



# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

## **HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2023

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

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# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder  
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Commissioners and Management  
Hays County Emergency Services District #3

## INDEPENDENT AUDITOR'S REPORT

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Hays County Emergency Services District #3 (District), as of and for the year ended December 31, 2023, 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 each major fund of the District, as of December 31, 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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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 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, 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 on pages 3-6, and the general fund budgetary comparison schedule on page 20 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.

*Montemayor Brittan Bender PC*

June 14, 2024  
Austin, Texas

**HAY COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2023**

The following is a narrative overview and analysis of the financial activities of the Hays County Emergency Services District #3 (“the District”) for the year ended December 31, 2023. Please read it in conjunction with the District’s financial statements, which follow this section.

**Financial Highlights**

- The District’s property tax revenues for the year totaled \$1,628,640, an increase of \$242,972 over prior year.
- The District’s sales tax revenue for the year totaled \$2,524,898, an increase of \$312,925 over the prior year.
- The District incurred an increase in net position of \$1,319,267 for the year.
- Capital assets decreased by \$418,264, due to additions of equipment, furniture and equipment, vehicles, and work in progress of \$375,859, offset by depreciation expense of \$630,269 and disposals of \$163,854.
- Debt decreased by \$521,683, due to principal payments on existing debt.

**Overview of the Financial Statements**

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The *basic financial statements* include two kinds of statements that present different views of the District. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**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 reporting on a full accrual basis of accounting.

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. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District has improved or deteriorated.

The *Statement of Activities* presents information showing how the District’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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: property taxes assessed but uncollected as of 60 days after year-end).

Because the District’s principal source of revenue is property and sales taxes, the government-wide financial statements are grouped into one function that is supported by taxes (governmental activities).

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and account for resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal or contractual requirements.

**HAY COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2023**

**Governmental Funds:** The General Fund is 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, the Governmental Funds financial statements focus on current fiscal year cash inflows and outflows, as well as balances of resources available for spending at the end of the fiscal year. Such information may be useful in evaluating the District’s recent financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Fund 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 District’s recent financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Fund and government-wide financial statements.

The District maintains two funds, the General Fund and the Debt Service Fund.

**Government-Wide Financial Analysis**

Net position may serve as a useful indicator of the District’s financial position. The District’s net position (assets plus deferred outflows less liabilities and deferred inflows) was \$11,016,888 as of December 31, 2023. Capital assets, net of depreciation and related debt, accounted for \$6,686,386 or 61% of the total net position. Capital assets reflect the large investments in facilities and equipment that are necessary to provide adequate fire and rescue operations and emergency services to the community. \$4,018,353 of net position of is unrestricted and available to meet the District’s ongoing obligations to citizens and creditors. Governmental activities account for all of the changes in net position at the government-wide reporting level as the District has no business-type activities. The tables below summarize the financial position of the District at December 31, 2023 and 2022 and the results of operations for the same years ended.

<u>Assets</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Current and other assets	\$6,561,819	\$5,095,174
Capital assets, net of accumulated depreciation	<u>7,204,616</u>	<u>7,622,880</u>
Total assets	<u>13,766,435</u>	<u>12,718,054</u>
 <u>Liabilities</u>		
Current and other liabilities	263,748	354,376
Long-term liabilities	<u>518,230</u>	<u>1,039,913</u>
Total liabilities	<u>781,978</u>	<u>1,394,289</u>
 <u>Deferred inflows of resources-property taxes</u>	<u>1,967,559</u>	<u>1,626,134</u>
 <u>Net position</u>		
Net investment in capital assets, net of debt	6,686,386	6,582,967
Restricted	312,159	307,208
Unrestricted	<u>4,018,353</u>	<u>2,807,456</u>
Total net position	<u>\$11,016,898</u>	<u>\$9,697,631</u>

**HAY COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2023**

<u>Revenues</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Program revenues:		
Charges for services	\$507,022	\$569,051
Operating grants	3,738	49,535
General revenues:		
Property taxes	1,628,640	1,385,668
Sales taxes	2,524,898	2,211,973
Other	<u>81,930</u>	<u>68,687</u>
Total revenues	<u>4,746,228</u>	<u>4,284,914</u>
<u>Expenses</u>		
Fire and emergency services	2,772,492	2,266,041
Depreciation	630,269	598,143
Interest expense	<u>24,200</u>	<u>38,909</u>
Total expenses	<u>3,426,961</u>	<u>2,903,093</u>
Change in net position	1,319,267	1,381,821
Net position, beginning	<u>9,697,631</u>	<u>8,315,810</u>
Net position, ending	<u>\$11,016,898</u>	<u>\$9,697,631</u>

**Financial Analysis of the Governmental Funds**

The focus of the District's Governmental Funds is to provide information on near-term inflows and outflows and on resource balances available for spending. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance serves as a useful measure of the District's net resources available for spending at fiscal year-end.

During the year-ended December 31, 2023, the General Fund reported ending fund balance of \$4,003,295, an increase of \$1,220,279 from the prior year. The District's ending unassigned fund balance was \$3,898,028, which was unencumbered and available for spending at the District's discretion.

During the year-ended December 31, 2023, the Debt Service Fund reported ending fund balance of \$312,159, an increase of \$4,951 from the prior year. The District's ending fund balance was restricted for debt service.

**General Fund Budgetary Highlights**

General Fund revenues were \$548,826 over budget, due to sales tax and property tax revenues of \$695,887 and interest income of \$46,861 more than budget, offset by \$78,944 less than anticipated grants and other revenues and \$114,978 less than Texas Fire Academy revenue. Expenses for the General Fund were \$522,326 more than budget. The budget variance resulted primarily from more than anticipated capital outlay (\$320,859), personnel expense (\$141,991), general and administrative expense (\$144,123), station repairs, maintenance and supplies (\$29,895), communications (\$14,606) and \$35,037 in unbudgeted bad debt expense, offset by lower than anticipated Texas Fire Academy expenses (\$103,020) and training expense (\$64,001). The variances in all other expenses compared to budget was not significant. The budget was not amended during the year.

**HAY COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2022**

**Capital Assets**

The District's capital assets, net of accumulated depreciation, were \$7,204,616 at year-end. Capital assets decreased by \$418,264, due to additions of equipment, furniture and equipment, vehicles, and work in progress of \$375,859, offset by depreciation expense of \$630,269 and loss on disposal of \$163,854.

**Debt**

The District's long-term debt at December 31, 2023, net of the current portion, amounted to \$287,473. The current portion of long-term debt was \$230,757. The debt is collateralized by an interest in property tax revenues.

**Economic Factors, Future Years' Budgets and Tax Rates**

The October 2023 tax rate of \$.10 per \$100 of assessed valuation for 2024 year remained the same as 2023. The tax levy for the 2024 year is expected to provide an approximately \$334,000 increase in property tax revenues for the next year. Additionally, the District collects sales tax revenues. The budget for fiscal 2024 sales taxes is \$2,519,783 and collections for the three months of 2024 were approximately \$848,076.

The District considers many factors when approving budgets for the next year's activities. With increased tax revenues, the District's budget for operating expenses is expected to increase a proportional amount to support increased services.

**Request for Information**

This financial report is designed to provide a general overview of the finances of the District for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Hays County Emergency Services District #3  
3528 Hunter Road  
San Marcos, TX 78666



**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$3,974,574
Due from other governments	30,066
Property taxes receivable	1,990,348
Sales tax receivable	440,169
Other receivables	21,395
Prepaid expenses and inventory	<u>105,267</u>
	<u>6,561,819</u>
Capital assets:	
Land	126,078
Work in progress	144,089
Other capital assets, net of accumulated depreciation	<u>6,934,449</u>
	<u>7,204,616</u>
	<u>13,766,435</u>
 LIABILITIES	
Accounts payable	41,470
Accrued liabilities	129,801
Texas Fire Academy deposits	92,477
Long-term liabilities:	
Due within one year	230,757
Due in more than one year	<u>287,473</u>
	<u>781,978</u>
DEFERRED INFLOWS OF RESOURCES- property taxes levied for subsequent period	<u>1,967,559</u>
 NET POSITION	
Net investment in capital assets	6,686,386
Restricted-debt service	312,159
Unrestricted	<u>4,018,353</u>
	<u>\$11,016,898</u>

The accompanying notes are an integral part of this financial statement presentation.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

		<u>Program Revenues</u>		Net (Expenses) Revenue and Change in Net Position
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating grants and Contributions</u>	<u>Governmental Activities</u>
<u>Primary government:</u>				
Government activities:				
General government	\$3,402,761	\$507,022	\$3,738	(\$2,892,001)
Interest expense	<u>24,200</u>	<u>0</u>	<u>0</u>	<u>(24,200)</u>
	<u>\$3,426,961</u>	<u>\$507,022</u>	<u>\$3,738</u>	<u>(2,916,201)</u>
 <u>General Revenues:</u>				
Property taxes				1,628,640
Sales tax				2,524,898
Interest and other				<u>81,930</u>
				<u>4,235,468</u>
Change in net position				1,319,267
Net position-beginning				<u>9,697,631</u>
Net position-ending				<u>\$11,016,898</u>

The accompanying notes are an integral part of this financial statement presentation.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

**GOVERNMENTAL FUNDS BALANCE SHEET**

DECEMBER 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$3,662,415	\$312,159	\$3,974,574
Due from other governments	30,066	0	30,066
Property taxes receivable	1,990,348	0	1,990,348
Sales tax receivable	440,169	0	440,169
Other receivables	21,395	0	21,395
Prepaid expenses and inventory	<u>105,267</u>	<u>0</u>	<u>105,267</u>
	<u>\$6,249,660</u>	<u>\$312,159</u>	<u>\$6,561,819</u>
<b>LIABILITIES</b>			
Accounts payable	\$41,470	\$0	\$41,470
Accrued expenses	85,793	0	85,793
Texas Fire Academy deposits	<u>92,477</u>	<u>0</u>	<u>92,477</u>
	<u>219,740</u>	<u>0</u>	<u>219,740</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent period	1,967,559	0	1,967,559
Unavailable revenue – delinquent property taxes	<u>59,066</u>	<u>0</u>	<u>59,066</u>
	<u>2,026,625</u>	<u>0</u>	<u>2,026,625</u>
<b>FUND BALANCES</b>			
Nonspendable	105,267	0	105,267
Restricted- debt service	0	312,159	312,159
Unassigned	<u>3,898,028</u>	<u>0</u>	<u>3,898,028</u>
	<u>4,003,295</u>	<u>312,159</u>	<u>4,315,454</u>
	<u>\$6,249,660</u>	<u>\$312,159</u>	<u>\$6,561,819</u>

The accompanying notes are an integral part of this financial statement presentation.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION**

DECEMBER 31, 2023

Total Fund Balances - Governmental Funds	\$4,315,454
Increase net position for capital assets not reported in the fund financial statements	7,204,616
Property taxes to be received more than 60 days after year end are unavailable to be spent and thus are deferred inflows in the fund financial statements.	59,066
Accrued leave not reported in the fund statements as it is not paid with current resources	(44,008)
Long-term debt not reported in the fund statements as it is not paid with current resources	<u>(518,230)</u>
Net Position of Governmental Activities	<u>\$11,016,898</u>

The accompanying notes are an integral part of this financial statement presentation.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES**

YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>			
Property taxes	\$1,627,908	\$0	\$1,627,908
Sales tax	2,524,898	0	2,524,898
Texas Fire Academy charges for service	507,022	0	507,022
Interest	57,461	4,951	62,412
Grants and other	<u>23,256</u>	<u>0</u>	<u>23,256</u>
	<u>4,740,545</u>	<u>4,951</u>	<u>4,745,496</u>
<b>EXPENDITURES</b>			
Current service operations:			
Personnel	1,493,216	0	1,493,216
General and administrative	321,723	0	321,723
Apparatus	196,622	0	196,622
Texas Fire Academy	173,880	0	173,880
Station repairs, maintenance and supplies	171,395	0	171,395
Personal equipment	91,902	0	91,902
Communications	89,106	0	89,106
Bad debt	35,037	0	35,037
Training	25,699	0	25,699
Debt service-principal	521,683	0	521,683
Debt service-interest	24,144	0	24,144
Capital outlay	<u>375,859</u>	<u>0</u>	<u>375,859</u>
	<u>3,520,266</u>	<u>0</u>	<u>3,520,266</u>
Net change in fund balance	1,220,279	4,951	1,225,230
Beginning fund balance	<u>2,783,016</u>	<u>307,208</u>	<u>3,090,224</u>
Ending fund balance	<u>\$4,003,295</u>	<u>\$312,159</u>	<u>\$4,315,454</u>

The accompanying notes are an integral part of this financial statement presentation.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$1,225,230
Change in delinquent tax revenues deferred in the fund statements	732
Depreciation expense is not reflected in the governmental funds	(630,269)
Loss on disposal of capital assets is not reflected in the governmental funds	(163,854)
Capital outlays recognized as expenditures in the fund statements	375,859
Long-term debt payments recognized as expenditures in the fund statements	521,683
Change in accrued leave not reported in the fund statements	(10,058)
Change in accrued interest on long-term debt not reported in the fund statements	<u>(56)</u>
Change in Net Position of Governmental Activities	<u>\$1,319,267</u>

The accompanying notes are an integral part of this financial statement presentation.

## **HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: REPORTING ENTITY**

The Hays County Emergency Services District #3 (the District) is a political subdivision of the State of Texas formed in July 1998 pursuant to Section 775 of the Texas Health and Safety Code. The District was formed to provide fire and rescue operations and emergency services to the citizens of its District. The District also provides a fire training academy. The District is governed by a five-member Board of Commissioners appointed by the Hays County Commissioners Court.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the District conform to U.S. generally accepted accounting principles applicable to state and local governments promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and by the Financial Accounting Standards Board (when applicable). The following is a summary of the significant accounting policies.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities with the interfund activities removed. Governmental activities include programs supported primarily by taxes and fees charged to purveyors.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's government activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### **FUND FINANCIAL STATEMENTS**

The District segregates transactions related to certain functions or transactions in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. Major funds are determined by criteria specified by GASB. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources.

The District reports the following major governmental funds:

## HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Fund- the General Fund is the primary operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund.

Debt Service Fund- the Debt Service Fund is used to account for resources accumulated for the payment of principal and interest on long-term debt, as required by the loan agreement associated with the construction of the Hunter Road Station.

#### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the flow of economic resources measurement focus and the full 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. Taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements use the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period in which they become susceptible to accrual, i.e. both 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 (defined by the District as collected within 60 days of year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The reported fund balance of governmental funds is considered a measure of available spendable resources.

#### RESTRICTED RESOURCES AND FUND BALANCE SPENDING

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

The revenues susceptible to accrual are property taxes, sales tax, charges for services, grants and interest income. All other governmental revenues are recognized when received, as they are deemed immaterial.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in demand accounts, certificates of deposit, savings accounts, and short-term highly liquid investments with original maturities of 3 months or less.



## **HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **PROPERTY TAXES**

The District has the authority to levy a tax to a maximum of \$0.10 per \$100 of value. Ad valorem taxes are levied each October 1 on the assessed valuation of all taxable property in the District. The tax rate for the October 1, 2023 levy was \$0.10 per \$100 of value. Taxes are due upon receipt of the bill and are delinquent if not paid before the first day of February in the year following levy. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Taxes are billed and collected by the Hays County Tax Assessor-Collector.

##### **BUDGET**

The District adopts annual budgets for the General Fund. The District amends the budgets as needed during the year. All annual appropriations lapse at fiscal year-end.

##### **ESTIMATES**

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

##### **INVENTORY**

Inventories of consumable supplies are valued at the lower of cost or net realizable value determined by the first in/first out method. The costs of government fund inventories are recorded as expenditures when consumed.

##### **TEXAS FIRE ACADEMY DEPOSITS**

Texas Fire Academy deposits consist of payments made by participants in advance of the applicable training program.

##### **CAPITAL ASSETS**

All capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their estimated fair value at the date of the donation. Repairs and maintenance are recorded as expenditures or expenses; renewals and betterments are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method, over 5-30 years.

## HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### DEFERRED INFLOWS OF RESOURCES

The statement of financial position and governmental funds balance sheet report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period and is not recognized as an inflow of resources or revenue until that time.

The District has one type of item which qualifies for reporting in this category- property taxes. The collection of taxes from the October 1, 2023 levy are considered deferred inflows of resources until the subsequent calendar year in the statement of financial position and in the governmental funds balance sheet. Unavailable revenue for delinquent taxes is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow in the period that they become available.

##### NET POSITION

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

##### FUND BALANCES

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District can establish limitations on the use of resources through either a commitment or an assignment. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

Committed fund balances include amounts that can only be used for specific purposes determined by a formal action of the Board or adoption of an ordinance. Limitations imposed by commitments remain in place until formal Board action is taken to remove the limitation. Amounts in the assigned fund balances are intended to be used by the District for specific purposes but do not meet the criteria to be committed. Assignments are generally temporary and do not require Board action to be taken to remove the assignment.

## HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### TRANSACTIONS BETWEEN FUNDS

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the government unit are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursement for expenditures or expenses initially made from a fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund, and as reductions of the expenditures or expenses in the fund that is reimbursed.

#### **NOTE 3: DEPOSITS WITH FINANCIAL INSTITUTIONS**

The District does not have a formal investment policy. At year-end, the carrying amount of the District's deposits was \$3,974,574 and the bank balance was \$3,997,760. All of the District's deposits in excess of FDIC coverage were fully collateralized by securities held by the pledging financial institution.

#### **NOTE 4: BUDGET VARIANCES**

Total General Fund revenues were \$548,826 more than budget due to higher than anticipated property and sales taxes and interest income, offset by lower than anticipated Texas Fire Academy charges for service and grants and other revenue. General Fund expenditures were over budget by \$522,326, due to more than anticipated capital outlay, general and administrative expenditures, personnel expenses, station repairs, maintenance and supplies, communications, and unbudgeted bad debt expense, offset by lower than anticipated Texas Fire Academy expenses and training expenses. The variances in all other expense line items combined were not significant.

#### **NOTE 5: RELATED PARTY TRANSACTIONS**

The District utilized a contract financial consultant to perform some of its accounting and related bookkeeping functions for part of the year. This individual also served on the Board of Commissioners during the year and was paid approximately \$23,000 for services during 2023.

#### **NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss including general liability, property damage, and worker's compensation. The District maintains commercial insurance coverage for these types of risks.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 7: CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$126,078	\$0	\$0	\$126,078
Work in progress	<u>521,131</u>	<u>112,857</u>	<u>(489,898)</u>	<u>144,090</u>
	<u>647,209</u>	<u>112,857</u>	<u>(489,898)</u>	<u>270,168</u>
Capital assets being depreciated:				
Stations	6,950,035	40,325	0	6,990,360
Equipment	1,893,286	185,251	0	2,078,537
Trucks, vehicles and boats	3,941,731	460,453	(153,320)	4,248,864
Furniture and equipment	191,367	4,028	0	195,395
Computers and software	<u>345,885</u>	<u>16,534</u>	<u>0</u>	<u>362,419</u>
	<u>13,322,304</u>	<u>706,591</u>	<u>(153,320)</u>	<u>13,875,575</u>
	<u>13,969,513</u>	<u>819,448</u>	<u>(643,218)</u>	<u>14,145,743</u>
Accumulated depreciation:				
Stations	(1,997,017)	(233,346)	0	(2,230,363)
Equipment	(1,188,264)	(152,839)	0	(1,341,103)
Trucks, vehicles and boats	(2,759,456)	(215,108)	35,775	(2,938,789)
Furniture and equipment	(162,435)	(8,709)	0	(171,144)
Computers and software	<u>(239,461)</u>	<u>(20,267)</u>	<u>0</u>	<u>(259,728)</u>
	<u>(6,346,633)</u>	<u>(630,269)</u>	<u>35,775</u>	<u>(6,941,127)</u>
	<u>\$7,622,880</u>	<u>\$189,179</u>	<u>(\$607,443)</u>	<u>\$7,204,616</u>

Depreciation was charged to functions within the primary government as follows:

General administration	\$595,231
Texas Fire Academy	<u>35,038</u>
	<u>\$630,269</u>

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 8: LONG-TERM LIABILITIES**

<u>Asset Acquired</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Hunter Rd. Station	<u>\$4,400,000</u>	2026	3%	<u>\$1,039,913</u>	<u>\$0</u>	<u>\$521,683</u>	\$518,230
						Less: Current Portion	<u>(230,757)</u>
						Long-term Portion	<u>\$287,473</u>

Maturities at December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$230,757	\$12,457	\$243,214
2025	257,914	5,569	263,483
2026	<u>29,559</u>	<u>108</u>	<u>29,667</u>
	<u>\$518,230</u>	<u>\$18,134</u>	<u>\$536,364</u>

The District's long-term debt is secured by the assignment of Ad Valorem property taxes and the required establishment of a debt service fund equivalent to the payments due during the next fiscal year. Accordingly, \$312,159 is reported as restricted fund balance in the statement of net position and the governmental funds balance sheet. The District was in compliance with all requirements of the loan agreement at year-end.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**GENERAL FUND BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2023**

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE			
Property taxes	\$1,621,069	\$1,627,908	\$6,839
Sales tax	1,835,850	2,524,898	689,048
Texas Fire Academy charges for service	622,000	507,022	(114,978)
Interest	10,600	57,461	46,861
Grants and other	<u>102,200</u>	<u>23,256</u>	<u>(78,944)</u>
	<u>4,191,719</u>	<u>4,740,545</u>	<u>548,826</u>
EXPENDITURES			
Current service operations:			
Personnel	1,351,225	1,493,216	(141,991)
General and administrative	177,600	321,723	(144,123)
Apparatus	198,800	196,622	2,178
Texas Fire Academy	276,900	173,880	103,020
Station repairs, maintenance and supplies	141,500	171,395	(29,895)
Personal equipment	89,500	91,902	(2,402)
Communications	74,500	89,106	(14,606)
Bad debt	0	35,037	(35,037)
Training	89,700	25,699	64,001
Debt service-principal	519,127	521,683	(2,556)
Debt service-interest	24,088	24,144	(56)
Capital outlay	<u>55,000</u>	<u>375,859</u>	<u>(320,859)</u>
	<u>2,997,940</u>	<u>3,520,266</u>	<u>(522,326)</u>
Net change in fund balance	1,193,779	1,220,279	26,500
Beginning fund balance	<u>2,783,016</u>	<u>2,783,016</u>	<u>0</u>
Ending fund balance	<u>\$3,976,795</u>	<u>\$4,003,295</u>	<u>\$26,500</u>

See independent auditor's report.