



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

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Board of Fire Commissioners
Hays County Emergency Services District #5

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and general fund of the Hays County Emergency Services District #5 (District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 and the general fund of the District as of September 30, 2021, 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.

Correction of Errors

As discussed in Note 13 to the financial statements, errors resulted in the understatement of amounts previously reported for sales tax receivables, grants receivables, capital assets and loans payable as of and for the year ended September 30, 2020. Accordingly, amounts recorded for sales tax receivables, grants receivables, capital assets and loans payable have been restated in the fiscal 2020 financial statements, and an adjustment has been made to net position and fund balance as of September 20, 2020. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the net pension liability and related ratios, and the schedule of contributions, on pages 3 through 6 and on pages 22 through 24 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.

Montemayor Britton Bender PC

April 13, 2022
Austin, Texas

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021. Please read it in conjunction with the District’s financial statements, which follow this section.

The financial report consists of four parts: Management’s Discussion and Analysis (this section), the financial statements, the notes to the financial statements, and required supplementary information.

FINANCIAL HIGHLIGHTS

- During the year, the District had expenditures of \$5,704,176 compared to total revenues of \$6,551,350 resulting in an increase in net position of \$847,174 for the year ended September 30, 2021.
- The District’s cash and cash equivalents balance increased by \$442,602 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, 2021 which is the statutory limit, as established by the State of Texas constitution.
- The District received \$217,950 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 position* and changes therein. You can think of the District’s net position—the difference between assets, deferred outflows, liabilities, and deferred inflows—as one way to measure the District’s financial health, or *financial position*. Over time, increases or decreases in the District’s net position is 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 position increased by \$847,174 in the year ended September 30, 2021. Our analysis of the District’s activities below focuses on net position and the changes in net position.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$2,336,982 at September 30, 2021.

<u>Assets</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
Current and other assets	\$3,041,062	\$2,409,750
Capital assets, net of accumulated depreciation	<u>5,031,392</u>	<u>5,386,289</u>
Total assets	<u>8,072,454</u>	<u>7,796,039</u>
<u>Deferred outflows related to pension</u>	<u>787,817</u>	<u>373,620</u>
<u>Liabilities</u>		
Current and other liabilities	366,658	159,345
Long-term liabilities	<u>4,038,032</u>	<u>4,435,822</u>
Total liabilities	<u>4,404,690</u>	<u>4,595,167</u>
<u>Deferred inflows related to pension</u>	<u>60,846</u>	<u>26,931</u>
<u>Net position</u>		
Net investment in capital assets	2,057,754	1,819,695
Unrestricted	<u>2,336,981</u>	<u>1,727,866</u>
Total net position	<u>\$4,394,735</u>	<u>\$3,547,561</u>
<u>Revenues</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
Ad Valorem property taxes	\$4,368,120	\$3,965,288
Sales taxes	1,037,155	819,205
Grants	754,468	342,540
Inspection and training	345,806	214,271
Other	44,670	105,279
Interest	<u>1,131</u>	<u>5,034</u>
Total revenues	<u>6,551,350</u>	<u>5,451,617</u>
<u>Expenses</u>		
Firefighting operations	5,585,962	5,048,072
Professional services	18,133	23,174
Interest expense	<u>100,081</u>	<u>106,683</u>
Total expenses	<u>5,704,176</u>	<u>5,177,929</u>
Change in net position	847,174	273,688
Beginning net position, restated	<u>3,547,561</u>	<u>3,273,873</u>
Ending net position	<u>\$4,394,735</u>	<u>\$3,547,561</u>

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

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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 fiscal year ending September 30, 2021, the District’s only Governmental Fund was the General Fund, and it reported ending fund balance of \$2,485,578, an increase of \$459,997 from \$2,025,581 as of September 30, 2020. The District’s ending unassigned fund balance of \$2,462,159 was unencumbered and available for spending at the District’s discretion.

General Fund Budgetary Highlights

The General Fund had a positive variance from the budget of \$841,764 due to:

- Property and sales tax revenues, grants and inspection and training revenues were more than anticipated.
- Personnel and related expenses were higher than budgeted mainly due to the increase in disaster deployments.
- The anticipated tax refund expense was not incurred.

The budget was amended during the year to increase the budget for grant revenues, personnel and related expenses, firefighting and related expenses, administrative and capital outlay; and to decrease the budget for professional services and insurance.

Capital Asset and Debt Administration

The District’s capital assets at September 30, 2021, net of accumulated depreciation, totaled \$5,031,392. The current year decrease of \$354,897 reflected capital outlay of \$71,512 offset by depreciation expense of \$426,409.

Debt Administration

The District’s long-term debt at September 30, 2021, net of the current portion, totaled \$2,366,766 for loans. The current portion of the long-term debt was \$606,872. 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, 2021 is total debt service of \$592,955/\$6,551,350 total revenues for a ratio of 9.05%.

Economic Factors and Next Year’s Budgets and Rates

The District’s appointed officials considered many factors when setting the fiscal year 2022 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.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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
SEPTEMBER 30, 2021

	General Fund	Adjustments (Note 9)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 2,203,780		\$ 2,203,780
Grants receivable	351,706		351,706
Sales taxes receivable	208,138		208,138
Ad Valorem property taxes receivable	101,277		101,277
Accounts receivable	152,742		152,742
Prepaid insurance	23,419		23,419
Capital assets:			
Land	-	170,695	170,695
Other capital assets, net of depreciation	-	4,860,697	4,860,697
	-		5,031,392
	3,041,062		8,072,454
DEFERRED OUTFLOWS OF RESOURCES			
Difference actual and expected experience	-	250,842	250,842
Difference actual and projected plan earnings	-		-
Changes in assumptions	-	261,803	261,803
Contributions	-	275,172	275,172
	-		787,817
	\$ 3,041,062		
LIABILITIES			
Accounts payable	\$ 11,620		11,620
Accrued interest payable	-	61,787	61,787
Accrued payroll and benefits	255,631		255,631
Unearned revenue	37,620		37,620
Long-term liabilities:			
Due within 1 year: loans payable		606,872	606,872
Due in more than 1 year:			
Loans payable	-	2,366,766	2,366,766
Accrued leave	-	152,816	152,816
Net pension liability	-	911,578	911,578
	304,871		4,404,690
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	-	27,937	27,937
Net difference projected and actual earnings	-	25,056	25,056
Changes in assumptions	-	7,853	7,853
Unavailable revenue - grants	149,336	(149,336)	-
Unavailable revenue - property taxes	101,277	(101,277)	-
	250,613		60,846
FUND BALANCES/NET POSITION			
FUND BALANCES			
Fund balance - nonspendable	23,419	(23,419)	
Fund balance - unassigned	2,462,159	(2,462,159)	
	2,485,578	(2,485,578)	
	\$ 3,041,062	(3,041,062)	
NET POSITION			
Net investment in capital assets		2,057,754	2,057,754
Unrestricted		2,336,981	2,336,981
			\$ 4,394,735

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

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

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

YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Adjustments (Note 9)	Statement of Activities
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES/EXPENSES:			
Personnel and related expenses	\$ 4,569,396	\$ (117,072)	\$ 4,452,324
Firefighting and related expenses	555,804		555,804
Administrative	79,079		79,079
Insurance	40,021		40,021
Tax collection expenses	32,325		32,325
Professional services	18,133		18,133
Depreciation	-	426,409	426,409
Capital outlay	71,512	(71,512)	-
Debt service:			-
Interest expense	106,339	(6,258)	100,081
Principal payments	592,955	(592,955)	-
	<u>6,065,564</u>		<u>5,704,176</u>
 GENERAL REVENUES:			
Ad Valorem property taxes	4,368,120		4,368,120
Sales taxes	1,037,155		1,037,155
Grants	728,679	25,789	754,468
Inspection and training	345,806		345,806
Other	44,670		44,670
Interest	1,131		1,131
	<u>6,525,561</u>		<u>6,551,350</u>
 NET CHANGE IN FUND BALANCE/ NET POSITION	 <u>459,997</u>		 <u>847,174</u>
 BEGINNING FUND BALANCE/ NET POSITION, as previously reported	 1,801,949		 3,200,381
Prior period adjustment	223,632		347,180
BEGINNING FUND BALANCE/ NET POSITION, restated	<u>2,025,581</u>		<u>3,547,561</u>
ENDING FUND BALANCE/ NET POSITION	<u>\$ 2,485,578</u>		<u>\$ 4,394,735</u>

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

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Hays County Emergency Services District #5 was created by an election of the 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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 following is a summary of the significant accounting policies.

GOVERNMENT-WIDE 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.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are presented 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 District considers all revenues available if they are collectible within 60 days after year- end. Expenditures are recognized in the accounting period in which the liability is incurred. Interest and tax revenues associated with the current fiscal year are considered susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue is considered measurable and available only when cash is received by the District.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates 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 could differ from these estimates.

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 #5

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.

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.

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:

Equipment	5-15 years
Vehicles	5-10 years
Building and building improvements	40 years

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.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 governmental funds report unavailable revenue from property taxes and grants. 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 9 for more information.

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 & 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 TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of TCDRS are reported at fair value.

NOTE 3: DEPOSITS

At September 30, 2021, the carrying amount of the District's cash deposits was \$2,203,780 and the bank balance was \$2,186,011. All of the District's deposits were fully collateralized with securities held by the pledging financial institution.

NOTE 4: PROPERTY TAXES

The District has the authority to levy a tax 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, 2020 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.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	<u>\$170,695</u>	<u>\$0</u>	<u>\$0</u>	<u>\$170,695</u>
<u>Capital assets being depreciated:</u>				
Buildings	4,818,625	0	0	4,818,625
Buildings improvements	38,957	8,880	0	47,837
Vehicles	3,383,468	37,142	0	3,420,610
Equipment	<u>1,298,856</u>	<u>25,490</u>	<u>0</u>	<u>1,324,346</u>
	<u>9,539,906</u>	<u>71,512</u>	<u>0</u>	<u>9,611,418</u>
<u>Accumulated depreciation:</u>				
Buildings	(1,271,115)	(117,889)	0	(1,389,004)
Buildings improvements	(11,368)	(8,383)	0	(19,751)
Vehicles	(1,806,731)	(268,946)	0	(2,075,677)
Equipment	<u>(1,235,098)</u>	<u>(31,191)</u>	<u>0</u>	<u>(1,266,289)</u>
Total accumulated depreciation	<u>(4,324,312)</u>	<u>(426,409)</u>	<u>0</u>	<u>(4,750,721)</u>
Total capital assets	<u>\$5,386,289</u>	<u>(\$354,897)</u>	<u>\$0</u>	<u>\$5,031,392</u>

NOTE 6: GRANTS AND GRANTS RECEIVABLE

The District's grant revenues during the year-ended September 30, 2021 consists of \$525,038 in federal cost-reimbursement grants, \$190,874 is state cost-reimbursement grants and \$38,556 for a local assistance award. The grants receivable of \$351,706 at year-end was all for federal cost-reimbursement grants from two agencies.

NOTE 7: BUDGET VARIANCES

The District adopts an annual budget for the General Fund. The District amends the budget as needed during the year. Certain revenue and expenses were different than budgeted, resulting in a higher than budgeted fund balance. Ad valorem property and sales tax revenues, as well as grants and inspections and training income were higher than budgeted, which was offset partially by lower than anticipated interest revenues. Personnel and related expenditures were more than anticipated, while tax refund expense was less than anticipated.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 8: LONG-TERM LIABILITIES

<u>Loans</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>
Station #1	\$2,612,596	2028	3.32%	\$2,052,090	\$0	\$199,376	\$1,852,714
Quint 21	607,000	2025	2.65%	392,558	0	74,841	317,717
Engine 22	472,000	2023	2.88%	140,976	0	71,319	69,657
Station 23	340,000	2023	2.60%	209,212	0	67,863	141,349
Engine 23	350,000	2023	2.71%	214,409	0	69,896	144,513
Engine 24	<u>557,348</u>	2025	2.25%	<u>557,348</u>	<u>0</u>	<u>109,660</u>	<u>447,688</u>
	<u>\$4,938,944</u>			<u>\$3,566,593</u>	<u>\$0</u>	<u>\$592,955</u>	<u>\$2,973,638</u>

All loans are secured by the underlying asset (property or equipment) acquired. The loan agreements have provisions that change the timing of repayment of outstanding amounts to become immediately due if the District defaults on its required payments.

Maturities of long-term debt as of September 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$606,872	\$89,820	\$696,692
2023	551,360	73,779	625,139
2024	418,881	56,884	475,765
2025	409,702	44,751	454,453
2026	234,774	32,761	267,535
2027-2029	<u>752,049</u>	<u>50,479</u>	<u>802,528</u>
	<u>\$2,973,638</u>	<u>\$348,474</u>	<u>\$3,322,112</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Total</u>
Accrued leave	<u>\$162,134</u>	<u>\$167,476</u>	<u>(\$176,794)</u>	<u>\$152,816</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 9: ADJUSTMENTS TO CONVERT FUND STATEMENTS TO GOVERNMENT-WIDE

Fund balance - general fund	\$2,485,578
Increase net position for capital assets not reported in the fund financial statements	5,031,392
Unavailable grant revenue deferred in the fund financial statements and not in the government-wide financial statements	149,336
Taxes receivables deferred in the fund financial statements and not in the government-wide financial statements	101,277
Long-term liabilities not reported in the fund financial statements	(4,038,033)
Accrued interest expense on long-term debt not reported in the fund financial statements	(61,787)
Deferred outflows and inflows of resources related to pensions, net, are applicable to future reporting periods and are not reported in the fund financial statements	<u>726,972</u>
Net position - governmental activities	<u>\$4,394,735</u>
Net change in fund balance - governmental fund	\$459,997
Change in grants receivable deferred in the fund financial statements	25,789
Proceeds from debt recognized as other financing source income not reported in the government-wide financial statements	
Depreciation expense not recognized in the fund financial statements	(426,409)
Long-term debt principal payments and change in accrued interest recognized as expenditures in the fund financial statements	592,955
Change in accrued interest expense on long-term debt not reported in the fund financial statements	6,258
Change in accrued leave not reported in the fund financial statements	9,318
Pension contributions are reported as expenditures in the governmental fund when made. Adjustments to the net pension liability and pension expense resulting from changes in deferred outflows and inflows of resources are not recognized in the fund financial statements.	107,754
Capital outlays recognized as expenditures in the fund financial statements	<u>71,512</u>
Change in net position - governmental activities	<u>\$847,174</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

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 (RSI) 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; 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:

Employee deposit rate	7%
District contribution rate	11.55%
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 the December 31, 2020 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	16
Active employees	44

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 11.55%. The District's contributions to TCDRS for the year ended September 30, 2021 were \$381,710, which equaled the required contribution.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLAN

Net Pension Liability/(Asset)

The District's net pension liability (asset) of \$911,578 for TCDRS at September 30, 2021 was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Pension Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date:	12/31/2020
Actuarial cost method:	Entry age normal
Investment rate of return (7.50% rate of return plus 0.10% adjustment gross of administrative expenses):	7.60%
Inflation:	2.50%
Projected Salary Increases:	4.60% average
Mortality rates:	RP-2014 mortality tables projected with 110% and 130%, respectively, of MP-2014 Scale after 2014 for females and males

Actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016.

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 7.50% 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:

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLAN

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
U.S. Equities	11.50%	4.25%
Private Equity	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities-Developed	5.00%	4.25%
International Equities-Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%

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/(Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) 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>\$1,621,309</u>	<u>\$911,578</u>	<u>\$352,588</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLAN

<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, 2020	<u>\$2,174,279</u>	<u>\$1,535,229</u>	<u>\$639,050</u>
Changes for the year:			
Service cost	346,900	0	346,900
Interest on total pension liability	204,215	0	204,215
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	115,964	0	115,964
Effect of assumption changes or inputs	290,285	0	290,285
Refunds of contributions	0	0	0
Benefit payments	0	0	0
Administrative expenses	0	(1,624)	1,624
Member contributions	0	192,331	(192,331)
Net investment income	0	159,645	(159,645)
Employer contributions	0	319,196	(319,196)
Other	<u>0</u>	<u>15,288</u>	<u>(15,288)</u>
Balance at December 31, 2021	<u>\$3,131,643</u>	<u>\$2,220,065</u>	<u>\$911,578</u>

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

For the year ended September 30, 2021, the District recognized pension expense of \$270,170. At September 30, 2021, 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	\$27,937	\$250,842
Changes in actuarial assumptions	\$7,853	\$261,803
Net difference between projected and actual earnings	\$25,056	\$0
Contributions subsequent to the measurement date	N/A	\$275,172

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLAN

The \$275,172 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 September 30, 2022. 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 September 30:

2022	\$50,642
2023	53,975
2024	38,811
2025	52,312
2026	55,199
Thereafter	<u>200,860</u>
	<u>\$451,799</u>

NOTE 11: 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 2,800 member cities/political subdivisions located throughout Texas. The District pays premiums for its general liability, property, auto and workers' 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 12: SUBSEQUENT EVENTS

Subsequent to year-end, the District executed a loan agreement for \$862,000 for a seven year term at an interest rate of 2.18% for the purchase of new pumper trucks.

NOTE 13: PRIOR PERIOD ADJUSTMENTS

As of September 30, 2020, sales tax receivable was understated by \$223,632 in both the government-wide Statement of Net Position and in the Governmental Funds Balance Sheet-General Fund. A prior period adjustment has been recorded to restate the beginning balances. The effect of this adjustment was to increase the ending net position and fund balance at September 30, 2020.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

NOTES TO FINANCIAL STATEMENTS

NOTE 13: PRIOR PERIOD ADJUSTMENTS

As of September 30, 2020, grants receivable was understated by \$123,548 in the government-wide Statement of Net Position and unearned revenue was understated by the same amount in the Governmental Funds Balance Sheet- General Fund. A prior period adjustment has been recorded to restate the beginning balances. The effect of this adjustment was increase the ending net position at September 30, 2020 and the change in net position for the year ended September 30, 2020, by \$123,548.

As of September 30, 2020, capital assets and loans payable were both understated by \$557,348 in the government-wide Statement of Net Position. A prior period adjustment has been recorded to restate the beginning balances. This adjustment had no effect on the ending net position or the change in net position as of and for the year ended September 30, 2020.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL REVENUES:				
Ad Valorem property taxes	\$ 4,315,673	\$ 4,315,673	\$ 4,368,120	\$ 52,447
Sales taxes	640,000	640,000	1,037,155	397,155
Grants	153,419	553,419	728,679	175,260
Inspection and training	214,500	214,500	345,806	131,306
Other	43,600	43,600	44,670	1,070
Interest	14,000	14,000	1,131	(12,869)
	<u>5,381,192</u>	<u>5,781,192</u>	<u>6,525,561</u>	<u>744,369</u>
EXPENDITURES:				
Personnel and related expenses	3,830,378	4,338,677	4,569,396	(230,719)
Firefighting and related expenses	444,650	547,000	555,804	(8,804)
Tax refund	333,442	333,442	-	333,442
Tax collection expenses	31,000	31,100	32,325	(1,225)
Professional services	37,500	22,500	18,133	4,367
Administrative	47,500	79,000	79,079	(79)
Insurance	51,000	40,022	40,021	1
Capital outlay	6,000	73,846	71,512	2,334
Debt service	697,372	697,372	699,294	(1,922)
	<u>5,478,842</u>	<u>6,162,959</u>	<u>6,065,564</u>	<u>97,395</u>
NET CHANGE IN FUND BALANCE	(97,650)	(381,767)	459,997	841,764
BEGINNING FUND BALANCE, RESTATED	2,025,581	2,025,581	2,025,581	-
ENDING FUND BALANCE	<u>\$ 1,927,931</u>	<u>\$ 1,643,814</u>	<u>\$ 2,485,578</u>	<u>\$ 841,764</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability							
Service cost	\$ 346,900	\$ 309,258	\$ 249,907	\$ 193,206	\$ 111,333	\$ 72,093	\$ 50,452
Interest on total liability	204,215	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 assumption changes or inputs	290,285	-	-	(11,777)	-	1,015	-
Effect of economic/demographic (gains) or losses	115,964	(3,180)	44,626	74,753	62,314	(47,049)	55,977
Benefit payments, including refunds of employee contributions	<u>-</u>	<u>(7,371)</u>	<u>(9,296)</u>	<u>(5,757)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	957,364	876,236	379,511	374,143	292,471	53,041	136,708
Total pension liability - beginning	<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>	<u>62,167</u>
Total pension liability - ending (a)	<u>\$ 3,131,643</u>	<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	\$ 319,196	\$ 197,739	\$ 186,567	\$ 132,054	\$ 75,236	\$ 46,980	\$ 28,781
Contributions - employee	192,331	174,790	155,473	126,984	76,615	46,751	38,948
Net investment income	159,645	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	(1,625)	(1,170)	(800)	(440)	(147)	(98)	(40)
Other	<u>15,289</u>	<u>12,716</u>	<u>9,980</u>	<u>3,390</u>	<u>7,991</u>	<u>(12)</u>	<u>(3)</u>
Net change in plan fiduciary net position	684,836	539,802	333,305	311,485	173,249	92,898	69,058
Plan fiduciary net position - beginning	<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>	<u>15,433</u>
Plan fiduciary net position - ending (b)	<u>2,220,065</u>	<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>\$ 911,578</u>	<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	70.89%	70.61%	76.69%	72.08%	64.41%	70.42%	42.48%
Covered employee payroll	\$ 3,270,124	\$ 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	27.88%	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 2021 - Valuation Date 12/31/20.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #5
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021*
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution**	\$ 381,710	\$ 197,739	\$ 186,567	\$ 131,519	\$ 75,236	\$ 46,980	\$ 27,751
Contributions in relation to the actuarially determined contribution	381,710	197,739	186,867	132,054	75,236	46,980	28,781
Contribution deficiency (excess)	-	-	(500)	(534)	-	-	(1,030)
Covered-employee payroll	3,270,124	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	11.67%	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.

**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: December 31, 2020

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 12/31/20 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	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions	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. 2020: No changes in plan provisions were reflected in the schedule.

See Independent Auditor's Report