

**HARDIN COUNTY EMERGENCY
SERVICES DISTRICT #1**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
September 30, 2023

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1
Hardin County, Texas

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hardin County Emergency Services District #1
Kountze, Texas

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities of Hardin County Emergency Services District #1 (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Unit	Adverse

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Hardin County Emergency Services District #1, as of September 30, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Hardin County Emergency Service District #1, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified 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 Hardin County Emergency Services District #1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the Hardin County Emergency Services District #1's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the Hardin County Emergency Services District #1 also issues financial statements for the financial reporting entity that include the financial data for its component units. The Hardin County Emergency Services District #1 has not issued such reporting entity financial statements. The effects of not including the Hardin County Emergency Services District #1's legally separate component units on the aggregate discretely presented component units have not been determined.

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 Hardin County Emergency Services District #1'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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Hardin County Emergency Services District #1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hardin County Emergency Services District #1'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 findings, and certain internal control- related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary 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 the 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 on 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.

Charles E. Reed & Associates, P.C.

Charles E. Reed & Associates, PC
Certified Public Accountants & Consultants

June 19, 2024

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1

Management's Discussion and Analysis September 30, 2023

As management of Hardin County Emergency Services District #1 (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 September 30, 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.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following: 1) Hardin County Emergency Services District #1 is a single program government and presents fund financial statements and government-wide statements together with adjustments on single statements, and 2) notes to the financial statements. This report also contains budget and actual supplementary information in addition to the basic financial statements.

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

The statement of net position and governmental fund balance sheet presents information of all of the District's assets, and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between them reported as net position, with the exception of the component unit, Kountze Volunteer Fire Department. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities and governmental fund revenues, expenditures, and changes in fund balances present information showing how the District's net position changed during the fiscal year, with the exception of the component unit: Kountze Volunteer Fire Department. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (i.e. uncollected property taxes and earned but unused vacation leave).

All of the District's basic services are included in the governmental fund, which focuses on how resources flow in and out with the balances remaining at the year end that are available for spending. The governmental fund statement provides a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship between governmental activities and governmental funds through the reconciliations and in the notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

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 Kountze 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 one governmental fund. 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 financing 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 presented in the adjustments column of the basic financial statements and in the *Notes to Basic Financial Statements*.

Notes to the Basic Financial Statements

The notes in Exhibit C 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 \$2,049,490 at the close of the most recent fiscal year. Table 1 details the District's combined net position for the year ending September 30, 2023. Table 2 provides the changes in net position.

Table 1
Statement of Net Position

Assets	2023	2022
Current assets	\$ 1,358,361	\$ 1,131,319
Capital assets, net of accumulated depreciation	736,693	758,794
Total Assets	<u>\$ 2,095,054</u>	<u>\$ 1,890,113</u>
Liabilities		
Current liabilities	\$ 5,564	\$ 644
Long-term liabilities	\$ -	\$ -
Total Liabilities	<u>\$ 5,564</u>	<u>\$ 644</u>
Net Position		
Net investment in capital assets	\$ 736,693	\$ 758,794
Restricted for emergency services	<u>1,352,797</u>	<u>1,130,675</u>
Total Net Position	<u>\$ 2,089,490</u>	<u>\$ 1,889,469</u>

Of the District's Net Position, 34% is its investment in capital assets (e.g. buildings, equipment and infrastructure), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. The District has no debt related to its capital assets.

The remaining balance of net position is restricted for emergency services: \$1,352,797, meaning it may be used to meet the government's on-going obligations to citizens and creditors for the District's emergency service purposes.

Fund balances of \$23,593 are non-spendable because the money has already been used to prepay expenses. \$800,000 of fund balances are assigned for equipment and property purchase. The remaining fund balances is unassigned.

Table 2
Statement of Activities

Expenses	2023	2022
Service operations	\$ 119,153	\$ 111,178
Depreciation	107,872	105,980
Total Expenses	<u>\$ 227,025</u>	<u>\$ 217,158</u>
Revenues		
Revenues	427,046	316,808
Total Revenues	<u>\$ 427,046</u>	<u>\$ 316,808</u>
Change in Net Position	<u>\$ 200,021</u>	<u>\$ 99,650</u>

For the fiscal year ended September 30, 2023, 72% of the District's total revenues were derived from property taxes and 18% from sales tax collected. The remaining amount was almost entirely from donation of land.

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 September 30, 2023, the District's governmental fund reported a fund balance of \$1,283,912.

Capital Assets and Debt Administration

Table 3 provides information on the District's investment in capital assets, as of September 30, 2023, which amounts to \$736,693 (net of accumulated depreciation). During the year, the District's capital expenditures totaled \$45,770. See Note 5 for additional information on capital assets.

Table 3
Capital Assets at Year-end

	2023	2022
Land	\$ 40,000	\$ -
Fire Station	968,754	968,754
Machinery and Equipment	2,276,299	2,230,529
Chassis Truck in Progress	-	-
Total Capital Assets	<u>\$ 3,285,053</u>	<u>\$ 3,199,283</u>
Accumulated depreciation	<u>(2,548,360)</u>	<u>(2,440,489)</u>
Net capital assets	<u><u>\$ 736,693</u></u>	<u><u>\$ 758,794</u></u>

At September 30, 2023, the District had no long-term debt.

Budget

The budget was not amended during the year. The budget for capital outlay and capital purchases is \$132,048 and the actual amount spent was \$85,770.

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 and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Hardin County Emergency Services District #1, Post Office Box 1373, Kountze, Texas 77625-1373.

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023

	GENERAL FUND	ADJUSTMENTS (NOTE 11)	STATEMENT OF NET POSITION
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,265,883	\$ -	\$ 1,265,883
Property Taxes Receivable	68,885		68,885
Miscellaneous Receivable	-	-	-
Prepaid Expenses	23,593	-	23,593
Total Current Assets	\$ 1,358,361	\$ -	\$ 1,358,361
Capital Assets (Net of Accumulated Depreciation):			
Land		40,000	40,000
Fire Station	-	428,749	428,749
Machinery and Equipment	-	267,944	267,944
Total Capital Assets	-	736,693	736,693
Total Assets	\$ 1,358,361	\$ 736,693	\$ 2,095,054
DEFERRED OUTFLOWS OF RESOURCES:			
	-	-	-
LIABILITIES:			
Accounts Payable	\$ 5,564	\$ -	\$ 5,564
Total Liabilities	\$ 5,564	\$ -	\$ 5,564
DEFERRED INFLOWS OF RESOURCES:			
Deferred Property Tax Inflow	\$ 68,885	\$ (68,885)	\$ -
Total Deferred Inflows of Resources	\$ 68,885	\$ (68,885)	\$ -
FUND BALANCES/NET POSITION:			
Fund Balances	\$ -	\$ -	\$ -
Nonspendable	23,593	(23,593)	-
Assigned for Equipment & Property Purchase	800,000	(800,000)	-
Unassigned	460,319	(460,319)	-
Total Fund Balances	\$ 1,283,912	\$ (1,283,912)	\$ -
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,358,361		
Net Position:			
Net Investment in Capital Assets		\$ 736,693	\$ 736,693
Restricted for Emergency Services			1,352,797
Total Net Position		\$ 736,693	\$ 2,089,490

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

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2023

	GENERAL FUND	ADJUSTMENTS (NOTE 11)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Current:			
Insurance	\$ 38,885	\$ -	\$ 38,885
Utilities & Communications	6,803	-	6,803
Repairs & Maintenance	12,232	-	12,232
Fuel	10,408	-	10,408
Administrative	10,718	-	10,718
Dues & Fees	300	-	300
Legal & Professional	6,950	-	6,950
Support Supplies	32,857	-	32,857
Capital Outlay	85,770	(85,770)	-
Depreciation	-	107,872	107,872
Total expenditures/expenses	<u>\$ 204,923</u>	<u>\$ 22,102</u>	<u>\$ 227,025</u>
REVENUES AND OTHER FINANCING SOURCES:			
General revenues:			
Property taxes	\$ 303,760	\$ 4,835	\$ 308,595
Interest	23		23
Sales tax	77,556	-	77,556
Donation and other	40,872		40,872
Total revenues and other financing sources	<u>\$ 422,211</u>	<u>\$ 4,835</u>	<u>\$ 427,046</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES	217,288	(217,288)	-
Change in net position	<u>\$ -</u>	<u>\$ 200,021</u>	<u>\$ 200,021</u>
FUND BALANCES/NET POSITION:			
Beginning of year Net Position	1,066,624	822,845	1,889,469
End of year	<u>\$ 1,283,912</u>	<u>\$ 805,578</u>	<u>\$ 2,089,490</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Hardin County Emergency Services District #1 (the District) was created by the Hardin County Commissioners Court and operates under the 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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting 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 the protection of life and health as provided for under this Act. Members of the Board 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 Statement No. 14.

The District provides fire and emergency services to the citizens of Hardin County, which includes the City of Kountze, 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 Kountze 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.

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.

Notes to the Basic Financial Statements

For the year ended September 30, 2023

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. The District has one fund, the general fund.

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. There is no inter-fund activity to be eliminated from the government-wide financial statements, the District has one fund.

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 judgments 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 began collecting sales taxes in fiscal year 2023.

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. The general fund is a budgeted fund; any unassigned fund balances are considered resources available for current operations.

D. Cash and Cash Equivalents

Cash and cash equivalents includes amounts in demand deposits as well as money market accounts.

E. Encumbrances

The District does not use encumbrance accounting.

F. Materials and Supplies Inventories

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. There is no inventory as of September 30, 2023.

G. Interfund Transactions

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. There are no interfund receivables or payables at year-end. The District has one fund- the General Fund.

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the District are accounted for as revenues, expenditures, or expenses in the funds involved.

H. Land, Buildings and Equipment

General fixed assets have been acquired or constructed for general governmental purposes. Infrastructure assets and other fixed assets are recorded as expenditures in the governmental funds and capitalized at cost or estimated historical cost. Gifts or contributions of general fixed assets are recorded at estimated fair market value upon receipt. Interest has been capitalized as appropriate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. While the District has no policy for capitalizing assets, the general practice of the District is to capitalize assets with an individual cost of \$3,000 or more and a useful life of at least two years.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Life/Years</u>
Buildings and Improvements	40
Machinery and Equipment	7-10

I. Receivable and Payable Balances

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 which are not scheduled for collection within one year of year end.

J. 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.

K. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Fund Balances and Application of Resources

The District's financial statements reflect GASB Statement No. 54, which redefined presentation of fund balances of the governmental funds 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.
- Restricted – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.
- 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.
- Assigned – The portion of fund balance that the District intends to use for specific purposes.
- Unassigned – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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, once committed for a specific purpose by formal action of the Board, may be established, modified, or rescinded only through a resolution approved by the Board.

M. Deferred Inflows of Resources

GASB 68 requires the District to present the deferred tax receipts in a separate line in the governmental fund's general fund column.

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1
Notes to the Basic Financial Statements
For the year ended September 30, 2023

Exhibit C

NOTE 2 - CASH AND CASH EQUIVALENTS

Following are the components of the District's cash and money market funds at September 30, 2023 :

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash & Money Market	\$ 1,265,883	-	\$ 1,265,883

Deposits per banks totaled \$1,265,883 at September 30, 2023. The bank deposits were held by Citizens Bank and PNC Bank which each held, \$1,015,167 and \$250,716 respectively.

NOTE 3- DEPOSITS AND INVESTMENTS

The District has formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the District is exposed. The District has no investments at September 30, 2023.

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy, which must address: (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 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 is not in compliance with the Public Funds Investment Act.

NOTE 4- CUSTODIAL CREDIT RISK AND DEPOSITORY COMPLIANCE

The District's deposits held at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. To minimize deposit custodial credit risk, which is the risk of loss of failure of the depository bank, the District is required to obtain collateral or bonds for all uninsured amounts on deposit and has obtained necessary documentation to show compliance with Section 775.072.c of the State of Texas Health and Safety Code. As of September 30, 2023, the amount in excess of the FDIC coverage limit was \$765,883. The book value of the collateral pledged at September 30, 2023, was \$1,121,938 and market value of \$1,068,162 which was sufficient to cover the excess deposits above the FDIC coverage.

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1
Notes to the Basic Financial Statements
For the year ended September 30, 2023

Exhibit C

NOTE 5- CAPITAL ASSETS

Following is a schedule of the District's capital assets and related accumulated depreciation at year end. The beginning balance is as previously reported; the deletions column reflects an adjustment to beginning balance of capital assets (see note 11).

Capital Assets	Beginning Balance			Ending Balance	
	10/1/2022	Additions	Deletions	9/30/2023	
Land	\$ -	\$ 40,000			40,000
Fire Stations	968,754	-	-		968,754
Machinery and Equipment	2,230,529	45,770	-		2,276,299
Chassis Fire Truck in Process	-	-	-		-
Total Capital Assets	\$ 3,199,283	\$ 85,770	\$ -	\$	3,285,053
Accumulated Depreciation					
Fire Stations	\$ 515,787	\$ 24,219	\$ -	\$	540,006
Machinery and Equipment	1,924,702	83,652	-		2,008,354
Total	\$ 2,440,489	\$ 107,871	\$ -	\$	2,548,360
Net Assets after Depreciaton	\$ 758,794	\$ (22,101)	-	\$	736,693

Depreciation expense for the year ended September 30, 2023 was \$107,871.

NOTE 6- AD VALOREM 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.

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 a 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.

Property taxes attach as an enforceable lien on property as of February 1 following the levy date to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes are due October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended September 30, 2023, were 97% of the tax.

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1
Notes to the Basic Financial Statements
For the year ended September 30, 2023

Exhibit C

NOTE 7- NOTES PAYABLE

The District has no notes payable, bonds payable, or lines of credit as of September 30, 2023.

NOTE 8- SUBSEQUENT EVENTS

Events occurring subsequent to September 30, 2023, were evaluated by management and reviewed through June 19, 2024 the date the financial statements were available to be issued. The District has begun planning for construction of facilities and purchase of fire truck for the Kountze Volunteer Fire Department with an estimated cost of \$800,000.

NOTE 9- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District obtains primary insurance coverage through Volunteer Firefighter Insurance Services of Texas (VFIS of TX), a provider of insurance for non-profit emergency service organizations, including volunteer fire departments. Additionally, the District participates in a public entity risk pool, where risk is transferred to the pool within policy limits purchased. There have been no significant reductions in insurance coverage from the preceding year and 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.

NOTE 10- RELATED PARTY DISCLOSURE

In the course of normal operations, the District may purchase small engine fuel from a local business owned by a member of the District's governing board.

NOTE 11- RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds total fund balance	\$ 1,283,912
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	736,693
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	<u>68,885</u>
Total net position	<u><u>\$ 2,089,490</u></u>

Amounts reported for governmental activities in the statement of activities are different because:

Excess of revenues and other financing sources over expenditures	\$ 217,288
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	85,770
Depreciation expense	(107,872)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Change in deferred tax revenue	<u>4,835</u>
Change in net position	<u><u>\$ 200,021</u></u>

HARDIN COUNTY EMERGENCY SERVICES DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Exhibit D

	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
<u>Revenues:</u>				
Ad valorem taxes, penalties and interest	\$ 283,048	\$ 283,048	\$ 303,760	\$ 20,712
Interest income	-	-	23	23
Sales Tax	-	-	77,556	77,556
Miscellaneous	-	-	40,872	40,872
Total revenues	<u>\$ 283,048</u>	<u>\$ 283,048</u>	<u>\$ 422,211</u>	<u>\$ 139,163</u>
<u>Expenditures:</u>				
Operations:				
Maintenance and repairs	\$ 58,000	\$ 58,000	\$ 12,232	\$ 45,768
Insurance	38,000	38,000	38,885	(885)
Office and dues	4,900	4,900	4,024	876
Appraisal district fees	5,600	5,600	6,994	(1,394)
Legal and professional	10,000	10,000	6,950	3,050
Utilities	10,500	10,500	6,803	3,697
Fuel	10,000	10,000	10,408	(408)
Capital outlay and matching grant funds	138,048	138,048	85,770	52,278
Supplies	8,000	8,000	32,857	(24,857)
Total operations	<u>\$ 283,048</u>	<u>\$ 283,048</u>	<u>\$ 204,923</u>	<u>\$ 78,125</u>
Other Financing Sources:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues and Other Financing Sources Over Expenditures:			\$ 217,288	
<u>Fund Balances:</u>				
Beginning of year			<u>\$ 1,066,624</u>	
End of year			<u><u>\$ 1,283,912</u></u>	