, the District owed \$500,721 on this loan, of which \$101,750 is due within one year. The 2023 payment was not made until 2024. The principal and accrued interest related to 2023 are recorded as liabilities in the general fund as they were due at December 31, 2023.

Contacting the District's Financial Management

This financial report is designed to provide our taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have a question about this report or need additional information, contact Fort Bend County Emergency Services District No. 3, P.O. Box 295, Orchard, Texas 77464.

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

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 76,398	\$ -	\$ 76,398
Investments	423,868	-	423,868
Receivables, tax	21,772	-	21,772
Due from Fort Bend County Tax Office	22,418	-	22,418
Prepaid expense	-	2,374 (1)	2,374
Capital assets	-	630,314 (1)	630,314
Total Assets	<u>\$ 544,456</u>	<u>632,688</u>	<u>1,177,144</u>
LIABILITIES			
Accounts payable	\$ 7,747	\$ -	\$ 7,747
Accrued interest	12,668	69 (3)	12,737
Current portion of note payable	50,240	51,510 (3)	101,750
Note payable, less current portion	-	398,971 (3)	398,971
Total Liabilities	<u>70,655</u>	<u>450,550</u>	<u>521,205</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	56,788	(21,595) (2)	35,193
Total Deferred Inflows of Resources	<u>56,788</u>	<u>(21,595)</u>	<u>35,193</u>
FUND BALANCE / NET POSITION			
Fund Balance:			
Assigned	417,013	(417,013)	-
	<u>417,013</u>	<u>(417,013)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 544,456</u>		
Net Position:			
Net investment in capital assets		129,593	129,593
Unrestricted		491,153	491,153
Total Net Position		<u>\$ 620,746</u>	<u>\$ 620,746</u>

(1) Capital assets and certain prepaids are not financial resources and are not reported in the general fund.

(2) Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

(3) Long-term liabilities are not recorded until due in the fund financial statements.

The notes to the financial statements are an integral part of this statement.

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

	General Fund	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 323,888	\$ 2,692 (2)	\$ 326,580
Penalty and interest	6,386	-	6,386
Interest income	19,967	-	19,967
Total revenues	<u>350,241</u>	<u>2,692</u>	<u>352,933</u>
Expenditures/expenses:			
Current:			
Administrative:			
Tax collection fee	3,358	-	3,358
Central Appraisal District fees	2,309	(285) (1)	2,024
Professional fees	18,324	-	18,324
Bond fee	400	-	400
Insurance expense	2,853	-	2,853
Office	1,736	-	1,736
Advertising	80	-	80
Board fee	2,400	-	2,400
Other	390	-	390
Department:			
Orchard Volunteer Fire Department			
Operations	91,168	-	91,168
Depreciation expense	-	21,925 (3)	21,925
Capital Outlay	595,975	(595,975) (3)	-
Debt service:			
Principal	50,240	(50,240) (1)	-
Interest	12,668	69 (1)	12,737
Total expenditures/expenses	<u>781,901</u>	<u>(624,506)</u>	<u>157,395</u>
Change in fund balance/net position	(431,660)	627,198	195,538
Fund balance / net position:			
Beginning of the year	<u>848,673</u>	<u>(423,465)</u>	<u>425,208</u>
End of the year	<u>\$ 417,013</u>	<u>\$ 203,733</u>	<u>\$ 620,746</u>

- (1) Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund.
- (2) In the governmental fund, property taxes that are receivable, but not available are not recognized as income and are deferred.
- (3) General fund reports capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated based upon their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual GAAP Actual	Adjustments to Budget Basis	Actual Budget Basis	Variance with Final Budget Over/(Under)
Revenues:						
Property taxes	\$ 255,730	\$ 255,730	\$ 323,888	\$ -	\$ 323,888	\$ 68,158
Penalty and interest	-	-	6,386	-	6,386	6,386
Interest income	-	-	19,967	-	19,967	19,967
Total revenues	<u>255,730</u>	<u>255,730</u>	<u>350,241</u>	<u>-</u>	<u>350,241</u>	<u>94,511</u>
Expenditures:						
Current:						
Administrative						
Tax collection fee	3,500	3,500	3,358	-	3,358	(142)
Central Appraisal District fees	-	-	2,309	-	2,309	2,309
Professional fees	19,000	19,000	18,324	-	18,324	(676)
Bond fee	-	-	400	-	400	400
Insurance expense	1,700	1,700	2,853	-	2,853	1,153
Office	1,600	1,600	1,736	-	1,736	136
Advertising	-	-	80	-	80	80
Board fee	2,400	2,400	2,400	-	2,400	-
Other	2,000	2,000	390	-	390	(1,610)
Department:						
Orchard Volunteer Fire Department						
Operations	85,500	85,500	91,168	-	91,168	5,668
Capital outlay	-	44,000	595,975	-	595,975	551,975
Debt service:						
Principal	63,000	63,000	50,240	12,668	62,908	(92)
Interest	-	-	12,668	(12,668)	-	-
Total expenditures	<u>178,700</u>	<u>222,700</u>	<u>781,901</u>	<u>-</u>	<u>781,901</u>	<u>559,201</u>
Change in fund balance	77,030	33,030	(431,660)	-	(431,660)	(464,690)
Fund balance, beginning of the year	<u>848,673</u>	<u>848,673</u>	<u>848,673</u>	<u>-</u>	<u>848,673</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 925,703</u>	<u>\$ 881,703</u>	<u>\$ 417,013</u>	<u>\$ -</u>	<u>\$ 417,013</u>	<u>\$ (464,690)</u>

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

1. Summary of significant accounting policies

The accompanying financial statements include all funds of Fort Bend County Emergency Services District No. 3 (the District). The accounting policies of the District conform to generally accepted accounting principles. The following is a summary of the more significant policies:

A. Reporting entity

The District is a political subdivision created under Article III, Section 48-d, of the Texas Constitution by an affirmative vote of the Texas State Legislature in 1988. The District operates under Chapter 775 of the Health and Safety Code.

B. Basis of presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. Governmental activities consist of only the general fund, as the general fund is the only fund of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Fund Financial Statements

The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows, fund equity, revenues, and expenditures, as appropriate. This fund is a governmental fund which is the general operating fund of the District. It is used to account for all financial resources.

C. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on this balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The general fund uses fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

D. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Risk management

The District is exposed to various risks of loss from torts: theft of, damage to, and destruction of Department assets; business interruption; errors and omissions; injuries; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

F. Income taxes

The District is a political subdivision under the laws of the State of Texas and, therefore, is exempt from federal income tax.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

G. Capital assets

Capital assets which includes equipment is reported in the governmental activities column of the government-wide financial statements. The district defines capital assets as assets with an estimated useful life greater than one year for equipment. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is unavailable. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized over the remaining useful lives of the related capital assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation over the following estimated useful lives:

Buildings	5 to 50 years
Equipment	5 to 20 years

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition.

H. Long-term debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, long-term debt and other long-term obligations are not recorded until they are due and payable.

I. Leases

Right-of-use asset and lease obligations are recognized upon lease commencement based on the present value of lease payments expected to be made during the remaining lease term. The incremental borrowing rate is used in determining the present value of lease payments unless an implicit rate is provided in the lease. Subsequent amortization of the right to-use asset is recognized as lease expense on a straight-line basis over the lease term, and accretion of the lease liability is recognized as interest expense using the effective interest method.

Right-of-use assets and lease liabilities are not recognized for leases with an initial term of twelve months or less. For theses leases, lease expense is recognized on a straight-line basis over the lease term.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

J. Subscription-Based Information Technology Arrangements

Effective January 1, 2023, the District implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which required the recognition of certain subscription assets and liabilities for subscriptions that previously were classified as operating expenses and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District has no such arrangements.

K. Fund equity

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund statements

Governmental fund equity is classified as fund balance.

Classification of fund balances

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, and contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Board actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the Board or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Board actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the District budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the District's budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

2. Property tax

Property taxes are levied by October 1 of each year for the following calendar year. Taxes are due on receipt of the tax statement and are delinquent if not paid before February 1 of the year following the year of assessment. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and the payment of any penalties and interest ultimately imposed.

Taxes levied for fiscal year ending December 31, 2023 were at the tax rate of \$0.10 per \$100 valuation. The tax for the 2023 fiscal year was levied in 2022 on property within the District having an assessed valuation of approximately \$261,648,141.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

The District set and approved the 2023 tax rate to be \$0.100 per \$100 valuation. Property taxes for 2023 were levied for the 2024 fiscal year. Therefore, the 2023 tax monies collected in the months of October, November, and December 2023, have been presented as unavailable revenue and included as deferred inflows.

3. Stewardship, compliance and accountability

The District adopted its 2023 budget on August 29, 2022. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the account level. Actual expenditures exceeded the budget in the following categories: central appraisal district fees by \$2,309, bond fee expense by \$400, insurance expense by \$1,153, office expenses by \$136, advertising expenses by \$80, OVFD expenses by \$5,668 and capital outlay by \$551,975.

4. Cash and investments

As of December 31, 2023, the District's cash and investments totaled \$500,266, and consisted of a demand deposit account and investments in an investment pool. As of December 31, 2023, the District's deposits with financial institutions were insured by the Federal Deposit Insurance Corporation.

The District had an investment in Texas Cooperative Liquid Assets Securities System Trust (Texas Class), a local government investment pool, which had a balance of \$423,868 as of December 31, 2023. Texas Class is a local government investment pool created for the purpose of investing funds on behalf of Texas local government entities. The District has elected the practical expedient to record these funds at net asset value. Its fair value approximates carrying value, and the District's net asset value in the pool at fiscal year-end was \$1.00 per share. The fund maintains a weighted average maturity of 1 year or less and was rated AAAM by Standard and Poor's. Authorized investments for Texas Class funds include government securities, repurchase and reverse repurchase agreements and no-load money market funds.

5. Contract with Orchard Volunteer Fire Department

The District has entered into a contract with the Orchard Volunteer Fire Department. Within the District's geographical area, the Department has agreed to provide fire prevention and medical emergency training and to respond to requests for assistance in the event of fire and/or medical emergencies. The District has agreed to pay the Department's monthly submitted and approved bills not to exceed the taxes collected less the District's administrative expenses.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

6. Assigned fund balance

As of December 31, 2023 the Board has assigned \$417,013 for capital outlay expenditures for the District or the Orchard Volunteer Fire Department.

7. Capital Assets

The following is a summary of capital asset activity during the year ended December 31, 2023.

<u>Governmental activities</u>	<u>Balance Dec. 31, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Dec. 31, 2023</u>
Capital assets being depreciated				
Machinery and equipment	\$ 343,671	\$ 595,975	\$ -	\$ 939,646
Total at historical cost	343,671	595,975	-	939,646
Less: accumulated depreciation for:				
Machinery and equipment	287,407	21,925	-	309,332
Total accumulated depreciation	287,407	21,925	-	309,332
Total capital assets being depreciated, net	56,264	574,050	-	630,314
Governmental activities capital assets, net	<u>\$ 56,264</u>	<u>\$ 574,050</u>	<u>\$ -</u>	<u>\$ 630,314</u>

8. Long-term debt

In December 2021, the District entered into a loan agreement for financing a pumper truck used by the Department. The note payable is secured by a Pierce Saber Pumper truck. The note bears interest at 2.53% and matures in December 2031. The balance as of December 31, 2023 was \$500,721.

During the year ended December 31, 2023, the following changes occurred in long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Notes payable	\$ 500,721	\$ -	\$ -	\$ 500,721	\$ 101,750
	<u>\$ 500,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,721</u>	<u>\$ 101,750</u>

The December 2023 principal and interest payment was not made until January 2024. The payment was recorded in the general fund as payable as it was due as of the District's current year end.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2023

Long-term liabilities for the year ended December 31, 2023 were as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 101,750	\$ 24,065
2025	52,814	10,094
2026	54,150	8,758
2027	55,520	7,388
2028	56,925	5,983
2029 and thereafter	<u>179,562</u>	<u>9,162</u>
	<u><u>\$ 500,721</u></u>	<u><u>\$ 65,450</u></u>

9. Subsequent events

In April 2024, the District purchased a truck for \$57,040.