

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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CPAs | ADVISORS

CLIENT **FOCUSED**. RELATIONSHIP **DRIVEN**.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

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December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To: Board of Commissioners
Fort Bend County Emergency Services District No. 1
Fort Bend County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Fort Bend County Emergency Services District No. 1, Fort Bend County, Texas, (the "District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and the related notes to required supplementary 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

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

ABIP, PC

Houston, Texas

June 9, 2022

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

This section of the Fort Bend County Emergency Services District No. 1's (the "District") annual financial report presents management's discussion and analysis of the District's financial performance during the year ended December 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$1,105,670 (net position) for the fiscal year reported. This is an overall increase of \$52,511 from December 31, 2020.
- Expenses for the year ended December 31, 2021 were \$338,983. Revenues exceeded expenses by \$52,511.
- The general fund reported a fund balance of \$806,229. This is a decrease of \$41,887 in comparison to the prior year December 31, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was created as a political subdivision of the state of Texas on January 25, 2001 under Chapter 775 of the Health and Safety Code. The District levies a 8.55 cent per \$100 property valuation tax. The District's Annual Financial Report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The statement of net position and the statement of activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities – Emergency services operating activities are reported in these statements.

The statement of net position and the statement of activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial health or position has improved or deteriorated as a result of the current year's activities. Both of these statements are prepared using the full accrual basis of accounting similar to that used by most private-sector companies. The statement of net position includes all assets and liabilities, both short and long-term as well as deferred outflows and inflows of resources. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net position, which represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Over time, the increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.

Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. To assess the overall financial health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

FUND FINANCIAL STATEMENTS

The fund financial statements are designed to report information by grouping related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental Funds - The accounting for the District's services are included in the governmental funds. The measurement focus and basis of accounting used for reporting continues to be the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 10 and 11.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements. The notes to the financial statements are provided starting on page 12.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information beginning on page 19.

Financial analysis of the District as a whole

The District had an unrestricted net position of \$1,105,670 as of December 31, 2021. This is a \$52,511 increase over last year's unrestricted net position of \$1,053,159.

In accordance with GASB Statement No. 34, comparative analysis of government-wide information from prior year to current year is presented.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

Statement of Net Position

A schedule of the District’s net position is summarized as follows:

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Current assets	<u>1,106,916</u>	<u>\$ 1,055,700</u>
Total assets	<u>1,106,916</u>	<u>1,055,700</u>
LIABILITIES:		
Current liabilities	<u>1,246</u>	<u>2,541</u>
Total liabilities	<u>1,246</u>	<u>2,541</u>
NET POSITION:		
Unrestricted net position	<u>1,105,670</u>	<u>1,053,159</u>
Total net position	<u><u>\$ 1,105,670</u></u>	<u><u>\$ 1,053,159</u></u>

Statement of Activities

The District’s total revenues were \$391,494 in 2021. In 2021, 99% of the total revenue came from ad valorem property taxes 1% of revenue came from interest earnings. For the year ended December 31, 2021, the total expenses were \$338,983 including \$300,000 of public safety and \$38,983 of general government expenses.

The following table summarizes the changes in the District’s net position from its activities for the years ended December 31:

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
REVENUES:		
General revenues	<u>\$ 391,494</u>	<u>400,543</u>
Total revenues	<u>391,494</u>	<u>400,543</u>
EXPENSES:		
Public safety	<u>300,000</u>	<u>250,000</u>
General government	<u>38,983</u>	<u>44,591</u>
Total expenses	<u>338,983</u>	<u>294,591</u>
Change in net position	<u>52,511</u>	<u>105,952</u>
NET POSITION - beginning of year	<u>1,053,159</u>	<u>947,207</u>
NET POSITION - end of year	<u><u>\$ 1,105,670</u></u>	<u><u>\$ 1,053,159</u></u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The ad valorem property tax rate is \$0.085553 per \$100 property valuation which was a decrease from 2020 tax year of \$0.0017. The District expects nominal increase in revenues for the 2022 year due to an increase in certified property valuations.

BUDGETARY HIGHLIGHTS

Actual revenues for the general fund in 2021 were less than budgeted amounts by \$78,897. Expenditures were exceeded budget in 2021 by \$38,773 primarily due to an additional \$50,000 of emergency services incurred.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tonya Fusco, District Bookkeeper, at 281-398-6200, or at 20501 Katy Freeway, Suite 202, Katy Texas 77450.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF NET POSITION

December 31, 2021

ASSETS

CURRENT ASSETS:

Cash	\$ 145,209
Short-term investments	614,187
Taxes receivable	299,441
Due from tax assessor/collector	<u>48,079</u>

TOTAL ASSETS \$ 1,106,916

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	<u>1,246</u>
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NET POSITION:

Unrestricted	<u>1,105,670</u>
Total net position	<u>1,105,670</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,106,916

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	<u>Expenses</u>	<u>Contributions</u>	<u>Net (Expense) Revenue</u>
FUNCTIONS/PROGRAMS:			
Primary government:			
Governmental activities:			
Public safety - emergency services	\$ 300,000	\$ -	\$ (300,000)
General government	38,983	-	(38,983)
Total government activities	<u>\$ 338,983</u>	<u>\$ -</u>	<u>(338,983)</u>
GENERAL REVENUES:			
Property taxes			391,061
Interest income			433
Total general revenues			<u>391,494</u>
CHANGE IN NET POSITION			52,511
NET POSITION - beginning of year			<u>1,053,159</u>
NET POSITION - end of year			<u>\$ 1,105,670</u>

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

BALANCE SHEET – GENERAL FUND

December 31, 2021

ASSETS

ASSETS:

Cash	\$	145,209
Short-term investments		614,187
Taxes receivable		299,441
Due from tax assessor/collector		48,079

TOTAL ASSETS \$ 1,106,916

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$	1,246
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DEFERRED INFLOWS OF RESOURCES:

Uncollected property taxes		299,441
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FUND BALANCE:

Assigned		250,000
Unassigned		556,229
Total fund balance		806,229

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE \$ 1,106,916

**RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2021**

TOTAL GENERAL FUND BALANCE \$ 806,229

Deferred revenues are recorded in the funds, but are not deferred under the measurement focus employed in the statement of net position. 299,441

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,105,670

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GENERAL FUND**

For the Year Ended December 31, 2021

REVENUES:

Property taxes	\$	296,663
Interest income		433
		<hr/>
Total revenues		297,096
		<hr/>

EXPENDITURES:

Appraisal district fees		2,449
Bookkeeping expense		5,280
Emergency services		300,000
Insurance		3,010
Legal and professional fees		22,504
Legal notices		123
Office expenses		5,067
Seminars		550
		<hr/>

Total expenditures 338,983

Excess of revenues over expenditures/net change in fund balance (41,887)

FUND BALANCE - beginning of year 848,116

FUND BALANCE - end of year \$ 806,229

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED December 31, 2021**

NET CHANGE IN GENERAL FUND BALANCE \$ (41,887)

Deferred revenues are recorded in the funds, but are not deferred

under the measurement focus employed in the statement of net assets. 94,398

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 52,511

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

(1) Creation of District and summary of significant accounting policies

Creation of District

The Fort Bend Emergency Services District No. 1 (the “District”), a political subdivision, was created on January 25, 2001, under Chapter 775 of the Health and Safety Code to facilitate the application of emergency services including fire protection, fire prevention and rescue services to the residents of the District. The basic operations of the District are funded through tax levies assessed on members of the District.

Reporting entity

All financial activities attributable to the District and directly subject to the authorization and control by the Board of Commissioners are included in the financial statements. For financial reporting purposes, the District is neither considered to be a component unit of another entity, nor is another entity considered to be a component unit of the District.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the financial position and activities of the District. All payments to the District are the result of a tax levy received in a non-exchange transaction. All tax revenues received are reported in the statement of activities as general revenues. The District does not provide any program services for which it receives a fee.

The fund financial statements provide reports on the financial condition and results of operations of the general fund, the only fund of the District.

Measurement focus, basis of accounting and financial statement presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (“GAAP”). GAAP includes all relevant Governmental Accounting Standards Board (“GASB”) pronouncements. The accounting and reporting framework and the more significant policies are discussed in subsequent sections of note 1.

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 has been incurred, regardless of the timing of related cash flows.

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and contributions. On an accrual basis, revenue from property taxes and sales taxes are recognized in the fiscal year for which the taxes are levied.

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 become measurable and available to finance expenditures of the current period. For this purpose, the District considers the revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

(1) Creation of District and summary of significant accounting policies (continued)

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's practice to use restricted resources first, then unrestricted resources.

Fund financial statements

The general fund is used to account for all the financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the bylaws of the District. Currently the District has no obligations or restrictions requiring the use of other specific fund types.

Cash and cash equivalents

The District considers cash and cash equivalents to be cash in demand accounts and other investments with an original maturity of three (3) months or less.

Property taxes

The District's tax calendar is as follows:

Levy Date:	Before the later of September 30 th or the 60 th day after the receipt of the certified tax roll
Lien Date:	January 1
Due Date:	Not later than January 31
Delinquent Date:	February 1 and July 1, at which times the taxpayer is liable for interest and penalties, respectively

During the year ended December 31, 2021, the District levied an ad valorem tax at the rate of \$0.085553 per \$100 of assessed valuation for the 2021 tax year. This resulted in a tax levy of \$395,503 on the adjusted taxable valuation of \$462,289,272 for the 2021 tax year.

It is the District's policy to recognize revenues from the tax levy in the calendar year when the proceeds of this levy are budgeted and made available for the District's operations. The collections on the October 1, 2021 levy are considered deferred inflows of resources until the subsequent calendar year. No allowance for doubtful accounts is considered necessary at this time.

Expenses/expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Budgets and budgetary accounting

The Board of Commissioners adopts an annual non-appropriated budget for the General Fund in accordance with the accounting principles applicable to that fund. The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended December 31, 2021. The District does not use encumbrances or appropriations.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

(1) Creation of District and summary of significant accounting policies (continued)

Net position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or the improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governmental bodies. The District no other restrictions on its net position.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any non-spendable resources as of December 31, 2021.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted resources as of December 31, 2021.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2021.

Assigned

This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned

This classification includes the residual fund balance for the General Fund which has not been classified within the other above mentioned categories.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

(1) Creation of District and summary of significant accounting policies (continued)

Fund balance classification (continued)

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

Subsequent events

The District evaluated all events or transactions that occurred after December 31, 2021, and through June 9, 2022 the date the financial statements were available to be issued. No events have occurred that would have a material effect on the financial statements.

(2) Risk management

The District covers various risks of loss in the event it incurs tort claims including theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts from the date of inception on January 25, 2001 through December 31, 2021.

(3) Cash and temporary investments

Texas statutes include specifications for and limitations on the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the state of Texas or its agencies, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state of Texas or the United States or its agencies or instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed, or guaranteed by the state of Israel, (7) insured or collateralized certificates of deposits from banks domiciled in Texas, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity, and that addresses investment diversification, yield, maturity, and the quality and capability of investment management, and all the District's funds must be invested with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived". No person may invest District funds without express written authority from the Board of Commissioners.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

(3) Cash and temporary investments (continued)

Texas statutes require that any cash balance in any fund shall to the extent not insured by the Federal Depository Insurance Corporation (“FDIC”) or its successor be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of December 31, 2021, the District held cash in its operating account at one financial institution totaling \$145,332 which was entirely covered by FDIC insurance.

In addition, at December 31, 2021, the District held \$614,187 of short-term investments with one investment company. The account is with Texas Cooperative Liquid Assets Securities Systems (“Texas CLASS”), a local government investment pool trust, which invests only in securities allowed by the Texas Public Funds Investment Act.

Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian.

Cash and temporary investments consisted of the following at December 31, 2021:

	Balance 12/31/2021	Maturity
Cash:		
Cash in bank	\$ 145,332	N/A
Short-term investments:		
Texas CLASS	614,187	2/1/2022
	<u>\$ 759,519</u>	

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its certificates of deposit and short-term investments to less than 12 months.

Credit risk. Deposits with the investment pools are recorded at amortized cost or fair value per share of the pool’s underlying investments, as applicable. The investment pools have as one of their objectives the maintenance of a stable net asset value of \$1.00. The District’s investment policy required that the net asset value of the polls also be \$1.00 and be rated no lower than “AAA” or “AAA-m” or no lower than investment grade with a weighted average maturity no greater than 90 days. As of December 31, 2021, the rating of the investment pool was:

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

(3) Cash and temporary investments (continued)

Concentration of credit risk. The District is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The District’s investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings. The District had no investments at year end that exceeded 5 percent of total investments.

Custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments are not exposed to custodial credit risk as of December 31, 2021 as they are held by financial institutions in the name of the District.

GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation input 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 which include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other observable inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities, and credit spreads; or market-corroborated inputs.
- Level 3 inputs are significant unobservable inputs.

The carrying amounts of investments at net asset value (“NAV”) is shown in the following table:

Investments measured at NAV:	
External investment pools:	
Texas CLASS	<u><u>\$ 614,187</u></u>

The valuation method for investments measured at NAV per share (or its equivalent) is presented on the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments measured at NAV:				
Texas CLASS	<u><u>\$ 614,187</u></u>	N/A	Daily	N/A

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

(3) Cash and temporary investments (continued)

Texas CLASS is a local government investment pool specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAA-m by Standard and Poor's and maintains a maturity of 60 days or less. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio may include U.S. Treasuries, agencies, state and local government obligations, collateralized certificates of deposit, repurchase agreements (REPOs), and highly rated commercial paper. The fair value of the investments in this type have been determined using the NAV per share of the investments.

(4) Emergency services

On November 12, 2020, the District ("FBESD 1") entered into an agreement with Harris County Emergency Services District #48 ("HCESD 48") for HCESD 48 to provide emergency medical services and first responder and emergency rescue services (collectively "emergency services") to residents and commercial interests with the geographical area of the FBESD 1. The original term of this agreement is from January 1, 2021 through December 31, 2022 and allows for two successive annual renewals. This agreement may be terminated prior to the original or extended dates by written mutual consent of the parties. Each year this agreement is subject to the annual review of HCESD 48's budget. During the year ended December 31, 2021, the District expended \$300,000 to reimburse HCESD 48 for services covered under the terms of this agreement.

(5) Changes in investment in general fixed assets and debt obligations

The District has no general fixed assets or long-term debt obligations.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO.

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

For the Year Ended December 31, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 375,560	\$ 296,663	\$ (78,897)
Interest income	-	433	433
Total revenues	<u>375,560</u>	<u>297,096</u>	<u>(78,464)</u>
EXPENDITURES:			
Appraisal district fees	4,100	2,449	1,651
Bookkeeping expense	5,500	5,280	220
Emergency services	250,000	300,000	(50,000)
Insurance	2,500	3,010	(510)
Legal and professional fees	25,000	22,504	2,496
Legal notices	150	123	27
Office expenses	7,000	5,067	1,933
Seminars	6,000	550	5,450
Total expenditures	<u>300,250</u>	<u>338,983</u>	<u>(38,733)</u>
Excess of Revenues Over (Under) Expenditures	75,310	(41,887)	(117,197)
Fund Balance, beginning of year	<u>848,116</u>	<u>848,116</u>	-
Fund Balance, end of year	<u><u>\$ 923,426</u></u>	<u><u>\$ 806,229</u></u>	<u><u>\$ (117,197)</u></u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2021

(1) Budgetary process

The Board of Commissioners adopts an annual non-appropriated budget for the General Fund in accordance with the accounting principles applicable to that fund. The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended December 31, 2021. The District does not use encumbrances or appropriations.

(2) Budgetary basis of accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements. There were no other significant differences between the GAAP basis budget and the budget prepared by the District.

**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**

Board of Commissioners
Fort Bend County Emergency Services District No. 1
Fort Bend County, Texas

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 governmental activities and the general fund of the Fort Bend County Emergency Services District No. 1 (the “District”), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated June 9, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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 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*.

**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
(CONTINUED)**

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Houston, Texas

June 9, 2022