



# Montemayor Britton Bender Carey PC

CERTIFIED PUBLIC ACCOUNTANTS

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2025

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

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# Montemayor Britton Bender Carey PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

## INDEPENDENT AUDITOR'S REPORT

### Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of Hays County Emergency Services District #3 (District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

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

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

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, the schedule of changes in the net pension liability and related ratios-TCDRS, the schedule of contributions-TCDRS, and the general fund budgetary comparison schedule on pages 21-23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Montemayor Brittan Bender Carey PC*

May 12, 2026  
Buda, Texas

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2025**

The following is a narrative overview and analysis of the financial activities of the Hays County Emergency Services District #3 (District) for the year ended December 31, 2025. Please read it in conjunction with the District’s financial statements, which follow this section.

**Financial Highlights**

- The District’s Ad Valorem property tax revenues for the year totaled \$2,255,631, an increase of \$300,066 over prior year.
- The District’s sales tax revenue for the year totaled \$2,524,879, a decrease of \$307,747 from the prior year.
- The District had an increase in net position of \$496,590 for the year.
- Capital assets decreased by \$289,644, due to additions of equipment, furniture and equipment, and vehicles of \$348,819, offset by depreciation expense of \$638,463.
- Debt increased by \$1,351,033, due to obtaining two new loans to purchase vehicles.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances in a manner similar to a private sector business reporting on a full accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District’s assets, liabilities, deferred inflows and deferred outflows, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District has improved or deteriorated.

The *Statement of Activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: property taxes assessed but uncollected as of 60 days after year-end).

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

**Fund Financial Statements**

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

**Governmental Funds:** The General Fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the Governmental Funds financial statements focus on current fiscal year cash inflows and outflows, as well as balances of resources available for spending at the end of the fiscal year. Such information may be useful in evaluating the District’s recent financing requirements.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2025**

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

**Government-Wide Financial Analysis**

Net position may serve as a useful indicator of the District’s financial position. The District’s net position (assets plus deferred outflows less liabilities and deferred inflows) was \$12,704,250 as of December 31, 2025. Capital assets, net of depreciation and related debt, accounted for \$6,092,872 or 48% of the total net position. Capital assets reflect the large investments in facilities and equipment that are necessary to provide adequate fire and rescue operations and emergency services to the community. At year end the District had \$1,171,926 in debt proceeds that are restricted for capital purchases and \$5,439,452 in unrestricted net position, which was available to meet the District’s ongoing obligations to citizens and creditors. Governmental activities account for all of the changes in net position as the District has no business-type activities. The tables below summarizes the financial position of the District at December 31, 2025 and 2024 and the results of operations for the years then ended.

<u>Assets</u>	<u>12/31/2025</u>	<u>12/31/2024</u>
Current and other assets	\$10,508,743	\$8,259,430
Capital assets, net of accumulated depreciation	<u>6,271,979</u>	<u>6,561,623</u>
Total assets	<u>16,780,722</u>	<u>14,821,053</u>
 <u>Deferred outflows of resources-pension</u>	 <u>351,716</u>	 <u>221,824</u>
 <u>Liabilities</u>		
Current and other liabilities	195,018	188,687
Long-term liabilities	<u>1,627,409</u>	<u>399,073</u>
Total liabilities	<u>1,822,427</u>	<u>587,760</u>
 <u>Deferred inflows of resources-property taxes</u>	 <u>2,605,761</u>	 <u>2,247,457</u>
 <u>Net position</u>		
Net investment in capital assets, net of debt	6,092,872	6,561,623
Restricted for capital purchases	1,171,926	0
Unrestricted	<u>5,439,452</u>	<u>5,646,037</u>
Total net position	<u>\$12,704,250</u>	<u>\$12,207,660</u>
 <u>Revenues</u>	 <u>12/31/2025</u>	 <u>12/31/2024</u>
Program revenues:		
Charges for services	\$263,519	\$330,851
Operating grants	0	20,000
General revenues:		
Ad Valorem property taxes	2,255,631	1,955,565
Sales taxes	2,524,879	2,832,626
Other	<u>196,306</u>	<u>427,787</u>
Total revenues	<u>5,240,335</u>	<u>5,566,829</u>

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2025**

Expenses

Fire and emergency services	4,105,263	3,748,974
Depreciation	638,463	617,237
Interest expense	<u>19</u>	<u>9,856</u>
Total expenses	<u>4,743,745</u>	<u>4,376,067</u>
Change in net position	496,590	1,190,762
Net position, beginning	<u>12,207,660</u>	<u>11,016,898</u>
Net position, ending	<u>\$12,704,250</u>	<u>\$12,207,660</u>

**Financial Analysis of the Governmental Fund**

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

During the year-ended December 31, 2025, the General Fund reported ending fund balance of \$7,630,286, an increase of \$1,892,773 from the prior year. The District's ending unassigned fund balance was \$6,420,732, which was unencumbered and available for spending at the District's discretion.

**General Fund Budgetary Highlights**

General Fund revenues were \$286,304 under budget, due primarily \$431,384 lower than anticipated sales tax revenues, offset partially by higher than anticipated Ad Valorem property taxes. Expenses for the General Fund were \$569,865 less than budget. The budget variance resulted primarily from lower than anticipated personnel expenses (\$705,218) and other (\$152,940), offset by higher than anticipated expenses for stations repairs, maintenance and supplies (\$155,675) and capital outlay (\$131,619). The variances in all other expenses compared to budget was not significant. Additionally, the District had \$1,361,452 in unbudgeted proceeds from debt. The budget was amended during the year.

**Capital Assets**

The District's capital assets, net of accumulated depreciation, were \$6,271,979 at year-end. Capital assets decreased by \$289,644, due to depreciation expense of \$638,463, offset by additions of equipment, furniture and equipment, and vehicles of \$348,819.

**Debt**

During the year, the District obtained two loans to finance the purchase of two vehicles and a pumper truck. At year end the balance on debt was \$1,351,033, with \$129,068 in principal due in the next year. Debt service expense during the year was \$10,419.

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

The October 2025 tax rate of \$.10 per \$100 of assessed valuation for 2026 remained the same as 2025. The tax levy for the 2025-2026 year is expected to provide a slightly decrease in property tax revenues compared to 2025. Additionally, the District collects sales tax revenues. The budget for fiscal 2026 sales taxes is \$3,163,202 and collections for the first two months of 2025 were approximately \$372,000.

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

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2025**

**Request for Information**

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

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

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2025**

	General Fund	Adjustments (Note 9)	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$7,299,904		\$7,299,904
Ad Valorem property taxes receivable	2,100,978		2,100,978
Due from other governments	620,952		620,952
Sales taxes receivable	375,773		375,773
Accounts receivable	73,508		73,508
Prepaid expenses and inventory	37,628		37,628
Capital assets:			
Land	0	126,078	126,078
Other capital assets, net of depreciation	0	6,145,901	6,145,901
	0		6,271,979
	10,508,743		16,780,722
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Difference actual and expected experience	0	62,063	62,063
Net difference projected and actual earnings	0	3,823	3,823
Contributions subsequent to the measurement date	0	285,830	285,830
	0		351,716
	\$10,508,743		
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$92,596		92,596
Texas Fire Academy deposits	102,422		102,422
Long-term liabilities:			
Due within 1 year: loans payable	0	129,069	129,069
Due in more than 1 year:			
Loans payable	0	1,221,964	1,221,964
Accrued leave	0	178,113	178,113
Net pension liability	0	98,263	98,263
	195,018		1,822,427
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent period	2,605,761		2,605,761
Unavailable revenue - delinquent property taxes	77,678	(77,678)	0
	2,683,439		2,605,761
<b>FUND BALANCES/NET POSITION</b>			
<b>FUND BALANCES</b>			
Fund balance - nonspendable	37,628	(37,628)	
Fund balance - restricted for capital purchases	1,171,926	(1,171,926)	
Fund balance - unassigned	6,420,732	(6,420,732)	
	7,630,286		
	\$10,508,743		
<b>NET POSITION</b>			
Net investment in capital assets		6,092,872	6,092,872
Restricted for capital purchases		1,171,926	1,171,926
Unrestricted		5,439,452	5,439,452
			\$12,704,250

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

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2025

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES:</b>			
Personnel and related expenses	\$3,005,098	(\$252,589)	\$2,752,509
Apparatus	385,766		385,766
Station repairs, maintenance and supplies	339,675		339,675
General and administrative	219,943		219,943
Personal equipment	118,958		118,958
Training	102,256		102,256
Fire operations	80,214		80,214
Texas Fire Academy	78,901		78,901
Other	27,060		27,060
Depreciation	0	638,463	638,463
Capital outlay	348,819	(348,819)	0
Debt service	10,419	(10,419)	0
	<u>4,717,109</u>		<u>4,743,745</u>
<b>PROGRAM REVENUES:</b>			
Texas Fire Academy charges for service	263,519		263,519
Program revenue over/ (under) expenditures/expenses	<u>(4,453,590)</u>		<u>(4,480,226)</u>
<b>GENERAL REVENUES:</b>			
Ad Valorem property taxes	2,263,726	(8,095)	2,255,631
Sales taxes	2,524,879		2,524,879
Interest and other	196,306		196,306
	<u>4,984,911</u>		<u>4,976,816</u>
Total revenue over/(under) expenditures	<u>531,321</u>		<u>496,590</u>
<b>OTHER FINANCING SOURCES:</b>			
Proceeds from debt	1,361,452	(1,361,452)	0
<b>NET CHANGE IN FUND BALANCE/ NET POSITION</b>	1,892,773		496,590
<b>BEGINNING FUND BALANCE/ NET POSITION</b>	<u>5,737,513</u>		<u>12,207,660</u>
<b>ENDING FUND BALANCE/ NET POSITION</b>	<u><u>\$7,630,286</u></u>		<u><u>\$12,704,250</u></u>

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

## HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

#### FUND FINANCIAL STATEMENTS

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

The District reported the following major governmental fund during the year:

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

## HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

### NOTES TO FINANCIAL STATEMENTS

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

##### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

##### CASH AND CASH EQUIVALENTS

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

##### BUDGET

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

##### ESTIMATES

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

##### INVENTORY

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

##### TEXAS FIRE ACADEMY DEPOSITS

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

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### CAPITAL ASSETS

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

#### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The statement of net position and governmental funds balance sheet report a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period. The District's pension related items qualify for reporting in this category in the government-wide financial statements. See Note 10 for more information.

The statement of financial position and governmental funds balance sheet report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period and is not recognized as an inflow of resources or revenue until that time. The District has two types of items which qualify for reporting in this category. The collection of taxes from the October 1, 2025 levy are considered deferred inflows of resources until the subsequent calendar year in the statement of financial position and in the governmental funds balance sheet. Unavailable revenue for delinquent taxes is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow in the period that they become available. The governmental funds report unavailable revenue from property taxes for receivables not collected within 60 days after year end. These amounts are deferred and recognized as an inflow in the period that they become available. The other type is pension related items reported in the government-wide financial statements. See Note 10 for more information.

#### NET POSITION

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

#### FUND BALANCES

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District can establish limitations on the use of resources through either a commitment or an assignment.

## HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

### NOTES TO FINANCIAL STATEMENTS

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

When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

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

#### **PENSIONS**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and the pension expense, information about the pension plan's fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of TCERS are reported at fair value.

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

The District does not have a formal investment policy. At year-end, the carrying amount of the District's deposits was \$7,299,904 and the bank balance was \$7,323,828. All of the District's deposits in excess of FDIC coverage were fully collateralized by securities held by the pledging financial institution.

#### **NOTE 4: PROPERTY TAXES**

The District has the authority to levy a tax up to a maximum of \$0.10 per \$100 of value. Ad valorem taxes are levied each October 1 on the assessed valuation of all taxable property in the District. The tax rate for the October 1, 2025 levy was \$0.10 per \$100 of value. Taxes are due upon receipt of the bill and are delinquent if not paid before the first day of February in the year following levy. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Taxes are billed and collected by the Hays County Tax Assessor-Collector.

#### **NOTE 5: BUDGET VARIANCES**

Total General Fund revenues were \$286,304 less than budgeted due to primarily to lower than anticipated sales taxes, offset by higher than anticipated property taxes. General Fund expenditures were under budget by \$569,865, due to lower than anticipated personnel expenses (\$705,218) and other (\$152,940), offset by higher than anticipated expenses for stations repairs, maintenance and supplies (\$155,675) and capital outlay (\$131,619). The variances in all other expenses compared to budget was not significant. Additionally, the District had \$1,361,452 in unbudgeted proceeds from debt. The budget was amended during the year.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 6: CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$126,078	\$0	\$0	\$126,078
Work in progress	<u>153,600</u>	<u>107,454</u>	<u>(261,054)</u>	<u>0</u>
	<u>279,678</u>	<u>107,454</u>	<u>(261,054)</u>	<u>126,078</u>
Capital assets being depreciated:				
Stations	6,997,807	138,178	0	7,135,985
Equipment	2,105,387	0	0	2,105,387
Trucks, vehicles and boats	3,825,502	343,076	(257,968)	3,910,610
Furniture and equipment	195,395	21,165	0	216,560
Computers and software	<u>354,945</u>	<u>0</u>	<u>0</u>	<u>354,945</u>
	<u>13,479,036</u>	<u>502,419</u>	<u>(257,968)</u>	<u>13,723,487</u>
	<u>13,758,714</u>	<u>609,873</u>	<u>(519,022)</u>	<u>13,849,565</u>
Accumulated depreciation:				
Stations	(2,463,582)	(239,266)	0	(2,702,848)
Equipment	(1,497,451)	(142,267)	0	(1,639,718)
Trucks, vehicles and boats	(2,780,933)	(226,158)	257,968	(2,749,123)
Furniture and equipment	(180,323)	(11,344)	0	(191,667)
Computers and software	<u>(274,802)</u>	<u>(19,428)</u>	<u>0</u>	<u>(294,230)</u>
	<u>(7,197,091)</u>	<u>(638,463)</u>	<u>257,968</u>	<u>(7,577,586)</u>
	<u>\$6,561,623</u>	<u>(\$28,590)</u>	<u>(\$261,054)</u>	<u>\$6,271,979</u>

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

General administration	\$604,932
Texas Fire Academy	<u>33,531</u>
	<u>\$638,463</u>

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 7: LONG-TERM LIABILITIES**

<u>Asset Acquired</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Pumper Truck	\$1,171,926	2035	4.89%	\$0	\$1,171,926	\$0	\$1,171,926
Vehicles	<u>189,562</u>	2030	3.75%	<u>0</u>	<u>189,526</u>	<u>10,419</u>	<u>179,107</u>
	<u>\$1,361,488</u>			<u>\$0</u>	<u>\$1,361,452</u>	<u>\$10,419</u>	<u>\$1,351,033</u>

All loans are secured by Ad Valorem tax revenues. The loan agreements have provisions that change the timing of repayment of outstanding amounts to become due immediately if the District defaults on its required payments. Maturities of debt at year end are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$129,069	\$63,569	\$192,638
2027	135,018	57,620	192,638
2028	141,234	51,404	192,638
2029	147,762	44,877	192,639
2030	144,129	137,319	281,448
2031-2035	<u>653,821</u>	<u>337,676</u>	<u>991,497</u>
	<u>\$1,351,033</u>	<u>\$692,465</u>	<u>\$2,043,498</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated absences*	<u>\$168,881</u>	<u>\$9,232</u>	<u>\$0</u>	<u>\$178,113</u>
Net Pension Liability	<u>\$230,192</u>	<u>\$222,326</u>	<u>\$354,255</u>	<u>\$98,263</u>

\* The change in the compensated absences liability is presented as a net change.

**NOTE 8: RISK MANAGEMENT**

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

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 9: ADJUSTMENTS TO CONVERT FUND STATEMENT TO GOVERNMENT-WIDE**

Fund balance - general fund	\$7,630,286
Increase net position for capital assets not reported in the fund financial statements	6,271,979
Deferred inflows of resources related to the pension, net, are applicable to future reporting periods and are not reported in the fund statements	351,716
Property taxes to be received more than 60 days after year end are unavailable to be spent and thus are deferred inflows in the fund financial statements	77,678
Long-term debt not reported in the fund statements	(1,351,033)
Accrued leave not reported in the fund statements as it is not paid with current resources	(178,113)
Net pension liability not reported in the fund statements as it is not paid with current resources	<u>(98,263)</u>
Net position - governmental activities	<u>\$12,704,250</u>
Net change in fund balance - general fund	\$1,892,773
Proceeds from debt not recognized as an other financing source in the government-wide financial statements	(1,361,452)
Change in taxes receivable deferred in the fund financial statements	(8,095)
Depreciation expenses not recognized in the fund financial statements	(638,463)
Long-term debt principal payments recognized as expenditures in the fund financial statements	10,419
Pension contributions are reported as expenditures in the governmental fund when made. Adjustments to net pension liability and pension expense resulting from changes in deferred outflows of resources are not recognized in the fund financial statements	261,821
Change accrued leave not reported in the fund statements	(9,232)
Capital outlays recognized as expenditures in the fund financial statements	<u>348,819</u>
Change in net position - governmental Activities	<u>\$496,590</u>

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10: PENSION PLAN

#### Plan Description

The District provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide TCDRS, an agent multiple-employer public employee retirement system. TCDRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TCDRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TCDRS. This report may be obtained by calling TCDRS at 800-823-7782 or on TCDRS' website at [www.tcdrs.org](http://www.tcdrs.org).

#### Benefits Provided

The plan provisions that have been adopted by the Board of the District are within the options available in the governing state statutes of TCDRS. TCDRS provides retirement benefits that are calculated based on age, average compensation and service credit as follows:

Employee deposit rate	7%
Current District contribution rate	15.67%
Years required for vesting	8
Service retirement eligibility (expressed as age/years of service)	60/8, any/20, rule of 75

#### Pension Actuarial Assumptions

Actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study over the years 2017-2020. The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date:	12/31/2024
Actuarial cost method:	Entry age (level percentage of pay)
Investment rate of return (7.60% rate of return plus 0.10% adjustment gross of administrative expenses):	7.50%
Inflation:	2.50%
Projected Salary Increases:	4.70% average
Mortality rates:	135% and 120% of Pub-2010 General Retirees Tables for males and females, respectively, both projected with 100% of MP-2021 Scale after 2010

#### Net Pension Liability

The District's net pension liability of \$98,263.2 for TCDRS at December 31, 2025 was measured as of December 31, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

## HAYS COUNTY EMERGENCY SERVICES DISTRICT #3

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 10: PENSION PLAN

##### Discount Rate

The discount rate used to measure the total TCDRS pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the rates specified in the funding policy. Based on that assumption, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The discount rate for calculating the total pension liability is equal to the long-term expected rate of return on pension plan investments applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on the TCDRS pension plan investments was determined to be 7.60% using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
Cash Equivalents	2.00%	1.10%
U.S. Equities	13.00%	5.35%
Private Equity	25.00%	8.15%
Global Equities	4.00%	5.15%
International Equities-Developed	6.00%	4.75%
International Equities-Emerging	0.00%	4.75%
Investment-Grade Bonds	3.00%	2.55%
Strategic Credit	9.00%	3.70%
Direct Lending	16.00%	6.85%
Distressed Debt	4.00%	6.80%
REIT Equities	2.00%	3.95%
Master Limited Partnerships	2.00%	4.95%
Commodities	2.00%	1.00%
Private Real Estate Partnerships	6.00%	5.75%
Hedge Funds	6.00%	3.60%

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 10: PENSION PLAN**

Contributions

Under the state law governing TCDRS, the contribution rate for each District is determined annually by the actuary, using the Entry Age actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees of the District were required to contribute 7% of their annual salary during the year, and the District was required to contribute at the actuarially determined rate of 15.67%. The District's contributions to TCDRS for the year ended December 31, 2024 were \$285,830, which equaled the required contribution.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

<u>Changes in Net Pension Liability/(Asset)</u>	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability/ (Asset) (a)-(b)</u>
Balance at December 31, 2023	<u>\$377,404</u>	<u>\$147,211</u>	<u>\$230,193</u>
Changes for the year:			
Service cost	116,821	0	116,821
Interest on total pension liability	37,182	0	37,182
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	68,054	0	68,054
Effect of assumption changes or inputs	0	0	0
Refunds of contributions	(10,152)	(10,152)	0
Benefit payments	0	0	0
Administrative expenses	0	(267)	267
Member contributions	0	97,543	(97,543)
Net investment income	0	21,484	(21,484)
Employer contributions	0	218,356	(218,356)
Other	<u>0</u>	<u>16,871</u>	<u>(16,871)</u>
Balance at December 31, 2024	<u>\$589,309</u>	<u>\$491,046</u>	<u>\$98,263</u>

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 10: PENSION PLAN**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease <u>(6.60%)</u>	Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District’s net pension liability (asset)	<u>\$224,673</u>	<u>\$98,263</u>	<u>(\$734)</u>

Employees Covered

As of the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	1
Active employees	30

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025, the District recognized pension expense of \$24,009. At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$0	\$62,063
Changes in actuarial assumptions	\$0	\$0
Net difference between projected and actual earnings	\$0	\$3,823
Contributions subsequent to the measurement date	N/A	\$285,830

\$285,830 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the District year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred outflows of resources related to pensions will be recognized as pension expense as follows:

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

NOTES TO FINANCIAL STATEMENTS

**NOTE 10: PENSION PLAN**

For the plan year ended December 31:

2025	\$7,366
2026	7,366
2027	7,366
2028	6,553
2029	6,207
Thereafter	<u>31,028</u>
	<u>\$65,886</u>

**NOTE 11: CONTINGENCY**

In 2023, the District received notice from the Internal Revenue Service (IRS) that they owed federal unemployment taxes (FUTA) related to 2020. The District has been assessed taxes, penalties and interest of approximately \$30,000. Additionally, the IRS has notified the District that it may seize property of the District if these amounts are not paid. The District believes that they are exempt from FUTA and with the assistance of legal counsel, are appealing the IRS decision and anticipate requesting formal abatement of all taxes, penalties and interest.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

YEAR ENDED DECEMBER 31, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>PROGRAM REVENUES:</b>				
Texas Fire Academy charges for service	\$232,000	\$285,000	\$263,519	(\$21,481)
<b>GENERAL REVENUES:</b>				
Ad Valorem property taxes	2,283,286	2,079,211	2,263,726	184,515
Sales taxes	2,844,700	2,956,263	2,524,879	(431,384)
Interest and other	40,500	214,260	196,306	(17,954)
	<u>5,168,486</u>	<u>5,249,734</u>	<u>4,984,911</u>	<u>(264,823)</u>
Total revenues	<u>5,400,486</u>	<u>5,534,734</u>	<u>5,248,430</u>	<u>(286,304)</u>
<b>EXPENDITURES:</b>				
Personnel and related expenses	3,741,529	3,710,316	3,005,098	705,218
Apparatus	300,000	300,000	385,766	(85,766)
Station repairs, maintenance and supplies	184,000	184,000	339,675	(155,675)
General and administrative	204,208	204,208	219,943	(15,735)
Personal equipment	215,000	215,000	118,958	96,042
Training	94,200	94,200	102,256	(8,056)
Fire operations	58,800	58,800	80,214	(21,414)
Texas Fire Academy	123,250	123,250	78,901	44,349
Other	180,000	180,000	27,060	152,940
Capital outlay	0	217,200	348,819	(131,619)
Debt service	0	0	10,419	(10,419)
	<u>5,100,987</u>	<u>5,286,974</u>	<u>4,717,109</u>	<u>569,865</u>
Revenues over/(under) expenditures	299,499	247,760	531,321	283,561
<b>OTHER FINANCING SOURCES</b>				
Proceeds from debt	<u>0</u>	<u>0</u>	<u>1,361,452</u>	<u>1,361,452</u>
<b>NET CHANGE IN FUND BALANCE</b>	299,499	247,760	1,892,773	1,645,013
<b>BEGINNING FUND BALANCE</b>	<u>5,737,513</u>	<u>5,737,513</u>	<u>5,737,513</u>	<u>0</u>
<b>ENDING FUND BALANCE</b>	<u><u>\$6,037,012</u></u>	<u><u>\$5,985,273</u></u>	<u><u>\$7,630,286</u></u>	<u><u>\$1,645,013</u></u>

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - TCDRS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025\***

<b>Total pension liability</b>	<u>2024</u>	<u>2023</u>
Service cost	\$ 116,821	\$ 350,528
Interest on total liability	37,182	26,640
Effect of plan changes	-	-
Effect of assumption changes or inputs	-	-
Effect of economic/demographic (gains) or losses	68,054	236
Benefit payments/refunds of employee contributions	<u>(10,152)</u>	<u>-</u>
<b>Net change in total pension liability</b>	<b>211,905</b>	<b>377,404</b>
<b>Total pension liability - beginning</b>	<u>377,404</u>	<u>-</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 589,309</u>	<u>\$ 377,404</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 218,356	\$ 104,205
Contributions - employee	97,543	34,752
Net investment income	21,484	1,375
Benefit payments/refunds of employee contributions	(10,152)	-
Administrative expenses	(267)	(76)
Other	<u>16,870</u>	<u>6,956</u>
<b>Net change in plan fiduciary net position</b>	<b>343,834</b>	<b>147,212</b>
<b>Plan fiduciary net position - beginning</b>	<u>147,212</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>491,046</u>	<u>147,212</u>
<b>Net pension liability (a) - (b)</b>	<u>\$ 98,263</u>	<u>\$ 230,192</u>
 Plan fiduciary net position as a % of the total		
pension liability	83.33%	39.01%
Covered employee payroll	\$ 1,393,469	\$ 496,454
Net pension liability as % of covered-employee payroll	7.05%	46.37%

NOTE:

\* Year 2025 - Valuation Date 12/31/24.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #3**

SCHEDULE OF CONTRIBUTIONS - TCDRS

FOR THE YEAR ENDED DECEMBER 31, 2025\*

	<u>2025</u>	<u>2024</u>
Actuarially determined contribution	\$ 285,830	\$ 205,569
Contributions in relation to the actuarially determined contribution	<u>285,830</u>	<u>205,569</u>
Contribution deficiency (excess)	-	-
Covered-employee payroll	2,113,579	1,313,151
Contributions as a percentage of covered-employee payroll	14%	16%

**NOTE:**

\*GASB 68 indicates the employer should report contributions based on a fiscal year basis.

Valuation Date: December 31, 2024

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	1.6 years (based on contribution rate calculated in 12/31/24 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment rate of Return	7.5% net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods	2023: No changes in plan provisions were reflected in the schedule.
Changes in Plan Provisions	2023: No changes in plan provisions were reflected in the schedule. 2024: No changes in plan provisions were reflected in the schedule.