

**NORTH HAYS COUNTY  
EMERGENCY SERVICES DISTRICT #1**

**Annual Financial Report**  
For the Fiscal Year Ended  
September 30, 2023

# williams steinert mask

*Certified Public Accountants and Advisors*

## Independent Auditor's Report

Board of Directors  
North Hays County Emergency Services District #1  
PO Box 1604  
Dripping Springs, Texas 78620

### Opinion

We have audited the accompanying financial statements of the governmental activities of the North Hays 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 North Hays County Emergency Service District #1's basic financial statements.

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 District as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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.

*Williams, Steinert, Mask, LLP*

Williams, Steinert, Mask, LLP  
March 1, 2024  
San Antonio, Texas

# NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

### Using this Annual Report

Within this section of the North Hays County Emergency Services District #1's (the District) annual report, the District's Board of Directors provide narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023. This analysis should be read in conjunction with the basic financial statements that follow this section.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of five components: (1) the independent auditor's report; (2) management's discussion and analysis (MD & A); (3) the government wide financial statements; (4) the fund financial statements and; (5) the notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* report information for the District as a whole. These statements include transactions and balances relating to all assets, including capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over a period of 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. Other non-financial factors, such as the District's property tax base and the condition of the infrastructure, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. This may include uncollected taxes and other revenues or expenses that are appropriated for the current year even though cash is not received or expended until the following year.

### Fund Financial Statements

Funds may be considered as operating companies of the parent corporation (the District). Funds are segregated by specific activity. The District uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The District uses only the governmental fund.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows* of spendable resources, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements.

# NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

### Fund Financial Statements (continued)

#### Governmental Funds(continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The District maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The District adopts an annual non-appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

### Notes to the Financial Statements

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

### Financial Analysis of the District as a Whole

The District's overall financial position and operations for the past year is summarized as follows based on the information included in the government-wide financial statements.

#### Financial Highlights and Analysis

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$12,256,017.
- The District's net position increased during the year by \$3,696,969.
- The District's property tax revenues, including penalty and interest collections, increased by \$730,507.
- The District's sales tax revenues increased by \$206,448.

### Overall Financial Position of the District

The following condensed financial statements present the District's overall financial position and operations for the current year and the preceding year. The government-wide financial statements are shown first followed by the governmental fund financial statements.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

**Government-Wide Financial Statements**

Summary of Net Position

	2023	2022
Assets		
Cash and investments	\$ 13,112,703	14,310,246
Capital assets (net)	7,106,552	2,169,828
Taxes receivable (net)	124,065	34,259
Other current assets	23,115	23,115
<b>Total Assets</b>	<b>\$ 20,366,435</b>	<b>16,537,448</b>
Liabilities		
Current liabilities	\$ 1,203,141	771,053
Long-term liabilities	6,907,277	7,207,347
<b>Total Liabilities</b>	<b>8,110,418</b>	<b>7,978,400</b>
Net position		
Net investments in capital assets	7,106,552	2,169,828
Restricted	482,757	482,776
Unrestricted	4,666,708	5,906,444
<b>Total Net Position</b>	<b>12,256,017</b>	<b>8,559,048</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 20,366,435</b>	<b>16,537,448</b>

Summary of Statement of Activities

	2023	2022
Revenues		
Taxes, penalties and interest	\$ 5,766,000	4,829,045
Investment income	697,445	114,299
Other income	433,843	7,906
<b>Total Revenues</b>	<b>6,897,288</b>	<b>4,951,250</b>
Expenses		
Service	2,286,267	1,548,878
Administration	437,411	541,259
Tax collection expense	35,858	38,487
Debt service - interest	184,541	142,578
Depreciation	256,242	214,575
<b>Total Expenditures</b>	<b>3,200,319</b>	<b>2,485,777</b>
<b>Change in Net Position</b>	<b>3,696,969</b>	<b>2,465,473</b>
Net position, beginning of year	8,559,048	6,093,575
Net position, end of year	\$ 12,256,017	8,559,048

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2023**

**Capital Assets and Cash**

Capital assets held by the District at the end of the current fiscal year are summarized as follows:

	<u>Capital Assets</u>	
	2023	2022
Land	\$ 1,037,784	1,037,784
Building and leaseholds	189,118	189,118
Vehicles	1,287,038	915,043
Equipment - electronics	675,309	651,741
Furniture and fixtures	9,095	9,095
Construction in progress	4,912,520	465,208
	<u>8,110,864</u>	<u>3,267,989</u>
Less accumulated depreciation	(1,004,312)	(1,098,161)
Net capital assets	<u>\$ 7,106,552</u>	<u>2,169,828</u>

	<u>Cash and Investments</u>	
	2023	2022
Broadway Bank	\$ 249,066	216,219
Texpool Investments	12,863,637	14,094,027
<b>Total</b>	<u>\$ 13,112,703</u>	<u>14,310,246</u>

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2023**

**Governmental Fund Financial Statements**

**Summary of Governmental Funds Balance Sheet**

	2023	2022
Assets		
Current and other assets	\$ 13,112,703	14,310,246
Taxes receivable (net)	124,065	34,259
Other assets	23,115	23,115
<b>Total Assets</b>	<b>\$ 13,259,883</b>	<b>14,367,620</b>
Liabilities and deferred inflow of resources		
Accounts payable	\$ 766,055	35,822
Deferred inflow of resources		
Deferred inflow of resources	46,570	19,812
<b>Total Liabilities and Deferred Inflows</b>	<b>46,570</b>	<b>19,812</b>
Fund balance		
Non-spendable	15,997	15,997
Assigned for:		
Debt service	482,757	482,776
Unrestricted	11,948,504	13,813,213
<b>Total Fund Balance</b>	<b>12,447,258</b>	<b>14,311,986</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 13,259,883</b>	<b>14,367,620</b>

**Summary of Governmental Fund Revenues, Expenditures and Changes in Fund Balance**

	2023	2022
Revenues		
Taxes, penalties and interest	\$ 5,739,242	4,839,251
Investment income	697,445	114,299
Other income	433,843	7,906
<b>Total Revenues</b>	<b>6,870,530</b>	<b>4,961,456</b>
Expenditures		
Service	2,286,267	1,548,878
Administration	437,411	541,259
Tax collection expense	35,858	38,487
Debt service - principal	782,756	300,000
<b>Total Expenditures</b>	<b>3,542,292</b>	<b>2,428,624</b>
Excess of revenues over expenditures	3,328,238	2,532,832
Other financing activities		
Financing proceeds	-	8,100,000
Capital expenditures	(5,192,966)	(1,641,348)
Fund balance - beginning of year	14,311,986	5,320,502
Change in fund balance	(1,864,728)	8,991,484
Fund balance - end of year	<b>\$ 12,447,258</b>	<b>14,311,986</b>

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2023

**Economic Factors and Next Year's Budget and Rates**

**Property Tax Base**

The District's fiscal year 2023 certified taxable value was \$11,196,256,477. The fiscal year 2023 total adopted tax rate was based on \$0.03/\$100.00 of value.

**Budget**

For the fiscal year ending September 30, 2023, the District's budget remained virtually unchanged from the previous fiscal years with the exception of an increase in capital expenditures. The District expects future revenues to show modest increases as the tax base increases.

As part of the Board creating a long-term strategic plan that will service the greater Dripping Springs and Northwest Hays County areas for the next ten years, it is expected that a large increase in capital additions will be expected in subsequent years as part of the growth to increase the number of service stations located throughout the service area.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
Statement of Net Position and Governmental Funds Balance Sheet  
September 30, 2023

	Governmental Funds	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 249,066	-	249,066
Investments	12,863,637	-	12,863,637
Taxes receivable, net	123,999	-	123,999
Due from tax collector	66	-	66
Prepaid expenses	15,997	-	15,997
Capital assets, net	-	7,106,552	7,106,552
Other current assets	7,118	-	7,118
<b>Total Assets</b>	<u>13,259,883</u>	<u>7,106,552</u>	<u>20,366,435</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
Accounts payable	766,055	-	766,055
Accrued interest	-	137,015	137,015
Due within one year	-	300,071	300,071
Long-term liabilities			
Due after one year	-	6,907,277	6,907,277
<b>Total Liabilities</b>	<u>766,055</u>	<u>7,344,363</u>	<u>8,110,418</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	46,570	(19,812)	-
<b>Total Deferred Inflows of Resources</b>	<u>46,570</u>	<u>(19,812)</u>	<u>-</u>
<b>Fund balances</b>			
Non-spendable	15,997	(15,997)	-
Assigned for:			
Debt service	482,757	(482,757)	-
Unassigned	11,948,504	(11,948,504)	-
<b>Total Fund Balances</b>	<u>\$ 12,447,258</u>	<u>(12,447,258)</u>	<u>-</u>
<b>Net position</b>			
Net investment in capital assets		7,106,552	7,106,552
Restricted		482,757	482,757
Unrestricted		4,666,708	4,666,708
<b>Total Net Position</b>		<u>12,256,017</u>	<u>12,256,017</u>

See accompanying notes to financial statements.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
Statement of Activities and Governmental Funds  
Revenue, Expenditures and Changes in Fund Balances  
September 30, 2023

	Governmental Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 3,310,044	26,758	3,336,802
Sales taxes	2,414,485	-	2,414,485
Penalties and fees	14,713	-	14,713
Investment earnings	697,445	-	697,445
Other income	433,843	-	433,843
<b>Total Revenues</b>	<b>6,870,530</b>	<b>26,758</b>	<b>6,897,288</b>
<b>Expenditures</b>			
Contract services	2,286,267	-	2,286,267
Administrative expenditures	437,411	-	437,411
Tax collection fees	35,858	-	35,858
Debt service			
Principal	592,652	(592,652)	-
Interest	190,104	(5,563)	184,541
Depreciation	-	256,242	256,242
<b>Total Expenditures</b>	<b>3,542,292</b>	<b>(341,973)</b>	<b>3,200,319</b>
Excess (deficiency) of revenues over expenditures	3,328,238	368,731	3,696,969
<b>Other Financing Activities</b>			
Capitalized expenses	(5,192,966)	5,192,966	-
Financing proceeds	-	-	-
<b>Total Other Financing Activities</b>	<b>(5,192,966)</b>	<b>5,192,966</b>	<b>-</b>
Change in fund balance and net position over expenditures	(1,864,728)	5,561,697	3,696,969
<b>Fund Balance and Net Position</b>			
Beginning of the year	14,311,986	(5,600,121)	8,559,048
End of the year	<u>\$ 12,447,258</u>	<u>(38,424)</u>	<u>12,256,017</u>

See accompanying notes to financial statements.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

Reconciliation of the Governmental Funds

to the Statement of Net Position

September 30, 2023

Total fund balance for governmental funds \$ 12,447,258

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.

Capital assets, net of depreciation 7,106,552

Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.

(7,207,348)

Accrued interest payable on long-term debt is not due and payable in the current period and therefore, are not reported in the funds.

(137,015)

Other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include adjusting property tax revenue and eliminating unavailable revenue.

46,570

**Net Position in Governmental Activities**

\$ 12,256,017

See accompanying notes to financial statements.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balance of Governmental Funds  
 September 30, 2023

Net change in fund balances - total governmental funds \$ (1,864,728)

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

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 and reported as depreciation expense.

Capital outlay	5,192,966
Depreciation	(256,242)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	26,758
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The issuance of long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from debt issuance	-
Principal repayments	592,652

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest	5,563
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<b>Change in Net Position</b>	<b>\$ 3,696,969</b>
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See accompanying notes to financial statements.

## NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1

Notes to Basic Financial Statements

September 30, 2023

### 1) Creation of District

In 1988 the voters of North Hays County and the Commissioners Court of Hays County, Texas approved the formation of North Hays County Emergency Services District # 1 under Article III, Section 48-E of the Texas Constitution. That District operated under the Health and Safety code found in Chapter 775, Emergency Services Districts.

In a special election on May 2, 1988, the voters elected to create a new district, the Wimberley, Hays County Emergency Services District #3. With the election and separation of the Wimberley District, the remainder of North Hays County Emergency Services District # 1 covers the Dripping Springs area of the county.

### 2) Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies.

#### Reporting Entity

The District is a governmental unit of the state with powers to acquire and sell real and personal property, enter into contracts, impose and collect taxes, accept donations, and to lease, own, maintain and operate and provide emergency services vehicles and other equipment to provide emergency services.

The District has adopted GASB Statement No. 61(*The Financial Reporting Entity: Omnibus*). Using this criteria, the District has no component units.

#### Government-Wide and Fund Financial Statements

The government-wide and fund financial statements are presented on one schedule and are interrelated. The statement of net position and the statement of activities display information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net position presents the District's nonfiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. The governmental activities are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by revenue. Direct expenses are those that are clearly identifiable with a specific function. Revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items are reported as revenues.

## NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1

Notes to Basic Financial Statements

September 30, 2023

### 2) Summary of Significant Accounting Policies (continued)

#### Government-Wide and Fund Financial Statements (continued)

The fund financial statements of the District are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows/outflows, fund balance, revenues and expenditures. Government resources are allocated to and accounted for the purpose of carrying on specific activities in accordance with laws, regulations or other appropriate requirements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental funds:

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 another fund.

#### Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are organized on the basis of funds, each of which is considered to be separate accounting entity. They use the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include interest earned on investments and income from District operations. Property tax revenues are generally recognized in the period for which the tax levy was made. Property taxes receivable at the end of the fiscal year are treated as deferred revenues because they are not considered available to pay liabilities of the current period. The District levies taxes for debt service purposes only, and all related liabilities had been paid by the end of the year.

Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt (if any), which is recognized when due.

#### Budget

The budget is adopted by the Board and presented in the accompanying financial statements on the budgetary basis. The budget is not legally binding. Annual appropriations lapse at the end of the fiscal year.

# NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1

Notes to Basic Financial Statements

September 30, 2023

## 2) Summary of Significant Accounting Policies (continued)

### Investments

The District classifies investments, which have a remaining maturity of one year or less at the date of purchase, as money market investments. The District values these funds at cost. The District's certificates of deposit, if any, are recorded also at cost.

Temporary investments consist of deposits in Tex-Pool, which is a public funds investment pool and are stated at cost, which approximates fair value and certificates of deposit at local banks.

### Taxes Receivable

All receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. The estimated uncollectible is 5% of the outstanding tax receivable. At September 30, 2023, the District's taxes receivable consisted of \$49,090 less an allowance of \$2,455.

### Capital Assets

Capital assets, which include land and infrastructure, are reported in the government-wide financial statements. The district defines capital assets as assets with an initial valued cost of \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated over their remaining useful lives using the straight-line method as follows:

	Est. Depreciable Life
Vehicles	5 Yrs.
Equipment-Electronic	5 Yrs.
Equipment and Furniture	5 Yrs.

### Fund Equity/ Restricted Assets

In the fund financial statements, restricted equity balances represent those portions of fund balance not appropriate for expenditures or legally segregated for a specific future use. Unassigned fund balances represent available balances for the District's future use.

### Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

## NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1

Notes to Basic Financial Statements

September 30, 2023

### 3) Cash and Temporary Investments

Cash consists of checking and savings accounts. Investments consist of Tex-Pool. The carrying amounts for cash and temporary investment balances by fund at September 30, 2023, are as follows:

<u>Institution</u>	<u>Balances at End of Year</u>	<u>Interest Earned During Year</u>
Cash and cash equivalents:		
Checking - Broadway	\$ 31,970	-
Savings - Broadway	217,096	4,823
Temporary Investments:		
TexPool	12,863,637	692,622
	<u>\$ 13,112,703</u>	<u>697,445</u>

#### Investment Policies

The District has adopted a written investment policy, as required by the Public Funds Investment Act, Chapter 2256, and Texas Government Code. The investments of the District are in compliance with their investment policies.

State statutes and provisions, included in the District's bond resolution, require that all funds invested in depository institutions be covered by federal depository insurance and/or pledged collateral. The types of collateral to be pledged to secure District demand deposits and investments are stated in the District's Investment Policy. Balances in demand accounts and investments were entirely covered by federal depository insurance or pledged collateral held by the District's agent bank in the District's name.

#### Investment Pool

The State Comptroller of Public Accounts exercises oversight responsibility of Tex-Pool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in Tex-Pool and other persons who do not have a business relationship with Tex-Pool. The Advisory Board members review the investment policy and management fee structure. Tex-Pool is rated AAA by Standard & Poor's. Tex-Pool operates in a manner consistent with the SEC's Rule 2.a.7 of the Investment Company Act of 1940. Tex-Pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Tex-Pool is the same as the value of Tex-Pool shares.

#### Concentration of Credit Risk

The District maintains their cash in bank deposit accounts at a high credit quality financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC). At the end of the fiscal year, the balances maintained in the accounts at this financial institution did not exceed the FDIC limits.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

Notes to Basic Financial Statements

September 30, 2023

**4) Property Taxes**

All property values and exempt status, if any, are determined by the Hays County Appraisal District. Taxes are levied after receipt of the certified tax roll, are due upon receipt and are delinquent the following January 31<sup>st</sup>, at which time a tax lien attaches to the related property. Penalty and interest attach thereafter.

Property Tax Summary	
Operating taxes as adjusted	\$ 3,358,877
Debt service	-
Total taxes	\$ 3,358,877
Base assessment	\$ 11,196,256,477
Tax rate = \$0.03/\$100	

**5) Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2023 is as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	\$ 1,037,784	-	-	1,037,784
Building and leaseholds	189,118	-	-	189,118
Vehicles	915,043	722,086	350,091	1,287,038
Equipment	651,741	23,568	-	675,309
Furniture and fixtures	9,095	-	-	9,095
Total	2,802,781	745,654	350,091	3,198,344
Depreciation	(1,098,161)	(256,242)	350,091	(1,004,312)
Non-depreciable assets	465,208	4,447,312	-	4,912,520
Capital assets	\$ 2,169,828	4,936,724	-	7,106,552

**6) Commitments**

Effective April 1, 2017, the District entered into an agreement with SMHC EMS to provide services related to operations and EMS. Under this contract, SMHC EMS must provide all personnel and administration related to these services.

**7) 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; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

Notes to Basic Financial Statements

September 30, 2023

**8) Long term debt**

In November 2021, the District signed a promissory note for 2 installments for the purchase of land. The original balance was \$600,000, and the first installment was paid in January 2022. The second installment was paid in January 2023.

In December 2021, the District signed a promissory note for 20 years for the construction of 2 EMS stations and 1 admin office building. The original balance was \$7.5 million with a 2.50% interest rate and the annual payments will be \$482,757. Additionally, the loan is secured by rights to future ad valorem tax and revenue and all other income received by the District.

The annual requirements to amortize notes payable outstanding as of September 30, 2023, including interest payments, are as follows:

<u>Fiscal year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 300,071	182,686	482,757
2025	307,197	175,560	482,757
2026	315,463	167,294	482,757
2027	323,459	159,298	482,757
2028	331,658	151,099	482,757
2029-2041	5,629,500	1,129,116	6,758,616
	<u>\$ 7,207,348</u>	<u>1,965,053</u>	<u>9,172,401</u>

**9) Subsequent Events**

Subsequent events were evaluated through March 1, 2024, the date the financial statements were available to be issued.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**Budgetary Comparison Schedule – Governmental Funds**  
**Year Ended September 30, 2023**

	Budget	Actual	Variance
Revenues	\$ 5,538,877	6,870,530	1,331,653
Expenses			
Contract Services	2,345,000	2,286,267	58,733
Administrative			
Wages	146,000	110,869	35,131
Payroll Tax	40,000	8,890	31,110
PR Processing	5,000	4,750	250
Accounting Fees	18,000	16,147	1,853
Advertising Fees	105,000	62,640	42,360
Auditing	7,875	8,000	(125)
Bank Fees	50	-	50
Dues and Publications	-	-	-
Equipment maintenance	21,500	14,098	7,402
Insurance	6,771	7,703	(932)
Legal	20,000	49,834	(29,834)
License and permit	5,520	3,343	2,177
Miscellaneous	6,000	10,070	(4,070)
Office expense	35,000	26,494	8,506
Opticom	7,000	8,022	(1,022)
Postage	200	279	(79)
Professional fees	-	-	-
Rents	72,750	67,000	5,750
Repairs and maintenance	47,500	13,379	34,121
Telephone	5,000	2,986	2,014
Travel	6,000	3,115	2,885
Utilities	30,800	14,908	15,892
Website & Social Media	9,000	4,884	4,116
Total Admin	594,966	437,411	157,555
Tax Collection			
Appraisal District Fees	16,000	21,288	(5,288)
Tax collector	15,000	14,570	430
Total tax collection	31,000	35,858	(4,858)
Debt service - principal	-	592,652	(592,652)
Debt service - interest	-	190,104	(190,104)
<b>Total Expenses</b>	2,970,966	3,542,292	(571,326)
Excess (deficiency) of revenues over (under) expenditures	2,567,911	3,328,238	760,327
Financing proceeds	-	-	-
Purchase of Capital Assets	(2,014,000)	(5,192,966)	(3,178,966)
Net change in fund balance	\$ 553,911	(1,864,728)	(2,418,639)

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
Comparative Schedule of Statement of Revenues and Expenses  
Year Ended September 30, 2023

	2023	2022
Revenues	\$ 6,870,530	4,961,456
Expenses		
Contract Services	2,286,267	1,548,878
Administrative		
Wages	110,869	107,631
Payroll Tax	8,890	9,069
Benefits	-	-
PR Processing	4,750	4,680
Accounting Fees	16,147	22,657
Advertising Fees	62,640	23,741
Auditing	8,000	7,500
Bank Fees	-	4
Dues and Publications	-	1,190
Equipment maintenance	14,098	13,474
Insurance	7,703	5,890
Legal	49,834	21,942
License and permit	3,343	-
Office expense	26,494	23,552
Opticom	8,022	6,799
Postage	279	4,031
Professional fees	-	160,418
Rents	67,000	66,200
Repairs and maintenance	13,379	24,833
Telephone	2,986	2,858
Travel	3,115	7,956
Utilities	24,978	21,626
Website & Social Media	4,884	5,208
Total Admin	437,411	541,259
Tax Collection		
Appraisal District Fees	21,288	24,018
Tax collector	14,570	14,469
Total tax collection	35,858	38,487
Debt service - principal	592,652	300,000
Debt service - interest	190,104	-
<b>Total Expenses</b>	<b>3,542,292</b>	<b>2,428,624</b>
Excess (deficiency) of revenues over (under) expenditures	3,328,238	2,532,832
Financing proceeds	-	8,100,000
Purchase of Capital Assets	(5,192,966)	(1,641,348)
Net change in fund balance	\$ (1,864,728)	8,991,484

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*Certified Public Accountants and Advisors*

## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
North Hays County Emergency Services District #1  
PO Box 1604  
Dripping Springs, Texas 78620

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the governmental financial statements of North Hays County Emergency Service District #1 as of September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2024.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of the Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams, Steinert, Mask, LLP*

March 1, 2024  
San Antonio, Texas