

**Hays County Emergency Services District No. 5**

**Independent Auditor's Report and  
Financial Statements  
September 30, 2019**

# 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, 2019, 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, 2019, 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 10, 2020

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #5 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) SEPTEMBER 30, 2019

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, 2019. 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 \$4,569,117 compared to total revenues of \$4,757,246 resulting in an increase in net assets of \$188,129 for the year ended September 30, 2019.
- The District's cash balance increased by \$148,539 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, 2019 which is the statutory limit, as established by the State of Texas constitution.
- The District received \$69,211 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 \$188,129 in the year ended September 30, 2019. 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 \$1,446,793 at September 30, 2019.

	2019	2018
Current and Other Assets	\$ 1,668,141	\$ 1,581,610
Non Current and Capital Assets	5,202,510	5,595,886
Total Assets	<u>6,870,651</u>	<u>7,177,496</u>
Deferred Outflows related to pensions	<u>412,197</u>	<u>298,776</u>
Current Liabilities	192,816	706,253
Long-term Liabilities Outstanding	3,877,031	3,736,573
Total Liabilities	<u>4,069,847</u>	<u>4,442,826</u>
Deferred Inflows related to pensions	<u>42,388</u>	<u>50,962</u>
Net Position:		
Net investment in capital assets	1,723,820	1,659,893
Unrestricted	1,446,793	1,322,591
Total net position	<u>\$ 3,170,613</u>	<u>\$ 2,982,484</u>
Revenues		
Ad Valorem Taxes	\$ 3,562,133	\$ 3,210,926
Interest Income	14,664	10,454
Other Income	1,161,105	802,471
Grant Income	19,344	190,247
Total revenues	<u>4,757,246</u>	<u>4,214,098</u>
Expenses		
Firefighting Operations	4,401,588	3,815,284
Legal & Accounting	54,638	55,857
Interest Expense	112,891	101,822
Total expenses	<u>4,569,117</u>	<u>3,972,963</u>
Change in net position	188,129	241,135
Net position - beginning	<u>2,982,484</u>	<u>2,741,349</u>
Net position - ending	<u>\$ 3,170,613</u>	<u>\$ 2,982,484</u>

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

### General Fund Budgetary Highlights

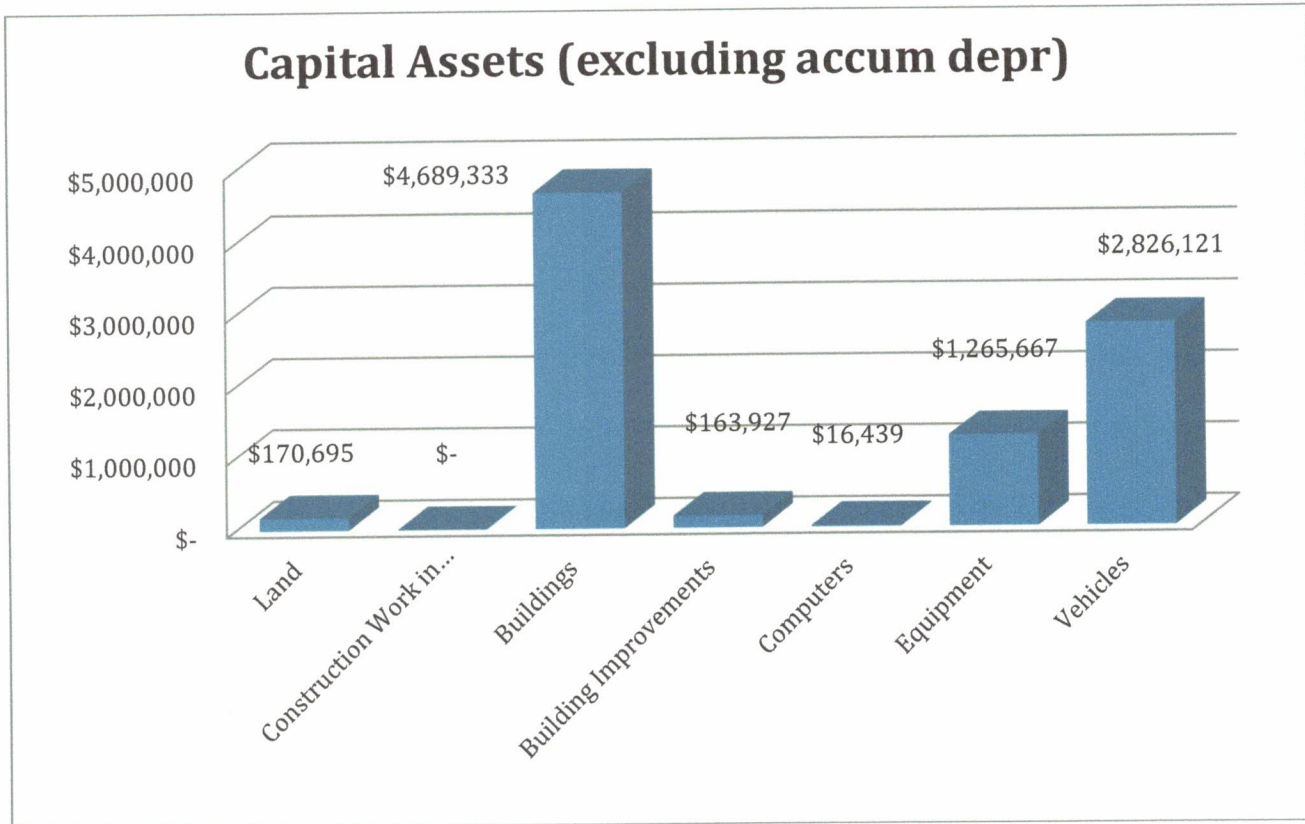
The General Fund had an excess of revenues over expenditures of \$129,295. The reasons for the budget difference included the following:

- Tax revenues, sales tax revenue, inspection income and grant income were higher than anticipated.
- Overall firefighting expenses were higher than budgeted.

- Personnel and related expenses were higher than budgeted.

### Capital Asset and Debt Administration

The District's investment in capital assets at September 30, 2019, net of accumulated depreciation, totaled \$5,202,510. Capital assets are classified as shown below:



### Debt Administration

The District's long-term debt at September 30, 2019, net of the current portion, totaled \$3,478,690 for loans. The current portion of the long-term debt was \$469,331. 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, 2019 is total debt service of \$457,304/ total revenues of \$ 4,757,246 for a ratio of 9.61%.

### Economic Factors and Next Year's Budgets and Rates

The District's appointed officials considered many factors when setting the fiscal year 2019 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, 2019

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash	\$ 262,766		\$ 262,766
Investments	1,155,085		1,155,085
Accounts receivable	175,236		175,236
Taxes receivable	75,054	-	75,054
Capital assets:			
Land	-	170,695	170,695
Other capital assets, net of depreciation	-	5,031,815	5,031,815
	<u>1,668,141</u>		<u>6,870,651</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Difference actual and expected experience	-	185,244	185,244
Difference actual and projected plan earnings	-	55,797	55,797
Changes on assumptions	-	703	703
Contributions	-	170,453	170,453
	-		<u>412,197</u>
Total Assets	<u>\$ 1,668,141</u>		<u>\$ 7,282,848</u>
<b>LIABILITIES</b>			
Accounts payable	18,761	-	18,761
Accrued interest payable	-	71,016	71,016
Accrued payroll and benefits	103,039	-	103,039
Long -term liabilities:			
Accrued Leave		95,825	95,825
Due within 1 year	-	469,331	469,331
Due in more than 1 year	-	3,009,359	3,009,359
Net pension liability	-	302,516	302,516
Total liabilities	<u>121,800</u>		<u>4,069,847</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 75,054	(75,054)	\$ -
Changes in assumptions		9,815	9,815
Difference actual and projected plan earnings	-	32,573	32,573
	<u>75,054</u>		<u>42,388</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances			
Fund balance - unassigned	<u>1,471,287</u>	(1,471,287)	
	<u>\$ 1,668,141</u>		
<b>NET POSITION</b>			
Net investment in capital assets		1,723,820	1,723,820
Unrestricted		1,446,793	1,446,793
			<u>3,170,613</u>
See accompanying notes to the financial statements			<u>\$ 7,282,848</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, 2019

	General Fund	2019 Adjustments (Note 5)	Statement of Activities
Expenses:			
Firefighting and related expenses	\$ 496,947		\$ 496,947
Personnel and related expenses	3,368,003	23,020	3,391,023
Depreciation	-	411,260	411,260
Tax Collection Expenses	26,479		26,479
Professional Services	54,638		54,638
Administrative Expenses	47,492		47,492
Capital Outlay	17,884	(17,884)	-
Debt Service	457,304	(457,304)	-
Interest Expense	123,150	(10,259)	112,891
Insurance	28,387	-	28,387
Total expenses	<u>\$ 4,620,284</u>		<u>\$ 4,569,117</u>
General revenues:			
Ad Valorem Tax Revenues	3,554,679	7,454	3,562,133
Inspection and Training Income	247,229	-	247,229
F1 Contract and Site Lease Income	29,540		29,540
Sales and Use Tax Income	533,239		533,239
SAFER Grant Income	197,161		197,161
Grant Income	19,344		19,344
Other Income	153,936		153,936
Interest Income	14,664		14,664
Total general revenue	<u>\$ 4,749,792</u>		<u>\$ 4,757,246</u>
Revenue over/(under) expenditures	<u>129,508</u>		<u>188,129</u>
Net change in fund balance	<u>129,508</u>		<u>188,129</u>
Net position/fund balance - beginning	<u>1,341,779</u>		<u>2,982,484</u>
Net position/fund balance - ending	<u><u>\$ 1,471,287</u></u>		<u><u>\$ 3,170,613</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, 2019**

**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, 2019, \$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, 2019, the carrying amount of the District's cash deposits was \$1,417,851, and the bank balance was \$1,471,815. 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>9/30/18</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>9/30/19</u>
Land	\$ 170,695	\$ -		\$ 170,695
Construction Work in Progress	-	-	-	-
Buildings	4,689,333	-		4,689,333
Building Improvements	163,927	-		163,927
Computers	16,439			16,439
Equipment	1,247,783	17,884		1,265,667
Vehicles	2,826,121	-	-	2,826,121
Total Capital Assets	<u>\$ 9,114,298</u>	<u>\$ 17,884</u>	<u>\$ -</u>	<u>\$ 9,132,182</u>
Less: Accumulated Depreciation	(3,518,411)	-	(411,260)	(3,929,671)
Net Capital Assets	<u>\$ 5,595,887</u>	<u>\$ 17,884</u>	<u>\$ (411,260)</u>	<u>\$ 5,202,511</u>



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

Unrestricted fund balance - governmental fund	\$ 1,471,287
Increase net position for capital assets not reported in the governmental funds	5,202,510
Long term liabilities not reported in the fund financial statements	(3,781,206)
Taxes receivables deferred in the fund financial statements and in the government-wide financial statements	75,054
Accrued leave not reported in the fund financial statements	(95,825)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and are not reported in the fund financial statements	369,809
Accrued interest expense on long term debt not reported in the fund financials	(71,016)
Net position - governmental activities	<u>\$ 3,170,613</u>
Net change in fund balance - governmental fund	129,508
Capital outlays recognized as expenditures in the fund financial statements	17,884
Depreciation expense not recognized in the fund financial statements	(411,260)
Long-term debt principal payments are recognized as expenditures in the fund financial statements	457,304
Change in pension benefit accrual	(23,020)
Change in interest expense not recognized in the General Fund	10,259
Gain on sale of capital assets not reflected in the fund financials	-
Net increase in tax receivable deferred in the fund financial statements and not in the government-wide financial statements	7,454
Change in net position - governmental activities	<u>\$ 188,129</u>

**NOTE 7 – Long Term Liabilities**

Long term debt as of September 30, 2019 is as follows:

Desc	Collateral	Amount of Original Issue	Maturity Date	Interest Rate	Balance 9/30/18	Additions	Retirements	Balance 9/30/19
Loan	Quint 21	607,000	2025	2.65%	536,571	-	71,079	465,492
Loan	Engine	472,000	2023	2.88%	277,594	-	67,340	210,254
Loan	Mt City Bldg	340,000	2023	2.60%	340,000	-	64,555	275,445
Loan	Truck/Eqpt	350,000	2023	2.71%	350,000	-	67,561	282,439
		\$ 4,381,596			\$ 3,935,994	\$ -	\$ 457,304	\$ 3,478,690
						Less: current portion		(469,331)
								\$ 3,009,359

Maturities of long-term debt as of September 30, 2019 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	469,331	108,041	577,372
2021	483,237	94,133	577,370
2022	494,101	79,811	573,912
2023	435,717	66,313	502,030
2024	382,321	54,451	436,772
2025-2029	1,213,983	123,544	1,337,527
	<u>\$ 3,478,690</u>	<u>\$ 526,293</u>	<u>\$ 4,005,002</u>

<u>Other Long-Term Liabilities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Total</u>
Accrued Leave	<u>\$ 50,768</u>	<u>\$ 85,671</u>	<u>\$ (40,614)</u>	<u>\$ 95,825</u>

**NOTE 8 – Other Matters**

The City of Kyle paid a total of \$28,387 on behalf of the District for property insurance coverage. This has been recorded as an in kind income item and offset by the same amount as an insurance expense.

The board has reviewed subsequent events from year end to the date of this report, April 10, 2020.

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](http://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, 2019 were \$170,453, which equaled the required contribution.

#### Net Pension Liability

The District's net pension liability of \$302,516 for TCDRS at September 30, 2019 was measured as of December 31, 2018. 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, 2018 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	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities-Developed	10.00%	5.40%
International Equities-Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%

## 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 (7.10%)	Discount Rate (8.10%)	1% Increase (9.10%)
District's net pension liability	\$ 583,913	\$ 302,616	\$ 79,158

<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 12/31/17	\$ 918,532	\$ 662,123	\$ 256,409
Changes for the year:			
Service cost	249,907		249,907
Interest on total pension liability	94,274		94,274
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	44,626		44,626
Effect of assumption changes or inputs	-		-
Refunds of contributions	(9,296)	(9,296)	-
Benefit payments	-	-	-
Administrative expense		(800)	800
Member contributions		155,473	(155,473)
Net investment income		(8,619)	8,619
Employer contributions		186,566	(186,566)
Other	-	9,980	(9,980)
Balance at 12/31/18	<u>\$ 1,298,043</u>	<u>\$ 995,427</u>	<u>\$ 302,616</u>

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

For the year ended September 30, 2019, the District recognized pension expense of \$143,239. At September 30, 2019, 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 expencted and actual experience	\$ 36,192	\$ 160,003
Changes in actuarial assumptions	10,796	781
Differences between projected and actual investment earnings	3,974	-
Contributions subsequent to the measurement date	-	-

\$170,453 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, 2019. 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:

2019	\$ 30,401
2020	\$ 28,125
2021	\$ 26,695
2022	\$ 30,028
2023	\$ 14,863
Thereafter	\$ 69,244

## 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, 2019\*

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>					
Service cost	\$ 249,907	\$ 193,206	\$ 111,333	\$ 72,093	\$ 50,452
Interest on total liability	94,274	59,517	28,417	19,317	7,927
Effect of plan changes	-	64,202	90,408	7,665	22,352
Effect of economic/demographi (gains) or losses	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	(9,296)	(5,757)	-	-	-
<b>Net change in total pension liability</b>	<u>379,511</u>	<u>374,143</u>	<u>292,471</u>	<u>53,041</u>	<u>136,708</u>
<b>Total pension liability - beginning</b>	<u>918,532</u>	<u>544,388</u>	<u>251,917</u>	<u>198,876</u>	<u>62,167</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 1,298,043</u>	<u>\$ 918,532</u>	<u>\$ 544,388</u>	<u>\$ 251,917</u>	<u>\$ 198,876</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	186,567	132,054	75,236	46,980	28,781
Contributions - employee	155,473	126,984	76,615	46,751	38,948
Net investment income	(8,619)	55,255	13,554	(723)	1,371
Benefit payments, including refunds of employee contributions	(9,296)	(5,757)	-	-	-
Administrative expenses	(800)	(440)	(147)	(98)	(40)
Other	9,980	3,390	7,991	(12)	(3)
<b>Net change in plan fiduciary net position</b>	<u>333,305</u>	<u>311,485</u>	<u>173,249</u>	<u>92,898</u>	<u>69,058</u>
<b>Plan fiduciary net position - beginning</b>	<u>662,123</u>	<u>350,637</u>	<u>177,389</u>	<u>84,490</u>	<u>15,433</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>995,427</u>	<u>662,123</u>	<u>350,637</u>	<u>177,389</u>	<u>84,490</u>
<b>Net pension liability (a) - (b)</b>	<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 <b>net pension liability</b>	76.69%	72.08%	64.41%	70.42%	42.48%
Covered employee payroll	\$ 2,221,036	\$ 1,814,059	\$ 1,532,299	\$ 1,168,774	\$ 973,712
Net pension liability as percentage of covered-employee payroll	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 2019 - Valuation Date 12/31/18.

- See Independent Auditor's Report -



**HAYS COUNTY EMERGENCY SERVICES DISTRICT #5**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019\***  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution**	\$ 186,567	\$ 131,519	\$ 75,236	\$ 46,980	\$ 27,751
Contributions in relation to the actuarially determined contribution	186,867	132,054	75,236	46,980	28,781
Contribution deficiency (excess)	-	(534)	-	-	(1,030)
Covered-employee payroll	2,221,036	1,814,059	1,532,299	1,168,774	973,712
Contributions as a percentage of covered-employee payroll	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	14.4 years (based on contribution rate calculated in 12/31/18 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. - See Independent Auditor's Report -

Hays County Emergency Services District #5  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem tax revenues	\$ 3,528,655	\$ 3,528,655	\$ 3,554,679	\$ 26,024
Inspection and Training Income	125,000	125,000	247,229	122,229
F1 contract and site lease income	-	-	29,540	29,540
Other income	94,600	94,600	153,936	59,336
Grant Income	199,150	199,150	216,505	17,355
Sales and Use Tax Income	430,000	430,000	533,239	103,239
Interest income	12,150	12,150	14,664	2,514
Total general revenue	<u>4,389,555</u>	<u>4,389,555</u>	<u>4,749,792</u>	<u>360,237</u>
<b>Expenditures:</b>				
Firefighting and related expenses	454,300	454,300	496,947	(42,647)
Personnel and related expenses	3,162,557	3,162,557	3,368,003	(205,446)
Tax Collection expenses	32,000	32,000	26,479	5,521
Professional Services	38,000	38,000	54,638	(16,638)
Administrative expenses	43,500	43,500	47,492	(3,992)
Debt Service	588,985	588,985	580,454	8,531
Insurance	55,000	55,000	28,387	26,613
Capital Outlay	15,000	15,000	17,884	(2,884)
Total Expenditures:	<u>4,389,342</u>	<u>4,389,342</u>	<u>4,620,284</u>	<u>(230,942)</u>
Revenues (under)/over expenditures	213	213	129,508	129,295
Beginning fund balance	<u>1,341,779</u>	<u>1,341,779</u>	<u>1,341,779</u>	<u>-</u>
Ending fund balance	<u>\$ 1,341,992</u>	<u>\$ 1,341,992</u>	<u>\$ 1,471,287</u>	<u>\$ 129,295</u>