

JANSEN AND GREGORCZYK

Certified Public Accountants
P.O. Box 1778 Kyle, TX 78640

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hays County Emergency Services District #5

We have audited the accompanying financial statements of the governmental activities of Hays County Emergency Services District #5 (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements,

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Hays County Emergency Services District #5, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios – TCDRS, the schedule of employer contributions – TCDRS and the budgetary comparison information on pages 3-6 and on pages 19-21 to be presented

to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Jansen and Gregorczyk

Kyle, Texas
April 13, 2021

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) SEPTEMBER 30, 2020

Our discussion and analysis of the Hays County Emergency Services District # 5 (the District's) financial performance provides an overview of the District's financial activities for the year ended September 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

The financial report consists of three parts: Management's Discussion and Analysis (this section), the financial statements, and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- During the year, the District had expenditures of \$5,177,929 compared to total revenues of \$5,207,697 resulting in an increase in net assets of \$29,678 for the year ended September 30, 2020.
- The District's cash balance increased by \$343,326 for the fiscal year.
- The District's ad valorem tax rate remained at .10 per \$100 of assessed valuation for the fiscal year ended September 30, 2020 which is the statutory limit, as established by the State of Texas constitution.
- The District received \$165,594 more in sales tax revenue compared to prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements: The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities provide information about the District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities 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 regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net position-the difference between assets and liabilities-as one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax to assess the *overall health* of the District.

THE DISTRICT AS A WHOLE

The District's total net assets increased by \$29,768 in the year ended September 30, 2020. Our analysis of the District's activities below focuses on net assets (Table 1) and the changes in net assets (Table 2).

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$1,380,686 at September 30, 2020.

	2020	2019	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 2,062,571	\$ 1,668,141	\$ 394,430	23.6%
Non Current and Capital Assets	4,828,940	5,595,886	(766,946)	-13.7%
Total Assets	6,891,511	7,264,027	(372,516)	-5.1%
Deferred Outflows related to pensions	373,620	412,197		
Current Liabilities	159,345	192,816	-33,471	-17.4%
Long-term Liabilities Outstanding	3,878,474	3,877,031	1,443	0.0%
Total Liabilities	4,037,819	4,069,847	(32,028)	-0.8%
Deferred Inflows related to pensions	26,931	128,388		
Net Position:				
Net investment in capital assets	1,819,695	1,723,820	95,875	5.6%
Unrestricted	1,380,686	1,446,793	(66,107)	-4.6%
Total net position	<u>\$ 3,200,381</u>	<u>\$ 3,170,613</u>	<u>\$ 29,768</u>	<u>0.9%</u>
Revenues				
Ad Valorem Taxes	\$ 3,965,288	\$ 3,562,133	\$ 403,155	11.3%
Interest Income	5,034	14,664	(9,630)	-65.7%
Other Income	1,018,383	1,161,105	(142,722)	-12.3%
Grant Income	218,992	19,344	199,648	
Total revenues	<u>5,207,697</u>	<u>4,757,246</u>	<u>\$ 450,451</u>	<u>9.5%</u>
Expenses				
Firefighting Operations	5,048,072	4,401,588	646,484	14.7%
Legal & Accounting	23,174	54,638	(31,464)	-57.6%
Interest Expense	106,683	112,891	(6,208)	-5.5%
Total expenses	<u>5,177,929</u>	<u>4,569,117</u>	<u>608,812</u>	<u>13.3%</u>
Change in net position	29,768	188,129	(158,361)	84.2%
Net position - beginning	<u>3,170,613</u>	<u>2,982,484</u>	<u>188,129</u>	<u>6.3%</u>
Net position - ending	<u>\$ 3,200,381</u>	<u>\$ 3,170,613</u>		

The District has sufficient revenues to pay expenses of the District.

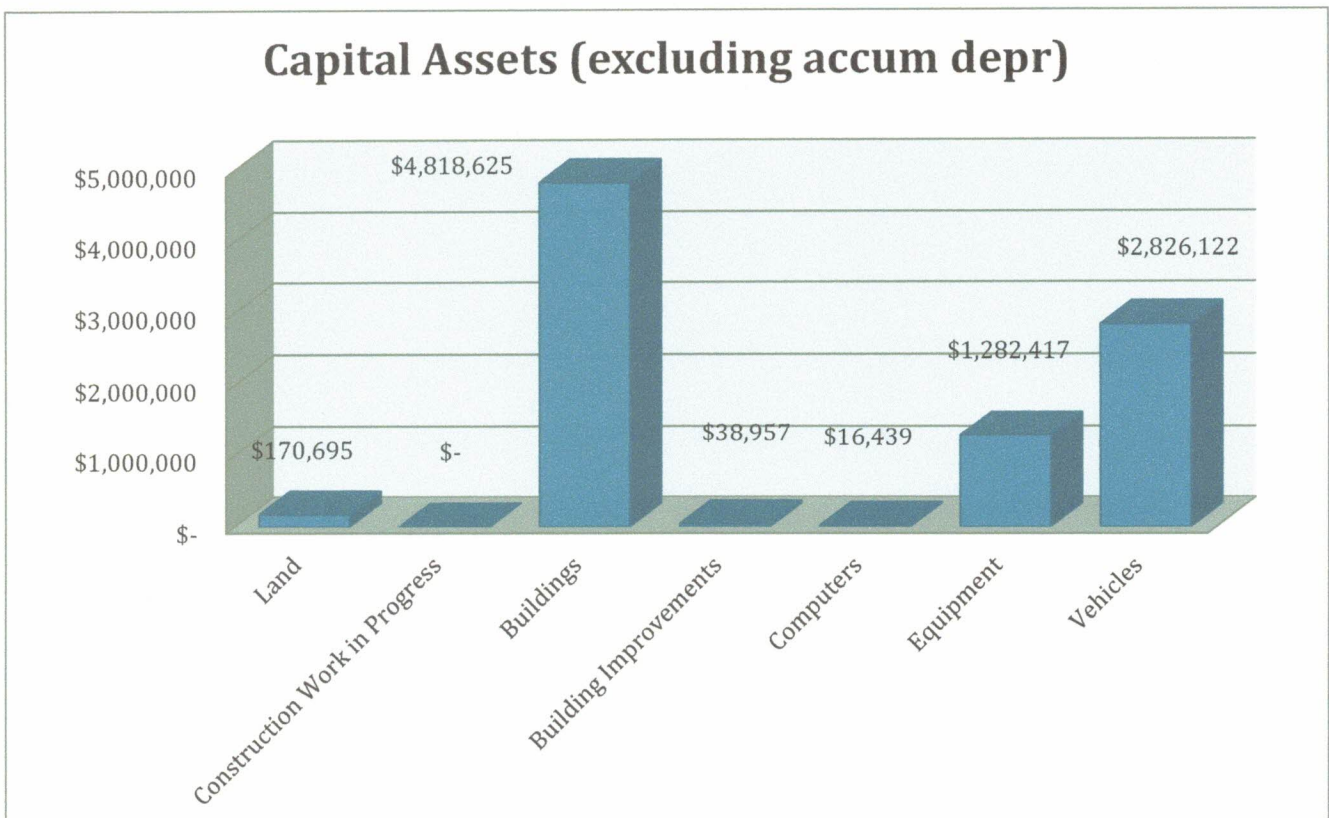
General Fund Budgetary Highlights

The General Fund had a negative variance from the budget of \$129,300 due to:

- Tax revenues, sales tax revenue and grant income were less than anticipated.
- Personnel and related expenses were higher than budgeted mainly due to the increase in pension expenses

Capital Asset and Debt Administration

The District's investment in capital assets at September 30, 2020, net of accumulated depreciation, totaled \$4,828,940. Capital assets are classified as shown below:



Debt Administration

The District's long-term debt at September 30, 2020, net of the current portion, totaled \$2,527,706 for loans. The current portion of the long-term debt was \$481,539. Fire stations and fire apparatus are pledged as collateral.

Debt Service Ratio: The District maintains control over its debt load by maintaining its debt service to total revenues ratio (the "Debt Service Ratio") at 35% or less with the ad valorem tax rate at 10.00 cents per \$100 of assessed valuation. The District feels that the Debt Service Ratio is more meaningful than the debt to equity ratio because the Debt Service Ratio is a better indicator of the District's ability to service the debt and still be able to pay annual operating expenses. The District's Debt Service Ratio as of September 30, 2020 is total debt service of \$469,445/\$5,207,697 total revenues for a ratio of 9.01%.

Economic Factors and Next Year's Budgets and Rates

The District's appointed officials considered many factors when setting the fiscal year 2020 budget and tax rates. Some of those factors include the economy and the anticipated needs of the District for operations and capital outlay in the next year.

Contacting the District's Financial Management

This financial report is designed to provide the taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at:

Beth Smith, President
Hays County Emergency Services District #5
P.O. Box 1385
Kyle, TX 78640

Hays County Emergency Services District #5
Statement of Net Position and Governmental Funds Balance Sheet
As of September 30, 2020

	General Fund	Adjustments (Note 6)	Statement of Net Assets
ASSETS			
Cash	\$ 462,353		\$ 462,353
Investments	1,298,825		1,298,825
Accounts receivable	176,697		176,697
Taxes receivable	101,277		101,277
Prepaid expenses	23,419		23,419
Capital assets:			
Land	-	170,695	170,695
Other capital assets, net of depreciation	-	4,658,245	4,658,245
	<u>2,062,571</u>		<u>6,891,511</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference actual and expected experience	-	165,859	165,859
Difference actual and projected plan earnings	-	-	-
Changes on assumptions	-	625	625
Contributions	-	207,136	207,136
	<u>-</u>		<u>373,620</u>
Total Assets	<u>\$ 2,062,571</u>		<u>\$ 7,265,131</u>
LIABILITIES			
Accounts payable	56,306	-	56,306
Accrued interest payable	-	68,045	68,045
Accrued payroll and benefits	103,039	-	103,039
Long -term liabilities:			
Accrued Leave		162,134	162,134
Due within 1 year	-	481,539	481,539
Due in more than 1 year	-	2,527,706	2,527,706
Net pension liability	-	639,050	639,050
Total liabilities	<u>159,345</u>		<u>4,037,819</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 101,277	(101,277)	\$ -
Changes in assumptions		8,834	8,834
Difference actual and projected plan earnings	-	18,097	18,097
	<u>101,277</u>		<u>26,931</u>
FUND BALANCES/NET POSITION			
Fund Balances			
Fund balance - unassigned	<u>1,801,949</u>	(1,801,949)	
	<u>\$ 2,062,571</u>		
NET POSITION			
Net investment in capital assets		1,819,695	1,819,695
Unrestricted		1,380,686	1,380,686
			<u>3,200,381</u>
See accompanying notes to the financial statements			<u>\$ 7,265,131</u>

Hays County Emergency Services District #5
Statement of Activities and Governmental Funds Statement
of Revenues, Expenditures and Changes in Fund Balances
For the Year ended September 30, 2020

	<u>General</u>	<u>2019</u>	<u>Statement</u>
	<u>Fund</u>	<u>Adjustments</u>	<u>of Activities</u>
		<u>(Note 6)</u>	
Expenses:			
Firefighting and related expenses	\$ 439,203		\$ 439,203
Personnel and related expenses	3,654,438	422,992	4,077,430
Depreciation	-	394,642	394,642
Tax Collection Expenses	29,884		29,884
Professional Services	23,174		23,174
Administrative Expenses	43,392		43,392
Capital Outlay	21,073	(21,073)	-
Debt Service	469,445	(469,445)	-
Interest Expense	106,683	-	106,683
Insurance	63,521	-	63,521
Total expenses	<u>\$ 4,850,813</u>		<u>\$ 5,177,929</u>
General revenues:			
Ad Valorem Tax Revenues	3,939,066	26,223	3,965,288
Inspection and Training Income	214,271	-	214,271
F1 Contract and Site Lease Income	29,446		29,446
Sales and Use Tax Income	698,833		698,833
SAFER Grant Income	213,970		213,970
Grant Income	5,022		5,022
Other Income	75,833		75,833
Interest Income	5,034		5,034
Total general revenue	<u>\$ 5,181,475</u>		<u>\$ 5,207,697</u>
Revenue over/(under) expenditures	<u>330,662</u>		<u>29,768</u>
Net change in fund balance	<u>330,662</u>		<u>29,768</u>
Net position/fund balance - beginning	<u>1,471,287</u>		<u>3,170,613</u>
Net position/fund balance - ending	<u><u>\$ 1,801,949</u></u>		<u><u>\$ 3,200,381</u></u>

See accompanying notes to the financial statements

Hays County Emergency Services District #5
Notes to the Financial Statements
For The Year Ending September 30, 2020

Note 1- Summary of Significant Accounting Policies

The accounting policies of the Hays County Emergency Services District #5 (the District) conform to U. S. generally accepted accounting principles applicable to governments promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The more significant of the District's policies are described below.

A. The Reporting Entity

The Hays County Emergency Services District #5 was created by an election of the residents of Hays County residents from within what would be the geographical boundaries for the District. The District was established to arrange for fire and rescue protection services within its boundaries. The District handles all financial matters for the fire department.

The District is under full control and management of a five commissioner Board of Commissioners. The commissioners are appointed by the Hays County Commissioners. For financial reporting purposes, the District includes all funds that are controlled by, or dependent upon, actions of the Board of Commissioners. Control by, or dependence upon, the Board was determined on the basis of the Board's full control of budget adoption and taxing authority.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operation; thus data from these units would be combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in separate organizations that meet the aforementioned criteria; therefore, none are included in the accompanying general-purpose financial statements.

The District is not included in any other governmental reporting entity.

Effective October 1, 2012 the District assumed all operations from the Kyle Volunteer Fire Department.

B. Government-Wide Financial and Fund Financial Statements

The District is considered a special purpose government under GASB Statement No. 34. This allows the district to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements to be prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide 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. The District services are supported primarily by ad valorem taxes. The Statement of Activities demonstrates how the District used revenue.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and taxes associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

D. Cash and Cash Equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates.

E. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 are reported as restricted when there are limitations imposed on their 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. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District reported unavailable revenue in the form of property taxes as Deferred Inflows of Resources in the Statement of Net Position. Deferred Inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considered to have been for prior year services.

H. Compensated Absences

Full time regular employees work either a 40 or 45 hour per week schedule. Firefighters are scheduled based on either a day shift or 24/48 hour shift schedule and typically work 56 hours per week. Accruals for leave are based on length of service and the schedule worked. Employees may accrue up to 288 hours of paid leave but are only allowed to carry forward a maximum of 72 hours to the next calendar year. Firefighters that have been with the department for more than 21 years can receive 432 hours of leave. Accrued leave will be paid to employee upon separation of employment based on when notice of termination is given. As of September 30, 2020, \$198,864 was accrued for as a payable for paid leave.

I. Capital Assets

All capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000 for assets with a useful life of two years or more. The District does not possess any infrastructure. Improvements are capitalized. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are recorded as expenses. Depreciation is calculated on a straight-line basis. Estimated useful lives are as follows:

Trucks and Equipment	5-10 years
Furniture and Fixtures	5-15 years
Buildings	40 years

NOTE 2 – Deposits and Investments

The District's deposits exposed to concentrations of credit risk consist of cash, which is deposited in one major financial institution. At September 30, 2020, the carrying amount of the District's cash deposits was \$1,761,178, and the bank balance was \$1,822,276. This District had Pledged Securities from the financial institution for the excess over the FDIC insurance maximum.

NOTE 3 – Budget Variances

The District adopts an annual budget for the General Fund. The District amends the budget as needed during the year. There were no current year amendments. Certain revenue and expenses were different than budgeted, resulting in a higher than budgeted fund balance.

NOTE 4 – Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on October 1 and are payable in full by the following January 31. The District employs the services of the Hays County Appraisal District for assessing and billing its property taxes and employs the services of the Hays County Tax Assessor/Collectors for the collection of its taxes. Revenues are recognized when received by the District. The tax rate was \$0.10 per \$100 of assessed valuation.

NOTE 5 – Capital Assets

	Balance <u>9/30/19</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>9/30/20</u>
Land	\$ 170,695	\$ -	-	\$ 170,695
Construction Work in Progress	-	-	-	-
Buildings	4,818,625	-	-	4,818,625
Building Improvements	38,957	-	-	38,957
Computers	16,439	-	-	16,439
Equipment	1,261,344	21,073	-	1,282,417
Vehicles	<u>2,826,122</u>	-	-	<u>2,826,122</u>
Total Capital Assets	\$ 9,132,182	\$ 21,073	\$ -	\$ 9,153,255
Less: Accumulated Depreciation	(3,929,671)	-	(394,642)	(4,324,313)
Net Capital Assets	<u>\$ 5,202,511</u>	<u>\$ 21,073</u>	<u>\$ (394,642)</u>	<u>\$ 4,828,942</u>

NOTE 6 – Adjustments to Convert Fund Statements to Government-Wide

Unrestricted fund balance - governmental fund	\$ 1,801,949
Increase net position for capital assets not reported in the governmental funds	4,828,940
Long term liabilities not reported in the fund financial statements	(3,648,295)
Taxes receivables deferred in the fund financial statements and in the government-wide financial statements	101,277
Accrued leave not reported in the fund financial statements	(163,021)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and are not reported in the fund financial statements	211,486
Accrued interest expense on long term debt not reported in the fund financials	68,045
Net position - governmental activities	<u>\$ 3,200,381</u>
Net change in fund balance - governmental fund	330,662
Capital outlays recognized as expenditures in the fund financial statements	21,073
Depreciation expense not recognized in the fund financial statements	(394,642)
Long-term debt principal payments are recognized as expenditures in the fund financial statements	469,445
Change in pension benefit accrual	(422,993)
Change in interest expense not recognized in the General Fund	-
Net increase in tax receivable deferred in the fund financial statements and not in the government-wide financial statements	26,223
Change in net position - governmental activities	<u>\$ 29,768</u>

NOTE 7 – Long Term Liabilities

Long term debt as of September 30, 2020 is as follows:

Loans Outstanding											
Bank	Desc	Collateral	Amount of Original Issue	Maturity Date	Interest Rate	Balance 9/30/19	Additions	Retirements	Balance 9/30/20	Current Portion	Long Term Portion
Broadway	Loan	Quint 21	607,000	2025	2.65%	465,492	-	72,934	392,558	74,785	317,773
Broadway	Loan	Engine	472,000	2023	2.88%	210,254	-	69,278	140,976	71,319	69,657
Broadway	Loan	Mt City Bldg	340,000	2023	2.60%	275,445	-	66,233	209,212	67,955	141,257
Broadway	Loan	Truck/Eqpt	350,000	2023	2.71%	282,439	-	68,030	214,409	68,104	146,305
			\$ 4,381,596			\$ 3,478,690	\$ -	\$ 469,445	\$ 3,009,245	\$ 481,539	\$ 2,527,706
								Less: current portion	(481,539)		
									\$ 2,527,706	\$ 481,539	\$ 2,527,706

Maturities for Long Term Debt are as follows:

Years	Principal	Interest	Total
2021	483,285	94,086	577,371
2022	494,150	79,763	573,913
2023	435,767	66,262	502,029
2024	300,880	51,963	352,843
2025	308,341	42,485	350,826
2026-2029	986,782	123,544	1,110,326
	\$ 3,009,205	\$ 458,103	\$ 3,467,308

<u>Other Long-Term Liabilities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Total</u>
Accrued Leave	<u>\$ 85,671</u>	<u>\$ 145,000</u>	<u>\$ (68,537)</u>	<u>\$ 162,134</u>

NOTE 8 – Other Matters

The board has reviewed subsequent events from year end to the date of this report, April 13, 2021.

Due to Covid-19, it is not possible to know what the financial implication may be on the District.

NOTE 10 – Risk Management

The District is exposed to various risks of loss including general liability, property damage, and worker's compensation. The District insures against risk through participation in the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool, consisting of approximately 2,600 member cities/political subdivisions located throughout the State of Texas.

The District pays premiums to the risk pool for its general liability, property, auto and worker's compensation coverage. The District's risk is limited to the amount of premiums paid unless the pool should fail, in which case, the District would be liable for its ratable share of the pool deficit.

NOTE 11 – Pension and Deferred Compensation Plans

DISTRICT STAFF

The District provides a 457(b) Deferred Compensation Plan for all employees that are considered full time employees. Participation is voluntary and the employee is eligible to contribute from 2%-10% maximum.

Effective October 1, 2013 the District entered into a pension plan with Texas County & District Retirement System (TCDRS). 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 system, an agent multiple-employer defined benefit public employee retirement system. 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 issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TCDRS; the report also provides detail 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; in addition, the report is available on TCDRS' website at www.tcdrs.org. Plan provisions for the District were as follows:

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:

District contribution rate	7.47%
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, any/20, rule of 80

Employees Covered

As of December 31, 2018 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	11
Active employees	43

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 7.92%. The District's contributions to TCDRS for the year ended September 30, 2020 were \$207,136, which equaled the required contribution.

Net Pension Liability

The District's net pension liability of \$639,050 for TCDRS at September 30, 2020 was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Valuation Date	12/31/2017
Actuarial Cost Method	Entry age normal
Investment Rate of Return (8.00% rate of return plus 0.10% adjustment gross of admin expenses)	8.10%
Inflation	2.75%
Projected Salary Increases	4.90%
Mortality rates	RP-2014 mortality tables projected with 110% of MP-2014 Scale after 2014

Actuarial assumptions used in the December 31, 2019 valuations were based on the results of an actuarial experience study the period January 1, 2013 through December 31, 2016.

Discount Rate

The discount rate used to measure the total TCDRS pension liability was 8.10%. 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 plan liability.

The long-term expected rate of return on the TCDRS pension plan investments was determined to be 8.10% 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 arithmetic 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>
U. S. Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities-Developed	7.00%	5.20%
International Equities-Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%

Pension Plan Fiduciary Net Position

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

Sensitivity of the Net Pension Liability to Changes in Discounts Rate

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, 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>(7.10%)</u>	Discount Rate <u>(8.10%)</u>	1% Increase <u>(9.10%)</u>
District's net pension liability	\$ 1,135,254	\$ 639,050	\$ 248,461

<u>Changes in Net Pension Liability</u>	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability/ (Asset) (a)-(b)</u>
Balance at 12/31/18	\$ 1,298,043	\$ 995,427	\$ 302,616
Changes for the year:			
Service cost	309,258		309,258
Interest on total pension liability	129,899		129,899
Effect of plan changes	447,631		447,631
Effect of economic/demographic gains or losses	-		-
	(3,180)		(3,180)
Effect of assumption changes or inputs	-		-
Refunds of contributions	(7,371)	(7,371)	-
Benefit payments	-	-	-
Administrative expense		(1,170)	1,170
Member contributions		174,790	(174,790)
Net investment income		163,098	(163,098)
Employer contributions		197,739	(197,739)
Other	-	12,716	(12,716)
Balance at 12/31/18	<u>\$ 2,174,280</u>	<u>\$ 1,535,229</u>	<u>\$ 639,050</u>

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

For the year ended September 30, 2020, the District recognized pension expense of \$357,508. At September 30, 2020, 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	\$ 31,845	\$ 165,859
Changes in actuarial assumptions	8,834	625
Differences between projected and actual investment earnings	13,748	-
Contributions subsequent to the measurement date	-	-

\$207,136 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 ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred outflows of resources related to pensions will be recognized as pension expense as follows:

For the year ended December 31:

2020	\$ 14,334
2021	\$ 12,904
2022	\$ 16,237
2023	\$ 1,073
2024	\$ 14,574
Thereafter	\$ 52,935

REQUIRED SUPPLEMENTARY INFORMATION

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIO'S
 FOR THE YEAR ENDED SEPTEMBER 30, 2020*
 TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability						
Service cost	\$ 309,258	\$ 249,907	\$ 193,206	\$ 111,333	\$ 72,093	\$ 50,452
Interest on total liability	129,899	94,274	59,517	28,417	19,317	7,927
Effect of plan changes	447,631	-	64,202	90,408	7,665	22,352
Effect of economic/demographi (gains) or losses	(3,180)	44,626	74,753	62,314	(47,049)	55,977
Effect of assumption changes or inputs	-	-	(11,777)	-	1,015	-
Benefit payments, including refunds of employee contributions	(7,371)	(9,296)	(5,757)	-	-	-
Net change in total pension liability	876,236	379,511	374,143	292,471	53,041	136,708
Total pension liability - beginning	<u>1,298,043</u>	<u>918,532</u>	<u>544,388</u>	<u>251,917</u>	<u>198,876</u>	<u>62,167</u>
Total pension liability - ending (a)	<u>2,174,279</u>	<u>\$ 1,298,043</u>	<u>\$ 918,532</u>	<u>\$ 544,388</u>	<u>\$ 251,917</u>	<u>\$ 198,876</u>
Plan fiduciary net position						
Contributions - employer	197,739	186,567	132,054	75,236	46,980	28,781
Contributions - employee	174,790	155,473	126,984	76,615	46,751	38,948
Net investment income	163,098	(8,619)	55,255	13,554	(723)	1,371
Benefit payments, including refunds of employee contributions	(7,371)	(9,296)	(5,757)	-	-	-
Administrative expenses	(1,170)	(800)	(440)	(147)	(98)	(40)
Other	12,716	9,980	3,390	7,991	(12)	(3)
Net change in plan fiduciary net position	539,802	333,305	311,485	173,249	92,898	69,058
Plan fiduciary net position - beginning	<u>995,427</u>	<u>662,123</u>	<u>350,637</u>	<u>177,389</u>	<u>84,490</u>	<u>15,433</u>
Plan fiduciary net position - ending (b)	<u>1,535,229</u>	<u>995,427</u>	<u>662,123</u>	<u>350,637</u>	<u>177,389</u>	<u>84,490</u>
Net pension liability (a) - (b)	<u>\$ 639,050</u>	<u>\$ 302,616</u>	<u>\$ 256,409</u>	<u>\$ 193,751</u>	<u>\$ 74,528</u>	<u>\$ 114,385</u>
Plan fiduciary net position as a percentage of the total net pension liability	70.61%	76.69%	72.08%	64.41%	70.42%	42.48%
Covered employee payroll	\$ 2,497,006	\$ 2,221,036	\$ 1,814,059	\$ 1,532,299	\$ 1,168,774	\$ 973,712
Net pension liability as percentage of covered-employee payroll	25.59%	13.62%	14.13%	12.64%	6.38%	11.75%

NOTE:

*The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

The beginning Net Pension Liability for 2015 was determined using rollback procedures allowed for initial year of implementation. Fiscal Year 2020 - Valuation Date 12/31/19.

- See Independent Auditor's Report -

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020*
 TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution**	\$ 197,739	\$ 186,567	\$ 131,519	\$ 75,236	\$ 46,980	\$ 27,751
Contributions in relation to the actuarially determined contribution	197,739	186,867	132,054	75,236	46,980	28,781
Contribution deficiency (excess)		-	(534)	-	-	(1,030)
Covered-employee payroll	2,497,006	2,221,036	1,814,059	1,532,299	1,168,774	973,712
Contributions as a percentage of covered-employee payroll	7.90%	8.40%	7.30%	4.90%	4.00%	3.00%

NOTE:

*The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

Valuation Date: December 31, 2018

**TCDRS calculates actuarially determined contributions on a calendar year basis. GASB 68 indicates the employer should report employer contributions on a fiscal year basis.

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	13.7 years (based on contribution rate calculated in 12/31/19 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of Return	8.00 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in	2015: Employer contributions reflect that the current service matching rate was increased to 150% for future benefits. 2016: Employer contributions reflect that the member contribution rate was increased to 5%. 2017: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 175% for future benefits. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that the current service matching rate was increased to 200% for future benefits. 2019: No changes in plan provisions were reflected in the schedule. - See Independent Auditor's Report -

Hays County Emergency Services District #5
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Ad valorem tax revenues	\$ 4,201,000	\$ 4,201,000	\$ 3,939,066	\$ (261,934)
Inspection and Training Income	154,500	154,500	214,271	59,771
F1 contract and site lease income	3,600	3,600	29,446	25,846
Other income	50,000	50,000	75,833	25,833
Grant Income	245,000	245,000	218,992	(26,008)
Sales and Use Tax Income	600,000	600,000	698,833	98,833
Interest income	14,000	14,000	5,034	(8,966)
Total general revenue	<u>5,268,100</u>	<u>5,268,100</u>	<u>5,181,475</u>	<u>(86,625)</u>
Expenditures:				
Firefighting and related expenses	443,150	443,150	439,203	3,947
Personnel and related expenses	3,603,134	3,603,134	3,654,438	(51,304)
Tax Collection expenses	32,000	32,000	29,884	2,116
Professional Services	22,500	22,500	23,174	(674)
Administrative expenses	46,500	46,500	43,392	3,108
Debt Service	589,872	589,872	576,128	13,744
Insurance	49,900	49,900	63,521	(13,621)
Capital Outlay	21,073	21,073	21,073	-
Total Expenditures:	<u>4,808,129</u>	<u>4,808,129</u>	<u>4,850,813</u>	<u>(42,684)</u>
Revenues (under)/over expenditures	459,971	459,971	330,662	(129,309)
Beginning fund balance	<u>1,471,287</u>	<u>1,471,287</u>	<u>1,471,287</u>	<u>-</u>
Ending fund balance	<u>\$ 1,931,258</u>	<u>\$ 1,931,258</u>	<u>\$ 1,801,949</u>	<u>\$ (129,309)</u>