

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

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022



PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 3
September 30, 2022

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PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 3

BOARD OF COMMISSIONERS

SEPTEMBER 30, 2022

PRESIDENT – ED HUDDLESTON

VICE-PRESIDENT – JERRY BROOKS

SECRETARY/TREASURER – BETTY REINERT

ASSISTANT TREASURER – JERRY STOCKON

COMMISSIONER – BRET PRIVITT

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Parker County Emergency Services District No. 3
Hudson Oaks, Texas 76087

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of Parker County Emergency Services District No. 3 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of Parker County Emergency Services District No. 3 as of September 30, 2022, and the respective changes in the financial position, thereof for the year then ended in conformity 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

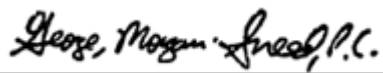
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 – 10, budgetary information on pages 23-24 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 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 and 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 May 15, 2023 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District’s internal control over financial reporting and compliance. .



Weatherford, Texas
May 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parker County Emergency Services District No. 3, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2022. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the Parker County Emergency Services District No. 3 exceeded its liabilities by \$3,996,005 (net position) for the current year reported as compared to \$3,334,366 (net position) in the previous year.
- The District's total net position increased by \$661,639 for the current year reported. This compares to an increase of \$551,762 in the previous year.
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$7,750,649. The governmental fund reported ending balance in the prior year was \$2,796,684.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes. The governmental activity of the District is to provide protection of life and property from fire, hazardous material incidents, accident, disaster, and other emergencies, and for the conservation of natural resources.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one governmental fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 22 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Parker County Emergency Services District No. 3, assets exceeded liabilities by \$3,996,005 as of September 30, 2022.

Below are summaries of the District’s Statement of Net Position and Statement of Activities.

Condensed Statement of Net Position		
	2022	2021
Assets:		
Current assets	\$ 7,765,826	\$ 2,817,828
Capital assets	1,301,059	1,260,972
Total assets	9,066,885	4,078,800
Liabilities:		
Current liabilities	351,512	116,408
Long-term liabilities	4,719,368	628,026
Total liabilities	5,070,880	744,434
Net position:		
Net investment in capital assets	568,763	542,571
Unrestricted	3,427,242	2,791,795
Total Net Position	\$ 3,996,005	\$ 3,334,366

Changes in Net Position		
	2022	2021
Revenues:		
General revenues:		
Property taxes	2,096,143	1,859,055
Other Income	17,135	11,504
Gain on disposal of capital assets	15,000	-
Investment earnings	43,590	51,907
Total revenues	<u>2,171,868</u>	<u>1,922,466</u>
Expenses:		
Emergency services operations	1,510,229	1,370,704
Total expenses	<u>1,510,229</u>	<u>1,370,704</u>
Change in net position	661,639	551,762
Net position October 1	3,334,366	2,782,604
Net position September 30	<u>\$ 3,996,005</u>	<u>\$ 3,334,366</u>

Governmental Activities. Governmental activities increased the District's net position by \$661,639 with an increase of \$551,762 in the prior year. Total governmental activities revenues increased mainly due to an increase in property taxes of \$237,088 and an increase in gain on disposal of capital assets of \$15,000. The taxable value of property in the District increased \$232 million. The total governmental activities expenses increased \$139,525 due to increase of \$59,988 for interest expense related to notes payable for new fire station and lease liability recognition, debt issuance costs of \$53,750 for new debt for fire station, and approximately \$15,825 increase in contract with City of Weatherford.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the District's governmental fund 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the District's governmental fund reported ending fund balance of \$7,750,649. \$3,450,649 represents unassigned fund balance that is available for spending at the District's discretion and restricted fund balance of \$4,300,000 is to be spent for the new fire station. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 204.17% of the total general fund expenditures. During the year, the fund balance of the District's general fund increased \$4,953,965. Below is a comparison of the general fund's net change in fund balance for 2022.

Changes in General Fund Balance

	2022	2021	Increase (Decrease)
Revenues:			
General revenues:			
Property taxes	2,101,769	1,854,873	246,896
Other Income	1,176	4,712	(3,536)
Investment earnings	43,590	51,907	(8,317)
Vehicle inventory tax	15,959	6,792	9,167
Total revenues	2,162,494	1,918,284	244,210
Expenditures:			
Emergency services operations	1,219,858	1,214,414	5,444
Capital Outlay	177,867	303,391	(125,524)
Debt service			
Principal	167,653	87,949	79,704
Interest	70,949	23,061	47,888
Debt issuance costs	53,750		
Total Expenditures	1,690,077	1,628,815	61,262
Excess (deficiency) of revenues over expenditures	472,417	289,469	182,948
Othe financing sources (uses):			
Proceeds from note payable	4,353,750	-	4,353,750
Lease financing	127,798	-	127,798
Total financing sources (uses)	4,481,548	-	4,481,548
Net change in fund balance	\$ 4,953,965	\$ 289,469	\$ 4,664,496

Budgetary Fund Highlights

The original and final budget can be briefly summarized by the following chart:

	Budgeted Amounts		(Decrease) in Budget
	Original	Final	
Expenditures:			
Emergency services operations	\$ 1,612,988	\$ 1,510,296	\$ (102,692)
	\$ 1,612,988	\$ 1,510,296	\$ (102,692)

The District adopts a budget at the beginning of the fiscal year.

Changes were made in the budget to reflect the increased cost of the City of Weatherford contract, reduction in debt service principal as District decided not to payoff debt, increased interest expense for the new fire station loan and increased property tax revenue.

Appropriations for expenses exceed budget by \$126,031 mainly due to the recognition of the lease liability for City of Hudson Oaks.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2022, amounts to \$1,301,059 (net of accumulated depreciation and amortization). This investment in capital assets includes equipment and vehicles.

Capital Assets:		
Land	\$ 404,302	\$ 404,302
Leased building	101,173	-
Equipment	10,816	9,075
Vehicles	784,768	847,595
Total capital assets	\$ 1,301,059	\$ 1,260,972

Long-Term Debt

The District's long-term debt is as follows:

	2022	2021
Lease liability	\$ 101,596	\$ -
Notes payable	4,930,700	718,401
Total	\$ 5,032,296	\$ 718,401

Economic Factors and the Next Year's Budgets and Rates

The 2022-2023 budget is based on 98% of the certified taxable value of Parker County ESD3. As of March 14, 2023 ESD No. 3 has received 94.8% of the taxes budgeted and fully expects to receive an amount equal to or greater than 99% before the end of this fiscal year.

The area within ESD No. 3 covers approximately 64 square miles and is primarily protected through a Joint Operating Agreement with the City of Weatherford. A small area along the eastern edge of the District is serviced through an Agreement with the City of Willow Park through an automatic aid agreement. Beginning on October 1, 2015, the ESD and the City of Weatherford entered into a ten-year agreement based on payments to Weatherford equaling 4.815 cents per \$100 valuation of the district tax base. An Amendment to the service contract with the City of Weatherford, effective October 1, 2019, changed the way the fee for the contract was determined. Under this Amendment, the fee was 13% of the City of Weatherford Fire Department Budget paid in quarterly payments. A new Interlocal Agreement was signed on September 29, 2022 detailing the annual cost and personnel requirements. The District also provides a facility in Hudson Oaks as well as one engine, one brush truck and one tanker truck for the Weatherford Fire Department to utilize. ESD3 currently has a brush truck being constructed. It should be ready for service within the next six months.

The savings from the Joint Operating Agreement will be used to fund replacement apparatus as needed. The current fire station is leased from the City of Hudson Oaks and is not adequate in its present condition. The board has secured financing for a new station and is currently seeking property on which to build a new station.

Construction and service road improvements in the immediate area of Hudson Oaks and improved thoroughfares throughout the district will continue to support long term economic development. Considering these factors, along with the Board of Commissioners' dedication to fiscal responsibility and excellent emergency services, no increase or decrease is expected for the 2024 Budget.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Parker County Emergency Services District No. 3, Attn: President, 150 N. Oakridge, Hudson Oaks, Texas 76087.

BASIC FINANCIAL STATEMENTS

Parker County Emergency Services District No. 3
Statement of Governmental Fund Balance Sheet and Statement of Net Position
September 30, 2022

	Governmental Fund <u>General Fund</u>	Adjustments (Note 5)	Governmental Activities <u>Statement of Net Position</u>
Assets:			
Cash	\$ 475,764	\$ -	\$ 475,764
Certificates of deposit	-		-
Investments	7,278,558		7,278,558
Property tax receivable (Net of allowance for uncollectibles)	11,504		11,504
Capital assets (net of accumulated depreciation):			
Land	-	404,302	404,302
Vehicles	-	784,768	784,768
Equipment	-	10,816	10,816
Leased building(net of accumulated amortization)		101,173	101,173
Total Assets	<u>7,765,826</u>	<u>1,301,059</u>	<u>9,066,885</u>
Liabilities:			
Accrued payables	3,675	5,023	8,698
Accrued interest		29,886	29,886
Long term liabilities:			
Due within one year		312,928	312,928
Due after one year		4,719,368	4,719,368
Total Liabilities	<u>3,675</u>	<u>5,067,205</u>	<u>5,070,880</u>
Deferred inflows of resources:			
Deferred property tax	11,502	(11,502)	-
Total deferred inflows of resources	<u>11,502</u>	<u>(11,502)</u>	<u>-</u>
Fund balance/Net position:			
Fund balance:			
Unassigned	3,450,649	(3,450,649)	-
Restricted Net Assets (expendable)	4,300,000	(4,300,000)	-
Total fund balances	<u>7,750,649</u>	<u>(7,750,649)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 7,765,826</u>		
Net Position:			
Net investment in capital assets		568,763	568,763
Unrestricted Net Position		3,427,242	3,427,242
		<u>\$ 3,996,005</u>	<u>\$ 3,996,005</u>

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

Parker County Emergency Services District No. 3
Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2022

	Governmental Fund <u>General Fund</u>	Adjustments (Note 5)	Governmental Activities <u>Statement of Activities</u>
Revenues:			
General revenues:			-
Property taxes	2,101,769	(5,626)	2,096,143
Other Income	1,176		1,176
Investment earnings	43,590	-	43,590
Vehicle inventory tax	15,959	-	15,959
Total revenues	<u>2,162,494</u>	<u>(5,626)</u>	<u>2,156,868</u>
Expenditures/expenses:			
Emergency services operations:			
Contract services	12,950	-	12,950
Legal	6,743		6,743
Rent	24,734	-	24,734
Bank charges	250	-	250
Advertising	973	-	973
Dues and subscriptions	1,100	-	1,100
Insurance	9,627	-	9,627
Operations	41,675		41,675
Miscellaneous	658	-	658
Appraisal district fees	31,147	-	31,147
Travel & meetings	7,478	-	7,478
Payroll	83,983	3,263	87,246
Contract with Weatherford	942,450	-	942,450
Architect Fees	56,090	-	56,090
Depreciation		126,155	126,155
Amortization		26,625	26,625
Capital outlay			
Capital outlay	177,867	(177,867)	-
Debt service			
Principal	167,653	(167,653)	-
Interest	70,949	9,629	80,578
Debt issuance costs	53,750		53,750
Total expenditures/expenses	<u>1,690,077</u>	<u>(179,848)</u>	<u>1,510,229</u>
Excess (deficiency) of revenues over expenditures	472,417	174,222	646,639
Other financing sources (uses):			
Proceeds from note payable	4,353,750	(4,353,750)	-
Lease financing	127,798	(127,798)	-
Gain on disposal of capital assets	-	15,000	15,000
Change in fund balance/net position	4,953,965	(4,292,326)	661,639
Fund balance/net position:			
Beginning of the year	<u>2,796,684</u>	<u>537,682</u>	<u>3,334,366</u>
End of the year	<u>7,750,649</u>	<u>(3,754,644)</u>	<u>3,996,005</u>

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

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Creation of Emergency Services District

The Parker County Emergency Services District No. 3 (the “District”) was created on February 18, 2004, pursuant to Chapter 775 of the Health and Safety Code of Vernon’s Ann. Civil Statutes (Health and Safety Code).

The basic financial statements of the District have been prepared in conformity with the generally accepted account principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District provides firefighting and emergency services to citizens of the District. The District’s primary source of revenue is ad valorem taxes.

B. Reporting Entity

The District is a political subdivision of the state created to perform the functions of the District. The District is not included in any other governmental “reporting entity” as defined in GASB pronouncements, since board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The board members are appointed by the Commissioner’s Court of Parker County.

C. Government-wide and Fund Financial Statements

The District is engaged in one governmental program and therefore considered a special purpose government under GASB No. 34. This allows the District to present a combined columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. Governmental fund financial statements are prepared on the modified accrual basis of accounting. An adjustment column includes those adjustments needed to convert fund financial statements to full accrual basis to government-wide financial statements. The statement of net position and statement of activities are government-wide financial statements. Governmental activities are normally supported by taxes.

D. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred.

Property taxes are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental fund:

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

E. Cash and Cash Equivalents

The District considers all highly liquid investments available to be cash on hand, demand deposits and short-term investments that are highly liquid with maturity within three months or less when purchased.

F. Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over estimated useful lives of between 5 to 7 years for equipment, and 5 – 10 years for vehicles.

The cost of normal maintenance and repairs that do not add to the value of the asset or material extend assets lives are not capitalized.

G. Fund Balances – Governmental Funds

In accordance with GASB No. 54, the District classified fund balances in the governmental funds as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed – includes amounts that can only be used for specific purposes. The Board of Commissioners is authorized to commit funds.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned – all amounts not included in other spendable classifications.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

H. Government-wide Net Position

Government-wide net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that is restricted by District’s creditors, by the state enabling legislation, by grantors and other contributors.
- Unrestricted – all other net position is reported in this category.

I. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District’s policy is to apply restricted net position first.

J. Use of Estimates

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

K. Deferred Inflows of Resources

The District’s governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). The District has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District’s fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet.

L. Bad Debt Allowance

The bad debt allowance is 1% of the original tax levy, adjusted when the delinquent taxes for any year is less than the remaining reserve for that year. This resulted in a bad debt provision of \$20,848.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 2 – CASH AND INVESTMENTS

The State Public Funds Investment Act authorize the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, banker’s acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2022, the District did not own any types of securities other than permitted by statute.

TexPool has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. An advisory board composed of participants in TexPool and other persons who do not have a business relationship with TexPool has been established and maintained.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s funds are required to be deposited and invested under the terms of a depository contract. At September 30, 2022, \$728,328 of the District’s deposits at First Financial Bank were collateralized and insured and \$1,032,312 of the District’s deposits at RBC were not collateralized or insured..

Credit Risk – Investments

The District controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

Interest Rate Risk – Investments

In accordance with its investment policy, the District manages interest rate risk by avoiding overconcentration of assets in a specific maturity sector, a specific issuer or a specific class of securities. Portfolio maturities are staggered in a way that protects interest income from volatility and concentrations in a specific maturity sector. The maximum dollar weighted average maturity will be limited to two years. The District’s investments at September 30, 2022 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Value</u>
Investment in TexPool	AAAm	60 days	73%	\$ 5,278,246	\$ 5,278,246
RBC CDs		1 year	13%	968,000	968,000
RBC Cash			14%	1,032,312	1,032,312
Total			100%	\$ 7,278,558	\$ 7,278,558

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 3 – PROPERTY TAX

The government’s property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located included in the District. Appraised values are established by the Parker County Appraisal District.

Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date.

In the governmental funds the District’s property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected as deferred inflows of resources.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 404,302		\$ -	\$ 404,302
Total non - depreciable assets	<u>404,302</u>	<u>-</u>	<u>-</u>	<u>404,302</u>
Depreciable/Amortizable Assets:				
Leased building		127,798		127,798
Equipment	177,360	8,206	(26,593)	158,973
Vehicles	1,335,932	56,863	(38,469)	1,354,326
Total depreciable/ amortizable assets	<u>1,513,292</u>	<u>192,867</u>	<u>(65,062)</u>	<u>1,641,097</u>
Accumulated depreciation/amortization:				
Leased building		(26,625)		(26,625)
Equipment	(168,285)	(6,465)	26,593	(148,157)
Vehicles	(488,337)	(119,690)	38,469	(569,558)
Total accumulated depreciation/amortization	<u>(656,622)</u>	<u>(152,780)</u>	<u>65,062</u>	<u>(744,340)</u>
Governmental activities capital assets, net	<u>\$ 1,260,972</u>	<u>\$ 40,087</u>	<u>\$ -</u>	<u>\$ 1,301,059</u>

Depreciation expense of \$126,155 and amortization expense of \$26,625 was charged to the emergency services operations.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 5 – RECONCILIATION

Reconciliation of the Governmental Fund Balance to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$ 7,750,649
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets was \$2,045,399, and accumulated depreciation/amortization was \$744,340.	1,301,059
Notes payable and lease liability are not due and payable in the current period and therefore not reported as a liability in the fund financial statements.	(5,032,296)
Accrued interest payable is not recognized as a liability in the governmental funds.	(29,886)
Accrued wages for vacation is not due and payable in the current period and therefore not reported as a liability in the fund financial statements.	(5,023)
Property taxes receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	11,502
Net Position of Governmental Activities	\$ 3,996,005

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 5 – RECONCILIATION (continued)

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities:

Total Net Change in Fund Balance - Governmental Fund	\$ 4,953,965
Current year capital outlay and lease payments are expenditures in the fund financial statements, they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The \$167,653 of principal payments and \$192,867 in capital outlay is to increase net position.	345,520
Depreciation and amortization are not recognized as an expense in governmental fund since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(152,780)
Current year interest payable of the governmental funds is not due and payable in the current period, and, therefore is not reported as liabilities in the fund financial statements.	(9,629)
Current year notes payable and lease liability are other financing sources in the fund financial statements. The effect is a decrease in net position in the government-wide financial statements.	(4,481,548)
Wages for accrued vacation of the governmental funds is not due and payable in the current period, and therefore is not reported as liabilities in the fund financial statements	(3,263)
Property tax revenues in the government-wide statement of activities that do not provide current financial resources are not reported in the funds.	(5,626)
Gain on disposal of fixed assets are not reported in the fund financial statements. The effect is an increase in net position in the government-wide financial statements.	15,000
Change in Net Position of Governmental Activities	\$ 661,639

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 6 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

The District entered into a notes payable agreement in the total amount of \$400,280 bearing interest at approximately 2.791% per annum. The agreement is dated October 1, 2015 and matures October 1, 2025. The note is payable in ten annual installments of \$46,426, including principal and interest. The cost of the financed leased asset is \$483,845 and the accumulated depreciation at September 30, 2022 is \$266,115. The balance outstanding at September 30, 2022 is \$173,021.

The District entered into a notes payable agreement for the purchase of a fire engine in the amount of \$553,383 bearing interest at approximately 2.89% per annum. This agreement is dated October 15, 2019, and matures October 15, 2029. The note is payable in ten annual installments of \$64,510, including principal and interest. The cost of asset is \$713,055 and the accumulated depreciation at September 30, 2022 is \$83,190. The balance outstanding at September 30, 2022 is \$454,947.

The District entered into a notes payable agreement for the construction of a building in the total amount of \$4,353,750 bearing interest at approximately 3.40% per annum payable in monthly installments of \$25,206.85. This agreement is dated May 5, 2022 and matures May 5, 2042. There have been no costs incurred for the building as of September 30, 2022. The balance outstanding at September 30, 2022 is \$4,302,769.

The future minimum payments of the notes payable at September 30, 2022 are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 249,398	\$ 161,860	\$ 411,258
2024	257,446	153,812	411,258
2025	265,756	145,502	411,258
2026	273,921	136,921	410,842
2027	236,770	128,062	364,832
2028-2032	1,176,125	519,016	1,695,141
2033-2037	1,177,039	324,572	1,501,611
2038-2042	1,294,245	107,222	1,401,467
Total	\$4,930,700	\$1,676,967	\$6,607,667

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 6 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

The District is the lessee of a building under a two-year operating lease, subject to conditional early termination with the City of Hudson Oaks. The interest rate on the lease is fixed at 3.40% for the term of the lease. The balance outstanding at September 30, 2022 is \$101,596.

The future minimum payments of the lease liability at September 30, 2022 are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 63,530	\$ 2,470	\$ 66,000
2024	38,066	433	38,499
Total	\$ 101,596	\$ 2,903	\$ 104,499

Long-term debt activity for the year ended September 30, 2022 was as follows:

	Balance 09/30/2021	Additions	Deletions	Balance 09/30/2022	Due within One year
Lease Liability	\$ -	\$ 127,798	\$ (26,202)	\$ 101,596	\$ 63,530
Notes Payable	\$ 718,401	\$ 4,353,750	\$ (141,451)	\$ 4,930,700	\$ 249,398
Total Long-term Liabilities	\$ 718,401	\$ 4,481,548	\$ (167,653)	\$ 5,032,296	\$ 312,928

Interest expense for the year ended September 30, 2022 is \$80,578.

NOTE 7– RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors and omissions and injuries to volunteer firefighters. Commercial insurance for liability was purchased through third party carriers. The District does not expect claims to exceed insurance coverage.

At September 30, 2022, there was no significant reduction in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 8 – CONTRACTS AND COMMITMENTS

On October 1, 2019, the District entered into an agreement with the City of Weatherford whereas the City will perform certain government functions and services for the District, which functions and services will be limited to providing certain emergency services within the entire response area of the District. The District paid the City according to the contact terms of 13% of the City's budget for the fire department.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2022

NOTE 9 – COMPENSATED ABSENCES

The District allows vacation and sick leave with pay for all regular full-time employees. The maximum vacation days that can be accrued is 240 hours. Administrative employees may accrue up to 600 hours of sick leave, while 24-hour personnel may accrue up to 900 hours. Any employee who is terminated by the District or resigns voluntarily are eligible to receive compensation for their vacation and a portion of their accrued sick leave unless the employee is discharged for gross misconduct in connection with his/her position with the District. At September 30, 2022, unused accrued leave at the employee's current rate of pay amounted to \$5,023.

NOTE 10– LEASES

For 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for leases accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the District's September 30, 2022 financial statements, but did not have an effect on the beginning net position.

NOTE 11– SUBSEQUENT EVENTS

The District purchased a 2022 Ram 5500 Brush Truck on 8/9/22 for \$56,862.79. As of the report date, the brush truck is still in process of being outfitted and built.

Subsequent events were evaluated through May 15, 2023, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Parker County Emergency Services District No. 3
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance With Budget Positive (Negative)
	Original	Final		
REVENUES:				
General revenues:				
Property taxes	1,940,702	2,101,769	2,101,769	-
Other Income	-	1,262	1,176	(86)
Investment earnings	750	3,682	43,590	39,908
Vehicle inventory tax	1,000	15,959	15,959	-
Total revenues	<u>1,942,452</u>	<u>2,122,672</u>	<u>2,162,494</u>	<u>39,822</u>
EXPENDITURES:				
Emergency services operations:				
Current:				
Contract Services	6,500	12,950	12,950	-
Legal	5,000	6,743	6,743	-
Rent	25,254	52,234	24,734	27,500
Bank Charges	275	250	250	-
Advertising	1,500	973	973	-
Dues and subscriptions	1,200	1,100	1,100	-
Insurance	10,863	9,627	9,627	-
Operations	38,995	36,899	41,675	(4,776)
Miscellaneous	656	656	658	(2)
Appraisal district fees	34,000	31,147	31,147	-
Travel and meetings	8,500	7,478	7,478	-
Payroll	86,624	85,752	83,983	1,769
Contract with City of Weatherford	915,000	942,450	942,450	-
Architect Fees	-	-	56,090	(56,090)
Capital outlay	-	-	177,867	(177,867)
Debt service				
Principal	458,060	252,386	167,653	84,733
Interest	20,561	69,651	70,949	(1,298)
Debt issuance costs	-	-	53,750	(53,750)
	<u>1,612,988</u>	<u>1,510,296</u>	<u>1,690,077</u>	<u>(126,031)</u>
Excess (deficiency) of revenues over expenditures	329,464	612,376	472,417	(86,209)
Other financing sources (uses):				
Proceeds from note payable	-	-	4,353,750	(4,353,750)
Lease financing	-	-	127,798	(127,798)
Net change in fund balance	329,464	612,376	4,953,965	4,341,589
Fund balance October 1, 2021	<u>2,796,684</u>	<u>2,796,684</u>	<u>2,796,684</u>	<u>-</u>
Fund balance September 30, 2022	<u>\$ 3,126,148</u>	<u>\$ 3,409,060</u>	<u>\$ 7,750,649</u>	<u>\$ 4,341,589</u>

The notes to RSI are an integral part of this statement

Parker County Emergency Services District No. 3
Notes to the Required Supplementary Information
For the Year Ended September 30, 2022

Budget

Annual operating budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The Board of Commissioners follow these procedures in establishing budgetary data reflected in the financial statements.

- a. Prior to the beginning of the fiscal year, proposed operating budget is submitted by the Budget Officer to the Board of Commissioners for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and the means of financing them for the general fund.
- b. The budget may be amended with the approval of the Board of Commissioners. The budget was amended during the fiscal year.
- c. Budgetary control is maintained at the line-item level, subject to adjustments permitted as described above.

Changes were made in the budget to reflect the increased cost of the City of Weatherford contract, reduction in debt service principal as District decided not to pay off debt, increased interest expense for the new fire station loan and increased property tax revenue.

Appropriations for expenses exceed budget by \$126,031 mainly due to the recognition of the lease liability for City of Hudson Oaks.

**OVERALL COMPLIANCE AND INTERNAL
CONTROL SECTION**

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

To the Board of Commissioners
Parker County Emergency Services District No. 3
Hudson Oaks, Texas

We have audited, 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, the financial statements of the governmental activities and major fund of the Parker County Emergency Services District No. 3 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon, dated May 15, 2023.

Report on Internal Control over Financial Reporting

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

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

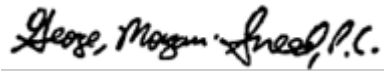
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. 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.

A handwritten signature in black ink, reading "George Morgan Freed, P.C.", enclosed in a thin black rectangular border.

Weatherford, Texas
May 15, 2023