

**HARDIN COUNTY EMERGENCY
SERVICE DISTRICT #6
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDING
DECEMBER 31, 2023**

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MITCHELL T FONTENOTE CPA, INC.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Hardin County Emergency Service District #6

Opinions

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Hardin County Emergency Service District #6 (the "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 the aggregate remaining fund information of the District, as of December 31, 2023, and the respective changes in financial position thereof 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. 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 and budgetary comparison 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.

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
June 26, 2024

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

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, 2023. 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, 2023

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 14-19 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 \$6,060,103 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, 2023. Subsequently, Table 2 provides the changes in net position.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**MANAGEMENT'S DISCUSSION AND ANALYSIS****DECEMBER 31, 2023****Table A-1
Net Position**

| | 2023 | 2022 |
|----------------------------------|---------------------|---------------------|
| Current and Other Assets | \$ 2,561,371 | \$ 2,453,971 |
| Capital Assets | 8,276,689 | 2,650,085 |
| Total Assets | <u>10,838,060</u> | <u>5,104,056</u> |
| Current Liabilities | 429,471 | 29,568 |
| Noncurrent Liabilities | 4,348,486 | - |
| Total Liabilities | <u>4,777,957</u> | <u>29,568</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 1,904,327 | 1,713,332 |
| Unrestricted | 4,155,776 | 3,361,156 |
| Total Net Position | <u>\$ 6,060,103</u> | <u>\$ 5,074,488</u> |

Of the District's net position, 31.42% 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, \$4,155,776, is unrestricted. This means the funds may be used to meet the government's ongoing obligations to citizens and creditors, for emergency services.

**Table A-2
Changes in Net Position**

| | 2023 | 2022 |
|-----------------------------------|---------------------|---------------------|
| REVENUES | | |
| General Revenues | \$ 1,966,295 | \$ 1,434,158 |
| Total Revenue | <u>1,966,295</u> | <u>1,434,158</u> |
| Expenses: | | |
| Service Operations | 756,675 | 505,796 |
| Depreciation | 224,005 | 235,191 |
| Total Expenses | <u>980,680</u> | <u>740,987</u> |
| Increase (Decrease) in Net Assets | 985,615 | 693,171 |
| Net Position, Beginning | <u>5,074,488</u> | <u>4,381,317</u> |
| Net Position, Ending | <u>\$ 6,060,103</u> | <u>\$ 5,074,488</u> |

For the fiscal year ended December 31, 2023, 28.03% of the District's total revenues were derived from property taxes collected, 68.44% were derived from sales tax revenue, and the remaining 3.53% is other miscellaneous revenues.

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, 2023, the District's governmental fund reported a fund balance of \$2,125,748.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

General Fund Budgetary Highlights

On occasion, the District amends the budget, primarily due to increased costs associated with facility upgrades. The fund balance, however, remains strong and sound. Actual revenues exceeded budgeted revenues by \$489,310 mainly due to under budget of sales tax revenue. Budgeted expenses exceeded actual expenses by \$436,769 mainly due to over budget of capital outlay.

Capital Assets

Table 3 provides information on the District's investment in capital assets, as of December 31, 2023. Capital assets net of accumulated depreciation amount to \$8,276,689. During the year, the District capitalized expenditures for construction of a new station still in progress in the amount of \$5,435,609, new vehicle for \$394,910, and equipment for \$20,090, for a total amount of \$5,850,609 for new capital expenditures. See Note 5 for additional information on capital assets.

**Table A-3
Capital Assets**

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 1,008,303 | \$ 1,008,303 |
| Vehicles | 2,349,454 | 1,954,544 |
| Furniture and Fixtures | 27,484 | 27,484 |
| Equipment | 841,739 | 821,649 |
| Buildings and Improvements | 60,128 | 60,128 |
| Construction in Progress | 6,372,362 | 936,753 |
| Total Capital Assets | <u>10,659,470</u> | <u>4,808,861</u> |
| Less Accumulated Depreciation: | | |
| Vehicles | (1,848,885) | (1,692,504) |
| Furniture and Fixtures | (17,005) | (14,264) |
| Equipment | (496,846) | (433,505) |
| Buildings and Improvements | <u>(20,045)</u> | <u>(18,503)</u> |
| Total Accumulated Depreciation | <u>(2,382,781)</u> | <u>(2,158,776)</u> |
| Net Capital Assets | <u>\$ 8,276,689</u> | <u>\$ 2,650,085</u> |

Debt Administration

During the year the District had a new loan payable at Stellar Bank for \$4,900,000 to fund the construction of the new station. During the year a total of \$134,707 in principal payments were made. See Note 6 for additional information.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Economic Factors and Next Year's Budgets and Rates

- The District projects to stay the course on projects and revenue and expenditure projections at the current time.
- Continued growth in the surrounding communities has increased tax revenue projections.

These indicators were taken into account when adopting the general fund budget for 2023. Amounts available for appropriation in the general fund budget are up slightly due to increased revenues. Any expected increases in revenue from property taxes are allocated to increases in funding levels for facilities and equipment needs. Currently, the District is able to fill all of its financial obligations from personnel to facilities and equipment.

If all revenue and expenditure estimates are realized in 2023, the District's fund balance is expected to continue to stay the same by the close of 2024.

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**STATEMENT OF NET POSITION****DECEMBER 31, 2023**

| | Governmental Activites |
|---|---------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 2,062,141 |
| Property Taxes Receivable (Net) | 422,959 |
| Other Receivables | 76,271 |
| Capital Assets: | |
| Land | 1,008,303 |
| Buildings and improvements, Net | 40,083 |
| Furniture and Fixtures, Net | 10,479 |
| Equipment, Net | 344,893 |
| Vehicles, Net | 500,569 |
| Construction in progress | 6,372,362 |
| Total Assets | <u>10,838,060</u> |
| LIABILITIES | |
| Accounts Payable | 10,094 |
| Accrued Liabilities | 2,570 |
| Notes Payable, Current | 416,807 |
| Noncurrent Liabilities: | |
| Notes Payable | 4,348,486 |
| Total Liabilities | <u>4,777,957</u> |
| NET POSITION | |
| Invested in Capital Assets, Net of Related Debt | 1,904,327 |
| Unrestricted | 4,155,776 |
| Total Net Position | <u>\$ 6,060,103</u> |

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

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position |
|---|-------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| General Government | | | | |
| Service Operations | \$ 980,680 | \$ - | \$ - | \$ (980,680) |
| Total Governmental Activities | <u>\$ 980,680</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (980,680)</u> |
| General Revenues: | | | | |
| Property Taxes, Levied for General Purposes | | | | 551,191 |
| Sales Tax Revenue | | | | 1,345,658 |
| Investment Earnings | | | | 59,036 |
| Miscellaneous | | | | 10,410 |
| Total General Revenues | | | | <u>1,966,295</u> |
| Change in Net Position | | | | 985,615 |
| Net Position - Beginning | | | | <u>5,074,488</u> |
| Prior Period Adjustment | | | | |
| Net Position - Ending | | | | <u>\$ 6,060,103</u> |

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

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

GOVERNMENTAL BALANCE SHEET

DECEMBER 31, 2023

| | General Fund | Total Governmental Funds |
|---|---------------------|--------------------------------|
| <u>Assets:</u> | | |
| Cash on Deposit | \$ 2,062,141 | \$ 2,062,141 |
| Taxes receivable (net) | 422,959 | 422,959 |
| Due From Other Governments | 76,271 | 76,271 |
| Total assets | <u>2,561,371</u> | <u>2,561,371</u> |
| <u>Liabilities and Fund Balance:</u> | | |
| Accounts Payable | 10,094 | 10,094 |
| Accrued Expenses | 2,570 | 2,570 |
| Total liabilities | <u>12,664</u> | <u>12,664</u> |
| <u>Deferred Inflows</u> | | |
| Unavailable Property Taxes | 422,959 | 422,959 |
| Total Deferred Inflows | <u>422,959</u> | <u>422,959</u> |
| <u>Fund Balance</u> | | |
| Unassigned | 2,125,748 | 2,125,748 |
| Total fund balance | <u>2,125,748</u> | <u>2,125,748</u> |
| Total liabilities, deferred inflows, and fund balance | <u>\$ 2,561,371</u> | <u>\$ 2,561,371</u> |

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

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

**RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Governmental fund balance as reported on the balance sheet for governmental fund. \$ 2,125,748

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. The net of including the beginning balances is the increase net position.

| | | |
|--------------------------|-------------|-----------|
| Capital Assets | 4,808,861 | |
| Accumulated Depreciation | (2,158,776) | 2,650,085 |

Payments for capital assets are recognized as expenditures for governmental funds but are capitalized on the Statement of Net Position. The net effect of capitalizing purchases and recording depreciation expense is to increase net position

| | | |
|----------------|-----------|-----------|
| Capital Outlay | 5,850,609 | |
| Depreciation | (224,005) | 5,626,604 |

Proceeds from longterm debt are recognized as other financing sources for governmental funds but are moved to the loan balance on the Statement of Net Position.

The net effect is to decrease net position (4,900,000)

Principal payments for longterm debt are recognized as expenditures for governmental funds but are deducted from the loan balance on the Statement of Net Position.

The net effect is to increase net position 134,707

Reclassifications for property tax revenues. 422,959

Total net position as reported on the Statement of Net Position for governmental activities.

 \$ 6,060,103

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

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | General Fund | Total Governmental Fund Types |
|---|---------------------|-------------------------------------|
| <u>Revenues:</u> | | |
| Ad valorem taxes, penalties and interest | \$ 374,206 | \$ 374,206 |
| Sales Tax Revenue | 1,345,658 | 1,345,658 |
| Interest income | 59,036 | 59,036 |
| Miscellaneous | 10,410 | 10,410 |
| Total revenues | <u>1,789,310</u> | <u>1,789,310</u> |
| <u>Deduct Expenditures:</u> | | |
| Operations: | | |
| Insurance | 120,445 | 120,445 |
| Utilities | 25,727 | 25,727 |
| Repairs & Maintenance | 113,478 | 113,478 |
| Fuel | 17,717 | 17,717 |
| Administrative | 80,297 | 80,297 |
| Dues & Fees | 18,974 | 18,974 |
| Legal & Professional | 33,521 | 33,521 |
| Buildings and Grounds | 77,393 | 77,393 |
| Uniform | 2,244 | 2,244 |
| Miscellaneous | 45,494 | 45,494 |
| Small Equipment | 75,751 | 75,751 |
| Capital Outlay | 5,850,609 | 5,850,609 |
| Debt Service | | |
| Principal | 134,707 | 134,707 |
| Interest | 145,634 | 145,634 |
| Total operations | <u>6,741,991</u> | <u>6,741,991</u> |
| Excess of revenues over (under) expenditures | (4,952,681) | (4,952,681) |
| <u>Other Financing Sources (Uses):</u> | | |
| Proceeds From the Financing | <u>4,900,000</u> | <u>4,900,000</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | <u>(52,681)</u> | <u>(52,681)</u> |
| Net Changes in Fund Balances | (52,681) | (52,681) |
| <u>Fund Balances:</u> | | |
| Beginning of year | <u>2,178,429</u> | <u>2,178,429</u> |
| End of year | <u>\$ 2,125,748</u> | <u>\$ 2,125,748</u> |

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

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | |
|--|-------------------|
| Net change in fund balance for the governmental fund. | \$ (52,681) |
| Governmental funds reported capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | 5,850,609 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. | (224,005) |
| Governmental funds report debt proceeds as other financing sources. However, in the government-wide statement of activities and changes in net position, the proceeds are shown as long term liability. This is the amount of debt proceeds recorded in the current period. | (4,900,000) |
| Governmental funds report debt principal payments as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is shown as a reduction in liabilities. This is the amount of principal payments recorded in the current period. | 134,707 |
| Property taxes revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | 176,985 |
| Change in Net Position of Governmental Activities | <u>\$ 985,615</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, 2023

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.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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.

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.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 |

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.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Government-wide Fund Balance – Governmental Funds

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 can be spent only for specific purposes because of the District, state or federal laws, or externally imposed conditions by grantors or creditors. The District has \$0 classified as restricted.
- *Committed* – Amounts that can be used only for specific purposes determined by a formal action by the District. This includes the budget reserve account. The District has \$0 classified as committed.
- *Assigned* – Amounts that are designated by the District Manager for a specific purpose but are not spendable until a budget ordinance is passed by the Board. The District has \$0 classified as assigned.
- *Unassigned* – All amounts not included in other spendable classifications. The District has \$2,125,748 classified as unassigned.

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 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, 2023 and during the period ended December 31, 2023, 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 \$2,062,141 at December 31, 2023, was held in a public funds interest checking account, and was unrestricted; deposits per bank totaled \$2,089,009.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS AND TEMPORARY INVESTMENTS Cont'd

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, 2023.

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 2023 calendar year was based totaled approximately \$1.13 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, 2023, 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, 2023**

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, 2023:

| | Beginning Balances | Additions | Deletions | Ending Balances |
|--|-----------------------|---------------------|-------------|---------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets not Being Depreciated:</i> | | | | |
| Land | \$ 1,008,303 | \$ - | \$ - | \$ 1,008,303 |
| Construction Work in Progress | 936,753 | 5,435,609 | - | 6,372,362 |
| Total Capital Assets Not Depreciated | <u>1,945,056</u> | <u>5,435,609</u> | <u>-</u> | <u>7,380,665</u> |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Vehicles | 1,954,544 | 394,910 | - | 2,349,454 |
| Equipment | 821,649 | 20,090 | - | 841,739 |
| Furniture and fixtures | 27,484 | - | - | 27,484 |
| Buildings and Improvements | 60,128 | - | - | 60,128 |
| Total Capital Assets Being Depreciated | <u>2,863,805</u> | <u>415,000</u> | <u>-</u> | <u>3,278,805</u> |
| Less: Accumulated Depreciation For: | | | | |
| Vehicles | (1,692,504) | (156,381) | - | (1,848,885) |
| Equipment | (433,505) | (63,341) | - | (496,846) |
| Furniture and Fixtures | (14,264) | (2,741) | - | (17,005) |
| Buildings and Improvements | (18,503) | (1,542) | - | (20,045) |
| Total Accumulated Depreciation | <u>(2,158,776)</u> | <u>(224,005)</u> | <u>-</u> | <u>(2,382,781)</u> |
| Total Capital Assets Being Depreciated, Net | <u>705,029</u> | <u>190,995</u> | <u>-</u> | <u>896,024</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 2,650,085</u> | <u>\$ 5,626,604</u> | <u>\$ -</u> | <u>\$ 8,276,689</u> |

Depreciation was charged to functions/programs of the primary government as follows:

| | |
|--------------------|-------------------|
| Service Operations | 224,005 |
| | <u>\$ 224,005</u> |

NOTE 6 – LONG-TERM LIABILITIES

The District has a loan with Stellar Bank in the amount of \$4,900,000. The loan is payable in 132 monthly payments with an interest rate of 3.75%. A summary of changes in long-term debt for the year ended December 31, 2023 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---------------------------------|----------------------|--------------------|---------------------|--------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Notes Payable | \$ - | \$4,900,000 | \$ (134,707) | \$4,765,293 | \$ 416,807 |
| | <u>\$ -</u> | <u>\$4,900,000</u> | <u>\$ (134,707)</u> | <u>\$4,765,293</u> | <u>\$ 416,807</u> |

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 – LONG-TERM LIABILITIES, Cont'd

A summary of the annual requirements for long-term debt outstanding is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------|--------------------|-------------------|--------------------|
| 2024 | 416,807 | 171,553 | 588,360 |
| 2025 | 432,709 | 155,651 | 588,360 |
| 2026 | 449,217 | 139,143 | 588,360 |
| 2027 | 466,355 | 122,005 | 588,360 |
| 2028 | 484,147 | 104,213 | 588,360 |
| Thereafter | 2,516,058 | 230,419 | 2,746,477 |
| | <u>\$4,765,293</u> | <u>\$ 922,984</u> | <u>\$5,688,277</u> |

NOTE 7 – SUBSEQUENT EVENTS

Events occurring subsequent to December 31, 2023 were evaluated by management and reviewed through June 26, 2024, the date the financial statements were available to be issued, with no significant items to be reported.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #6**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDING DECEMBER 31, 2023**

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|--|
| <u>Revenues:</u> | | | | |
| Ad valorem taxes, penalties and interest | \$ 300,000 | \$ 300,000 | \$ 374,206 | \$ 74,206 |
| Sales Tax Revenue | 1,000,000 | 1,000,000 | 1,345,658 | 345,658 |
| Interest income | - | - | 59,036 | 59,036 |
| Miscellaneous | - | - | 10,410 | 10,410 |
| Total revenues | <u>1,300,000</u> | <u>1,300,000</u> | <u>1,789,310</u> | <u>489,310</u> |
| <u>Deduct Expenditures:</u> | | | | |
| Operations: | | | | |
| Insurance | 74,000 | 74,000 | 120,445 | (46,445) |
| Utilities | 27,500 | 27,500 | 25,727 | 1,773 |
| Repairs & Maintenance | 121,000 | 121,000 | 113,478 | 7,522 |
| Fuel | 25,000 | 25,000 | 17,717 | 7,283 |
| Administrative | 77,540 | 77,540 | 80,297 | (2,757) |
| Dues & Fees | 20,400 | 20,400 | 18,974 | 1,426 |
| Legal & Professional | 25,000 | 25,000 | 33,521 | (8,521) |
| Buildings and Grounds | 103,700 | 103,700 | 77,393 | 26,307 |
| Uniform | 6,000 | 6,000 | 2,244 | 3,756 |
| Miscellaneous | 62,620 | 62,620 | 45,494 | 17,126 |
| Small Equipment | 79,000 | 79,000 | 75,751 | 3,249 |
| Capital Outlay | 6,272,000 | 6,272,000 | 5,850,609 | 421,391 |
| Debt Service | | | | |
| Principal | 285,000 | 285,000 | 134,707 | 150,293 |
| Interest | - | - | 145,634 | (145,634) |
| Total operations | <u>7,178,760</u> | <u>7,178,760</u> | <u>6,741,991</u> | <u>436,769</u> |
| Excess of revenues over (under) expenditures | (5,878,760) | (5,878,760) | (4,952,681) | 52,541 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Proceeds From the Financing | <u>4,900,000</u> | <u>4,900,000</u> | <u>4,900,000</u> | <u>-</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | <u>(978,760)</u> | <u>(978,760)</u> | <u>(52,681)</u> | <u>52,541</u> |
| Net Changes in Fund Balances | (978,760) | (978,760) | (52,681) | 52,541 |
| <u>Fund Balances:</u> | | | | |
| Beginning of year | <u>2,178,429</u> | <u>2,178,429</u> | <u>2,178,429</u> | <u>2,178,429</u> |
| End of year | <u>\$ 1,199,669</u> | <u>\$ 1,199,669</u> | <u>\$ 2,125,748</u> | <u>\$ 2,230,970</u> |