

**HARDIN COUNTY EMERGENCY  
SERVICE DISTRICT #6  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
DECEMBER 31, 2021**

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# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

### INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Hardin County Emergency Service District #6

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Hardin County Emergency Service District #6 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

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 aggregate remaining fund information of Hardin County Emergency Service District #6, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

*Mitchell T. Fontenote CPA, Inc.*

Port Neches, Texas

May 2, 2022

## **HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2021**

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As management of Hardin County Emergency Service District #6 (the "District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements which follow this section. Prior year comparisons may be provided in future financial statements.

#### **Overview of the Basic Financial Statements**

The District's annual report is comprised of two parts:

- Management's Discussion and Analysis (this section), and
- Basic Financial Statements, which are comprised of:
  - *Governmental Funds Balance Sheet and Statement of Net Position,*
  - *Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities, and*
  - *Notes to the Basic Financial Statements*

Governmental Accounting Standards Board "GASB" Statement No. 34 provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The *Governmental Funds Balance Sheet and Statement of Net Position* includes a column titled "General Fund" that represents a balance sheet of the governmental fund prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that reflects the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements, and more closely represents the balance sheet of a private-sector business.

The *Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities* includes a column titled "General Fund" that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those balances to reflect the full-accrual basis of accounting. The total in the third column more closely represents the income statement of a private-sector business.

The *General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Governmental Fund Balance Sheet and Statement of Net Position* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balances and Statement of Activities*.

## **HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2021**

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#### **Reporting the District as a Whole**

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities that include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in net position. One way to measure the District's financial health, its financial position, is net position and the changes therein. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Over time, the increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. Other non-financial factors should also be considered to assess the overall health of the District, such as changes in the District's property tax base, and the condition of the District's capitalized items.

#### **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 objectives. 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 and no proprietary or fiduciary funds. The District has one component unit, the Silsbee Volunteer Fire Department, a non-profit corporation. These financial statements do not reflect balances of the component unit.

#### **Governmental Funds**

The District's services are reported in governmental funds. The focus of the 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 financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. The relationship and differences between governmental activities and governmental funds is shown in the adjustments column of the basic financial statements and more fully described in the *Notes to the Basic Financial Statements*.

#### **Notes to the Basic Financial Statements**

The notes on pages 9-15 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Government-wide Financial Analysis**

As noted earlier, net position and changes in net position may serve, over time, as a useful indicator of a government's financial condition. In the case of the District, assets exceeded liabilities by \$4,381,317 at the close of the most recent fiscal year. Table 1 following details the District's combined net position for the year ending December 31, 2021. Subsequently, Table 2 provides the changes in net position.

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**Table 1**  
**Statement of Net Position**

|   |                     |
|---|---------------------|
| <b>ASSETS:</b>                                  |                     |
| Current assets                                  | \$ 2,489,588        |
| Capital assets, net of accumulated depreciation | <u>1,901,553</u>    |
| Total Assets                                    | <u>4,391,141</u>    |
| <b>LIABILITIES:</b>                             |                     |
| Current liabilities                             | <u>9,824</u>        |
| Total Liabilities                               | <u>9,824</u>        |
| <b>NET POSITION:</b>                            |                     |
| Net investment in capital assets                | 1,901,553           |
| Unrestricted                                    | <u>2,479,764</u>    |
| Total Net Position                              | <u>\$ 4,381,317</u> |

Of the District's net position, 43.4% is its investment in capital assets (e.g. land, buildings, equipment, and vehicles), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to citizen; therefore, these assets are not available for future spending. The remaining balance of Net Position, \$2,479,764, is unrestricted. This means the funds may be used to meet the government's ongoing obligations to citizens and creditors, for emergency services.

**Table 2**  
**Statement of Activities**

|                                       |                   |
|---------------------------------------|-------------------|
| <b>EXPENSES:</b>                      |                   |
| Service operations and capital outlay | \$ 426,169        |
| Depreciation                          | <u>286,572</u>    |
| Total Expenses                        | <u>712,741</u>    |
| <b>REVENUES:</b>                      |                   |
| General revenues                      | <u>1,400,982</u>  |
| Total Revenues                        | <u>1,400,982</u>  |
| <b>Change in Net Position</b>         | <u>\$ 688,241</u> |

For the fiscal year ended December 31, 2021, 26.8% of the District's total revenues were derived from property taxes collected.

**Financial Analysis of the Governmental Fund**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. At December 31, 2021, the District's governmental fund reported a fund balance of \$2,220,513.

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2021**

**Capital Assets**

Table 3 provides information on the District's investment in capital assets, as of December 31, 2021. Capital assets net of accumulated depreciation amount to \$1,901,553. During the year, the District capitalized expenditures of \$952,852 to purchase a lot for \$874,664, a new truck with lift kit for \$72,179, and a washing machine for \$6,009. See Note 5 for additional information on capital assets.

**Table 3  
Capital Assets**

|                            | Cost                | Accumulated<br>Depreciation | Net Capital<br>Assets |
|----------------------------|---------------------|-----------------------------|-----------------------|
| Land                       | \$ 1,008,303        | \$ -                        | \$ 1,008,303          |
| Vehicles                   | 1,954,544           | (1,523,821)                 | 430,723               |
| Equipment                  | 774,679             | (371,280)                   | 403,399               |
| Furniture and fixtures     | 27,484              | (11,523)                    | 15,961                |
| Buildings and improvements | 60,128              | (16,961)                    | 43,167                |
|                            | <u>\$ 3,825,138</u> | <u>\$ (1,923,585)</u>       | <u>\$ 1,901,553</u>   |

**Debt Administration**

At year end, the District did not have any long-term debt.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. Additionally, it is intended to show accountability for the money received by the District. Inquiries concerning this report or the District itself should be addressed to:

Hardin County Emergency Service District #6  
Post Office Box 2365  
Silsbee, Texas 77656-2365



**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6****GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

|  | GENERAL<br>FUND     | ADJUSTMENTS<br>(NOTE 9) | STATEMENT OF<br>NET POSITION |
|--|---------------------|-------------------------|------------------------------|
| <b>ASSETS:</b>   |                     |                         |                              |
| Cash and Cash Equivalents  | \$ 2,154,066        | \$ -                    | \$ 2,154,066                 |
| Property Taxes Receivable  | 259,251             | -                       | 259,251                      |
| Due from Other Governments   | 76,271              | -                       | 76,271                       |
| Capital Assets (Net of Accumulated Depreciation):                      |                     |                         |                              |
| Land   | -                   | 1,008,303               | 1,008,303                    |
| Buildings  | -                   | 43,167                  | 43,167                       |
| Furnitures and Fixtures  | -                   | 15,961                  | 15,961                       |
| Equipment  | -                   | 403,399                 | 403,399                      |
| Vehicles   | -                   | 430,723                 | 430,723                      |
| Total Assets   | <u>2,489,588</u>    | <u>1,901,553</u>        | <u>4,391,141</u>             |
| <b>LIABILITIES:</b>  |                     |                         |                              |
| Current Liabilities:   |                     |                         |                              |
| Accounts Payable   | 6,707               | -                       | 6,707                        |
| Accrued expenses   | 3,117               | -                       | 3,117                        |
| Total Current Liabilities  | <u>9,824</u>        | <u>-</u>                | <u>9,824</u>                 |
| Total liabilities  | <u>9,824</u>        | <u>-</u>                | <u>9,824</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                  |                     |                         |                              |
| Deferred Revenue - Property Taxes                                      | 259,251             | (259,251)               | -                            |
| Total Deferred Inflows   | <u>259,251</u>      | <u>(259,251)</u>        | <u>-</u>                     |
| <b>FUND BALANCES/NET POSITION:</b>                                     |                     |                         |                              |
| Fund Balance - Unassigned  | 2,220,513           | (2,220,513)             | -                            |
| Total Fund Balances  | <u>2,220,513</u>    | <u>(2,220,513)</u>      | <u>-</u>                     |
| Total Liabilities, Deferred Inflows of<br>Resources, and Fund Balances | <u>\$ 2,489,588</u> |                         |                              |
| Net Position:  |                     |                         |                              |
| Net Investment in Capital Assets                                       |                     | 1,901,553               | 1,901,553                    |
| Unrestricted   |                     | 2,479,764               | 2,479,764                    |
| Total Net Position   |                     | <u>\$ 4,381,317</u>     | <u>\$ 4,381,317</u>          |

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

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6****GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
AND STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

|   | GENERAL<br>FUND     | ADJUSTMENTS<br>(NOTE 9) | STATEMENT OF<br>ACTIVITIES |
|---|---------------------|-------------------------|----------------------------|
| <b><u>EXPENDITURES/EXPENSES:</u></b>                        |                     |                         |                            |
| Services operations:  |                     |                         |                            |
| Insurance   | \$ 55,843           | -                       | \$ 55,843                  |
| Utilities   | 13,237              | -                       | 13,237                     |
| Repairs & Maintenance                                       | 103,094             | -                       | 103,094                    |
| Fuel  | 13,702              | -                       | 13,702                     |
| Administrative  | 41,249              | -                       | 41,249                     |
| Dues & Fees   | 13,301              | -                       | 13,301                     |
| Legal & Professional  | 16,195              | -                       | 16,195                     |
| Buildings and Grounds                                       | 31,673              | -                       | 31,673                     |
| Uniform   | 3,288               | -                       | 3,288                      |
| Miscellaneous   | 75,061              | -                       | 75,061                     |
| Small Equipment   | 59,526              | -                       | 59,526                     |
| Capital Outlay  | 952,852             | (952,852)               | -                          |
| Depreciation  | -                   | 286,572                 | 286,572                    |
| Total expenditures/expenses                                 | <u>\$ 1,379,021</u> | <u>\$ (666,280)</u>     | <u>\$ 712,741</u>          |
| <b><u>REVENUES AND OTHER FINANCING SOURCES:</u></b>         |                     |                         |                            |
| General Revenues  |                     |                         |                            |
| Property taxes  | \$ 361,514          | \$ 13,302               | \$ 374,816                 |
| State sales tax   | 1,012,376           | -                       | 1,012,376                  |
| Interest  | 42                  | -                       | 42                         |
| Other Miscellaneous   | 13,748              | -                       | 13,748                     |
| Total revenues and other financing sources                  | <u>1,387,680</u>    | <u>13,302</u>           | <u>1,400,982</u>           |
| EXCESS (DEFICIT) OF REVENUES AND<br>OTHER FINANCING SOURCES | 8,659               | (8,659)                 | -                          |
| Change in net position                                      | -                   | (688,241)               | 688,241                    |
| <b><u>FUND BALANCE/NET POSITION:</u></b>                    |                     |                         |                            |
| Beginning of year   | <u>2,211,854</u>    | <u>(2,180,969)</u>      | <u>3,693,076</u>           |
| End of year   | <u>\$ 2,220,513</u> | <u>\$ (2,869,210)</u>   | <u>\$ 4,381,317</u>        |

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

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hardin County Emergency Service District #6 (the “District”) was created by the Hardin County Commissioners Court and operates under the Texas State Health and Safety Code. The general purpose financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the District’s significant accounting policies:

**A. Reporting Entity**

The District was organized under the provisions of Section 48-e, Article III of the Constitution of the State of Texas for protection of life and health as provided for under the Act. Board members have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, and GASB No. 14.

The District provides fire and emergency services to the citizens of Hardin County, which includes the City of Silsbee, and surrounding unincorporated areas. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by GAAP, whereby the basic criteria for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant criteria is financial interdependency, while other factors include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters, and the scope of public services. Based upon these criteria, the Silsbee Volunteer Fire Department, a non-profit corporation is a component unit of the District. The District has elected to omit from this report its component unit.

Excluded from the reporting entity: Improvement grants received from state and federal sources are passed-through Hardin County and administered by Hardin County and are not included in the District’s general purpose financial statements except for those costs incurred by the District as the projects progress.

**B. Government-Wide and Fund Financial Statements**

The District is considered a special purpose government for purposes of GASB Statement No. 34, which permits the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Total Governmental Funds” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of inter-fund activity has been removed from these statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement 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 liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. General revenues include all taxes. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgements are recorded only when payment is due.

Major revenue sources such as property taxes, accounts receivable for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

**D. Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device for the General Fund. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is adopted on the modified accrual basis, which is consistent with GAAP.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Budgets and Budgetary Accounting (Continued)**

Public meetings are conducted at which all interested persons may comment concerning the budget. After such meetings, the Board formally adopts the budget through passage of a motion. The District may amend the budget throughout the year, approving such additional expenditures as may be required. All annual appropriations for the General Fund lapse at the fiscal year-end.

The official District budget was prepared for adoption by the Commissioners.

**E. Financial Statement Amounts**

1. **Property Taxes:** Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during the 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

2. **Use of Estimates:** The preparation of financial statements in conformity with GAAP requires the use of management's estimates.
3. **Receivables and Payables Balance:** The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables not scheduled for collection within one year of year end.

4. **Capital Assets:** Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u>    | <u>Estimated Useful Lives</u> |
|-----------------------|-------------------------------|
| Infrastructure        | 30                            |
| Buildings             | 50                            |
| Building Improvements | 20                            |
| Vehicles              | 2-15                          |
| Office Equipment      | 3-15                          |
| Computer Equipment    | 3-15                          |

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Financial Statement Amounts (Continued)**

5. **Encumbrances:** Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year-end.
6. **Inventory:** The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

**NOTE 2 – CASH AND CASH EQUIVALENTS AND TEMPORARY INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**Cash Deposits:** The District's cash deposits at December 31, 2021 and during the period ended December 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**Cash and Cash Equivalents:** The District's reconciled cash balance of \$2,154,066 at December 31, 2021, was held in a public funds interest checking account, and was unrestricted; deposits per bank totaled \$2,154,176.

**Investments:** The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District had no investments at December 31, 2021.

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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**NOTE 2 – CASH AND CASH EQUIVALENTS AND TEMPORARY INVESTMENTS (CONTINUED)**

**Investment Accounting Policy:** The District’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**NOTE 3 – PROPERTY TAXES**

The District’s ad valorem property tax is levied each October 1 on the assessed value listed as of January 1 for all real property located in the District. The assessed value of the roll upon which the levy for the 2021 calendar year was based totaled approximately \$1,134 million. The tax rate assessed was \$.03 per \$100 valuation to service the District’s maintenance and operations. Property taxes attach as an enforceable lien on property as of February 1 following the levy date. Taxes are due October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections were 99% of the tax.

In 2015, the District held an election, which was approved, to adopt a local sales and use tax in the District, excluding any area where a sales and use tax rate was already imposed, at a rate of 2.0%, effective November 16, 2015.

**NOTE 4 – RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases insurance from regular commercial companies. As of December 31, 2021, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having been filed within the last three years.

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6****NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2021****NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

The following is a summary of changes in the capital assets account group for the year ended December 31, 2021:

|   | Beginning<br>Balances | Additions         | Deletions   | Ending<br>Balances  |
|---|-----------------------|-------------------|-------------|---------------------|
| Capital Assets not being depreciated:       |                       |                   |             |                     |
| Land  | \$ 133,639            | \$ 874,664        | \$ -        | \$ 1,008,303        |
| Total Capital Assets not depreciated        | <u>133,639</u>        | <u>874,664</u>    | <u>-</u>    | <u>1,008,303</u>    |
| Capital Assets being depreciated:           |                       |                   |             |                     |
| Vehicles                                    | 1,882,365             | 72,179            | -           | 1,954,544           |
| Equipment                                   | 774,679               | -                 | -           | 774,679             |
| Furniture and fixtures                      | 21,475                | 6,009             | -           | 27,484              |
| Buildings and improvements                  | 60,128                | -                 | -           | 60,128              |
| Total Capital Assets being depreciated      | <u>2,738,647</u>      | <u>78,188</u>     | <u>-</u>    | <u>2,816,835</u>    |
| Less Accumulated Depreciation For:          |                       |                   |             |                     |
| Vehicles                                    | (1,302,341)           | (221,480)         | -           | (1,523,821)         |
| Equipment                                   | (310,186)             | (61,094)          | -           | (371,280)           |
| Furniture and fixtures                      | (9,067)               | (2,456)           | -           | (11,523)            |
| Buildings and improvements                  | (15,419)              | (1,542)           | -           | (16,961)            |
| Total Accumulated Depreciation              | <u>(1,637,013)</u>    | <u>(286,572)</u>  | <u>-</u>    | <u>(1,923,585)</u>  |
| Total Capital Assets Being Depreciated, Net | <u>1,101,634</u>      | <u>(208,384)</u>  | <u>-</u>    | <u>893,250</u>      |
| Total Capital Assets, Net                   | <u>\$ 1,235,273</u>   | <u>\$ 666,280</u> | <u>\$ -</u> | <u>\$ 1,901,553</u> |

**NOTE 6 – LONG-TERM LIABILITIES**

The District had no long-term debt outstanding as of December 31, 2021.

**NOTE 7 – FUND BALANCES**

As of these financial statements, the District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- *Non-spendable* – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District has \$0 classified as non-spendable.
- *Restricted* – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The District has \$0 classified as restricted.
- *Committed* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The District has \$0 classified as committed.
- *Assigned* – The portion of fund balance that the District intends to use specific purposes. The District has \$0 classified as assigned.
- *Unassigned* – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The District has \$2,220,513 classified as unassigned.



**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**NOTE 7 – FUND BALANCES (CONTINUED)**

When the government incurs expenditures for purposes for which various fund balance classifications can be used, it is the government’s policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

The detail of the fund balances is included in the Governmental Funds Balance Sheet. The fund balance of the District may be committed for a specific purpose by formal action of the Board, the District’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board.

**NOTE 8 – SUBSEQUENT EVENTS**

Events occurring subsequent to December 31, 2021 were evaluated by management and reviewed through May 2, 2022, the date the financial statements were available to be issued, with no significant items to be reported.

**NOTE 9 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

|  |    |                  |
|--|----|------------------|
| Total Fund Balance - Governmental Funds  | \$ | 2,220,513        |
| <b>Amounts reported for governmental activities in the statement of net position are different because:</b>  |    |                  |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  |    | 1,901,553        |
| Deferred tax revenue is not available to pay for current period expenditures and therefore is deferred in the funds.   |    | 259,251          |
| Total net position governmental activities   | \$ | <u>4,381,317</u> |
|  |    |                  |
| Excess or (deficit) of revenues and other financing sources over or (under) expenditures   | \$ | 8,659            |
| <b>Amounts reported for governmental activities in the statement of activities are different because:</b>  |    |                  |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capitalized assets is allocated over their estimated useful lives as depreciation expense. |    |                  |
| Capital Outlay   |    | 952,852          |
| Depreciation Expense   |    | (286,572)        |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.  |    |                  |
| (Increase) or decrease in tax receivable   |    | 13,302           |
| Total net position governmental activities   | \$ | <u>688,241</u>   |

**HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDING DECEMBER 31, 2021**

|  | Original<br>Budget | Final<br>Budget  | Actual              | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|------------------|---------------------|--|
| <b>Revenues:</b>   |                    |                  |                     |  |
| Ad valorem taxes, penalties and interest   | \$ 250,000         | \$ 250,000       | 361,514             | \$ 111,514                             |
| Sales Tax  | 850,000            | 850,000          | 1,012,376           | 162,376                                |
| Interest Income  | -                  | -                | 42                  | 42                                     |
| Miscellaneous  | -                  | -                | 13,748              | 13,748                                 |
| Total Revenues   | <u>1,100,000</u>   | <u>1,100,000</u> | <u>1,387,680</u>    | <u>287,680</u>                         |
| <b>Expenditures:</b>   |                    |                  |                     |  |
| <b>Operations:</b>   |                    |                  |                     |  |
| Insurance  | 45,000             | 45,000           | 55,843              | (10,843)                               |
| Utilities  | 13,500             | 13,500           | 13,237              | 263                                    |
| Repairs & Maintenance  | 121,000            | 121,000          | 103,094             | 17,906                                 |
| Fuel   | 12,000             | 12,000           | 13,702              | (1,702)                                |
| Administrative   | 30,350             | 30,350           | 41,249              | (10,899)                               |
| Dues & Fees  | 13,340             | 13,340           | 13,301              | 39                                     |
| Legal & Professional   | 20,000             | 20,000           | 16,195              | 3,805                                  |
| Buildings and Grounds  | 54,200             | 54,200           | 31,673              | 22,527                                 |
| Uniform  | 7,000              | 7,000            | 3,288               | 3,712                                  |
| Miscellaneous  | 88,450             | 88,450           | 75,061              | 13,389                                 |
| Small Equipment  | 50,000             | 50,000           | 59,526              | (9,526)                                |
| Capital Outlay   | 972,000            | 972,000          | 952,852             | 19,148                                 |
| Total Expenditures   | <u>1,426,840</u>   | <u>1,426,840</u> | <u>1,379,021</u>    | <u>47,819</u>                          |
| Excess of Revenues and Other Financing Sources<br>Over (Under) Expenditures and Other Uses |                    |                  | 8,659               |  |
| <b>Fund Balances:</b>  |                    |                  |                     |  |
| Beginning of year  |                    |                  | <u>2,211,854</u>    |  |
| End of year  |                    |                  | <u>\$ 2,220,513</u> |  |

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