



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

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Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Fire Commissioners
Hays County Emergency Services District #4

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Hays County Emergency Services District #4 (District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from

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

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

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

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

Required Supplementary Information

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

Montemayor Brittan Bender PC

March 28, 2023
Austin, Texas

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the Hays County Emergency Services District #4 ("the District") for the year ended September 30, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's property tax revenues for the year were \$1,670,626, an increase of \$204,207 over prior year.
- The District's fiscal year sales tax revenue totaled \$726,353, an increase of \$89,683 over the prior year.
- The District incurred an increase in net position of \$737,502 for the year.
- Current and other assets amounted to \$3,452,042 at September 30, 2022, which represented an increase of \$95,520 over the balance at September 30, 2021.
- Capital assets increased by \$1,744,131, due to additions of equipment, furniture and equipment and building construction \$1,876,343, offset by depreciation expense of \$132,212.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: property taxes assessed but uncollected as of 31 days after year-end).

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and account for resources that have been segregated for specific activities or objectives. The District, like other state and local

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

MANAGEMENT'S DISCUSSION AND ANALYSIS

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal or contractual requirements. The District has one fund, the General Fund.

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

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

Government-Wide Financial Analysis

Net position may serve as a useful indicator of the District's financial position. The District's net position (assets plus deferred outflows less liabilities and deferred inflows) was \$4,810,402 as of September 30, 2022. Capital assets, net of depreciation and related debt, accounted for \$1,628,084 or 34% of the total net position. Capital assets reflect the large investments in facilities and equipment that are necessary to provide adequate fire suppression, rescue operations and a First Responder Organization (FRO) supporting local EMS services to the community. \$3,182,318 of net position of is unrestricted and available to meet the District's ongoing obligations to citizens and creditors. Governmental activities account for all of the changes in net position at the government-wide reporting level as the District has no business-type activities. The tables below summarize the financial position of the District at September 30, 2022 and 2021 and the results of operations for the same years ended.

<u>Assets</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
Current and other assets	\$3,452,042	\$3,356,522
Restricted short-term investments	0	600,000
Capital assets, net of accumulated depreciation	2,573,200	829,069
Total assets	6,025,242	4,785,591
<u>Deferred outflows of resources-pension</u>	44,617	0
<u>Liabilities</u>		
Current and other liabilities	254,053	92,825
Long-term liabilities	1,003,754	619,866
Total liabilities	1,257,807	712,691
<u>Deferred outflows of resources-pension</u>	1,650	0
<u>Net position</u>		
Net investment in capital assets, net of debt	1,628,084	229,069
Restricted	0	600,000
Unrestricted	3,182,318	3,243,831
Total net position	\$4,810,402	\$4,072,900

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>Revenues</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
Property taxes	\$1,670,626	\$1,466,419
Sales taxes	726,353	636,670
Other	31,811	19,409
Total revenues	<u>2,428,790</u>	<u>2,122,498</u>
 <u>Expenses</u>		
Fire and emergency services	1,544,226	1,199,811
Depreciation	132,212	106,239
Interest expense	14,850	0
Total expenses	<u>1,691,288</u>	<u>1,306,050</u>
 Change in net position	737,502	816,448
Net position, beginning	<u>4,072,900</u>	<u>3,256,452</u>
Net position, ending	<u>\$4,810,402</u>	<u>\$4,072,900</u>

Financial Analysis of the Governmental Fund

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

During the fiscal year ending September 30, 2022, the District's only Governmental Fund was the General Fund, and it reported ending fund balance of \$3,251,533, an decrease of \$635,025 from the year-ended September 30, 2021. The District's ending unassigned fund balance was \$3,151,792, which was unencumbered and available for spending at the District's discretion.

General Fund Budgetary Highlights

General Fund revenues were \$216,135, or 8%, over budget, due primarily to \$306,353 more than anticipated sales tax revenues and \$201,267 less than anticipated in proceeds from debt. Expenses for the General Fund were \$1,160 more than budget. The budget variance resulted primarily from capital outlay being \$217,809 more than anticipated offset by lower than anticipated wages and benefits (\$128,532). The variances in all other expenses were not individually significantly, but combined were \$88,118 less than budget. The budget was amended during the year to increase the budget for capital outlay.

Capital Assets

The District's capital assets at September 30, 2022, net of accumulated depreciation, totaled \$2,573,200. The current year increase of \$1,744,131 reflects capital outlay of \$1,876,343 offset by depreciation expense of \$132,212.

Debt

The District's long-term debt at September 30, 2022, net of the current portion, amounted to \$854,779. The current portion of long-term debt was \$90,337. The debt is collateralized by equipment and an interest in sales tax revenues.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors, Future Years' Budgets and Tax Rates

The October 2022 assessed valuation increased by approximately 17% compared to the October 2021 assessment. The tax rate of \$.053 per \$100 of assessed valuation for fiscal year 2022-2023 increased slightly over \$.050 from the prior year.

The tax levy for fiscal year 2022-2022 is expected to provide an approximately \$321,000 increase in property tax revenues for the next fiscal year. Additionally, the District collects sales tax revenues. The budget for fiscal 2023 sales taxes is \$540,000, however, monthly collections for the first three months of fiscal year 2022-2023 are approximately \$208,000.

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

Request for Information

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

Hays County Emergency Services District #4
P.O. Box 1312
Wimberley, TX 78676

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Adjustments (Note 10)	Statement of Net Position
ASSETS			
Short-term investments	\$ 3,214,897		\$ 3,214,897
Sales taxes receivable	111,056		111,056
Property taxes receivable	51,145		51,145
Prepays	70,965		70,965
Pension asset	-	3,979	3,979
Capital assets:			
Land	-	77,747	77,747
Capital assets, net of depreciation	-	2,495,453	2,495,453
	<u>-</u>		<u>2,573,200</u>
	<u>3,448,063</u>		<u>6,025,242</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences between actual and expected experience	-	15	15
Contributions after the measurement date	-	44,602	44,602
	<u>-</u>		<u>44,617</u>
	<u>\$ 3,448,063</u>		
LIABILITIES			
Bank overdraft	\$ 95,415		95,415
Accrued liabilities	68,301		68,301
Long-term liabilities:			
Due within 1 year: note payable		90,337	90,337
Due in more than 1 year:			
Note payable	-	854,779	854,779
Accrued leave	-	148,975	148,975
	<u>163,716</u>		<u>1,257,807</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	32,814	(32,814)	-
Change in assumptions	-	165	165
Net difference between projected and actual earnings	-	1,485	1,485
	<u>32,814</u>		<u>1,650</u>
FUND BALANCES/NET POSITION			
FUND BALANCES			
Nonspendable	70,965	(70,965)	
Assigned - volunteer funds	28,776	(28,776)	
Fund balance - unassigned	3,151,792	(3,151,792)	
	<u>3,251,533</u>	<u>(3,251,533)</u>	
	<u>\$ 3,448,063</u>	<u>(3,448,063)</u>	
NET POSITION			
Net investment in capital assets		1,628,084	1,628,084
Unrestricted		3,182,318	3,182,318
			<u>\$ 4,810,402</u>

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

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2022

	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:			
Current service operations:			
Wages and benefits	\$ 1,128,058	\$ 28,546	\$ 1,156,604
Station repairs and maintenance	78,831		78,831
Insurance	77,907		77,907
Professional services	50,168		50,168
Supplies and equipment	42,890		42,890
Uniforms	36,178		36,178
Communications	28,900		28,900
Office and administrative	26,203		26,203
Appraisal and tax collection fees	19,539		19,539
Utilities	17,858		17,858
Training	9,148		9,148
Debt service			
Interest	14,850		14,850
Principal	53,617	(53,617)	-
Depreciation	-	132,212	132,212
Capital outlay	1,876,343	(1,876,343)	-
	<u>3,460,490</u>		<u>1,691,288</u>
General revenues:			
Property taxes	1,668,568	2,058	1,670,626
Sales tax	726,353		726,353
Other	31,811		31,811
Total general revenues	<u>2,426,732</u>		<u>2,428,790</u>
REVENUE (UNDER)/OVER EXPENDITURES/ EXPENSES:	(1,033,758)		737,502
OTHER FINANCING SOURCES:			
Proceeds from debt	398,733	(398,733)	-
NET CHANGE IN FUND BALANCE/NET POSITION	(635,025)		737,502
BEGINNING FUND BALANCE/NET POSITION	<u>3,886,558</u>		<u>4,072,900</u>
ENDING FUND BALANCE/NET POSITION	<u><u>\$ 3,251,533</u></u>		<u><u>\$ 4,810,402</u></u>

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

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Wimberley Rural Fire Prevention District #4 (the District) was established on August 22, 1983 for the purpose of providing fire suppression, rescue operations and a First Responder Organization (FRO) supporting local EMS services to the citizens of the District. The District is governed by a five-member Board of Fire Commissioners, which is appointed by the Hays County Commissioners Court.

The Texas Legislature passed a bill effective September 1, 2003 to require all fire prevention districts to change their name. The Wimberley Rural Fire Prevention District #4 changed its name to the Hays County Emergency Services #4. The District is not included in any other governmental reporting entity. Additionally, no other entity meets the requirements to be included in the District's financial statements.

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 property and sales taxes. The Statement of Activities demonstrates how the District used revenue and demonstrates how direct expenses of a given function are offset by program revenues.

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 31 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.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of the use of resources through either a commitment or an assignment. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

Nonspendable fund balances are amounts that cannot be spent because they are not in a spendable form or legally or contractually required to be maintained intact. 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.

CAPITAL ASSETS

All capital assets are recorded at historical cost (or estimated historical cost) at the time of acquisition and updated for additions and retirements during the year. 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:

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equipment	5-15 years
Vehicles	5-20 years
Office furniture	5-10 years
Building	20-30 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The statement of net position and governmental funds balance sheet reports 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 9 for more information.

The statement of financial position and governmental funds balance sheet reports 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 that qualify for reporting in this category. Unavailable property tax revenue is reported only in the governmental funds balance sheet, where amount are deferred and recognized as an inflow of resources in the period the amounts become available. The District's pension related items qualify for reporting in this category in the government-wide financial statements. See Note 9 for more information.

PENSIONS

For purposes of measuring the net pension asset 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 TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of TCERS are reported at fair value.

NOTE 3: DEPOSITS AND INVESTMENTS

At September 30, 2022, the carrying amount of the District's cash deposits was (\$95,415), which was presented as a bank overdraft liability, and the bank balance was \$24,719. All of the District's deposits were fully collateralized with securities held by the pledging financial institution. The Board of Fire Commissioners has authorized the District under a written investment policy to invest funds in compliance with V.A.T.C.S Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act of 1993). Investment vehicles authorized by Chapter 2256 include, but are not limited to, certificates of deposit, obligations backed by the U.S. and state governments, and public fund investment pools. All investments at year end were held in a money market savings accounts in the amount of \$3,214,897, respectively. The District was in compliance with the requirements of Chapter 2256 and with its policy during the year.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY TAXES

The District has the authority to levy a tax to a maximum of \$0.05 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, 2021 levy was \$0.05 per \$100 of value. Taxes are due upon receipt of the bill and are delinquent if not paid before the first day of February in the year following levy. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Taxes are billed and collected by the Hays County Tax Assessor-Collector.

NOTE 5: CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$77,747	\$0	\$0	\$77,747
Construction in progress	<u>41,756</u>	<u>0</u>	<u>(41,756)</u>	<u>0</u>
	<u>119,503</u>	<u>0</u>	<u>(41,756)</u>	<u>77,747</u>
<u>Capital assets being depreciated:</u>				
Rescue equipment	17,226	0	0	17,226
Fire machinery and equipment	185,005	0	0	185,005
Office furniture and equipment	20,939	0	0	20,939
Firefighting and other equipment	408,040	0	0	408,040
Buildings and improvements	625,035	1,169,366	0	1,794,401
Vehicles	<u>1,214,355</u>	<u>748,733</u>	<u>(27,750)</u>	<u>1,935,338</u>
	<u>2,470,600</u>	<u>1,918,099</u>	<u>(27,750)</u>	<u>4,360,949</u>
<u>Accumulated depreciation:</u>				
Rescue equipment	(6,828)	(3,445)	0	(10,273)
Fire machinery and equipment	(35,205)	(15,230)	0	(50,435)
Office furniture and equipment	(9,341)	(3,036)	0	(12,377)
Firefighting and other equipment	(294,813)	(25,569)	0	(320,382)
Buildings and improvements	(375,149)	(26,886)	0	(402,035)
Vehicles	<u>(1,039,698)</u>	<u>(58,046)</u>	<u>27,750</u>	<u>(1,069,994)</u>
Total accumulated depreciation	<u>(1,761,034)</u>	<u>(132,212)</u>	<u>27,750</u>	<u>(1,865,496)</u>
Total capital assets, net	<u>\$829,069</u>	<u>\$1,785,887</u>	<u>(\$41,756)</u>	<u>\$2,573,200</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM LIABILITIES

	<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>
#9601	\$600,000	9/3/31	2.457%	\$600,000	\$0	\$53,617	\$546,383
#04PB	<u>398,733</u>	3/1/32	3.110%	<u>0</u>	<u>398,733</u>	<u>0</u>	<u>398,733</u>
	<u>\$998,733</u>			<u>\$600,000</u>	<u>\$398,733</u>	<u>\$53,617</u>	<u>\$945,116</u>

The notes are secured by the District's sales tax revenues and 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, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$90,337	\$25,043	\$115,380
2024	91,903	23,477	115,380
2025	94,405	20,976	115,381
2026	96,976	18,405	115,381
2027	99,618	15,762	115,380
2028-2032	<u>471,877</u>	<u>44,435</u>	<u>516,312</u>
	<u>\$945,116</u>	<u>\$148,098</u>	<u>\$1,093,214</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Total</u>
Accrued leave	<u>\$73,483</u>	<u>\$108,963</u>	<u>(\$33,471)</u>	<u>\$148,975</u>

NOTE 7: BUDGET

The District adopts an annual budget for each fiscal year and amends the budget as needed during the year. The budget was amended during the year to increase the budget for capital outlay. The District does not use an encumbrance system and appropriations lapse at the end of each fiscal year.

Certain revenue and expenses were different than budgeted, resulting in a higher than budgeted fund balance. Primarily, property tax and sales tax revenues were higher than budgeted, while operations expenditures were less than anticipated. Capital outlay was higher than anticipated while proceeds from debt were lower than anticipated.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District purchases commercial insurance to cover its general liabilities. There were no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage.

NOTE 9: PENSION PLAN

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (TCDRS)

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	7.06%
Years required for vesting	8
Service retirement eligibility (expressed as age/years of service)	60/8, any/20, rule of 75

Employees Covered

As of the December 31, 2021 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	0
Active employees	19

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 7.99%. The District's contributions to TCDRS for the year ended September 30, 2022 were \$58,856, which equaled the required contribution.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 9: PENSION PLAN

Net Pension Liability/(Asset)

The District's net pension liability (asset) of (\$3,979) for TCDRS at September 30, 2022 was measured as of December 31, 2021. 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:	12/31/2021
Actuarial cost method:	Entry age normal
Investment rate of return (7.60% rate of return plus 0.10% adjustment gross of administrative expenses):	7.50%
Inflation:	2.50%
Projected Salary Increases:	4.70% average
Mortality rates	135% and 120% of Pub-2010 General Retirees Tables for males and females, respectively, both projected with 100% of MP-2021 Scale after 2010

Actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study over the years 2017-2020.

Pension Plan Fiduciary Net Position

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

Discount Rate

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

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

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 9: PENSION PLAN

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
Cash Equivalents	2.00%	-1.05%
U.S. Equities	11.50%	3.80%
Private Equity	25.00%	6.80%
Global Equities	2.50%	4.10%
International Equities-Developed	5.00%	3.80%
International Equities-Emerging	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Hedge Funds	6.00%	1.55%

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:

	<u>1% Decrease (6.60%)</u>	<u>Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
District's net pension liability (asset)	<u>\$870</u>	<u>(\$3,979)</u>	<u>(\$7,789)</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 9: 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>\$0</u>	<u>\$0</u>	<u>\$0</u>
Changes for the year:			
Service cost	22,188	0	22,188
Interest on total pension liability	1,686	0	1,686
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	17	0	17
Effect of assumption changes or inputs	(181)	0	(181)
Refunds of contributions	0	0	0
Benefit payments	0	0	0
Administrative expenses	0	(15)	15
Member contributions	0	12,064	(12,064)
Net investment income	0	2,785	(2,785)
Employer contributions	0	12,168	(12,168)
Other	<u>0</u>	<u>687</u>	<u>(687)</u>
Balance at December 31, 2021	<u>\$23,710</u>	<u>\$27,689</u>	<u>(\$3,979)</u>

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

For the year ended September 30, 2022, the District recognized pension expense of \$14,904. At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$0	\$15
Changes in actuarial assumptions	165	0
Net difference between projected and actual earnings	1,485	0
Contributions subsequent to the measurement date	N/A	\$44,602

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 9: PENSION PLAN

\$44,602 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 plan year ended December 31:

2022	(\$385)
2023	(385)
2024	(385)
2025	(386)
2026	(14)
Thereafter	<u>(80)</u>
	<u>(\$1,635)</u>

NOTE 10: ADJUSTMENTS TO CONVERT FUND STATEMENTS TO GOVERNMENT-WIDE

Fund balance - general fund	\$3,251,533
Increase net position for capital assets not reported in the fund financial statements	2,573,200
Taxes receivables deferred in the fund financial statements and not in the government-wide financial statements	32,814
Accrued leave not reported in the fund statements as it is not paid with current resources	(148,975)
Long-term note payable not reported in the fund statements as it is not paid with current resources	(945,116)
Long-term pension asset not reported in the fund statements	3,979
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>42,967</u>
Net position - governmental activities	<u>\$4,810,402</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

NOTES TO FINANCIAL STATEMENTS

NOTE 10: ADJUSTMENTS TO CONVERT FUND STATEMENTS TO GOVERNMENT-WIDE

Net change in fund balance - governmental fund	(\$635,025)
Depreciation expense not recognized in the fund financial statements	(132,212)
Change in long-term taxes receivable deferred in the fund financial statements	2,058
Long-term debt principal payments recognized as expenditures in the fund financial statements	53,617
Proceeds from debt recognized as other financing sources in the fund financial statements not reported in the government-wide financial statements	(398,733)
Change in accrued leave not reported in the fund financial statements	(75,489)
Pension contributions are reported as expenditures in the governmental fund when made. Adjustments to the net pension asset and pension expense resulting from changes in deferred outflows and inflows of resources are not recognized in the fund financial statements	46,944
Capital outlays recognized as expenditures in the fund financial statements	<u>1,876,342</u>
Change in net position - governmental activities	<u>\$737,502</u>

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022

	<u>Original Budget</u>	<u>Amended and Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
GENERAL REVENUES				
Property taxes	\$1,577,730	\$1,577,730	\$1,668,568	\$90,838
Sales taxes	420,000	420,000	726,353	306,353
Other	<u>11,600</u>	<u>11,600</u>	<u>31,811</u>	<u>20,211</u>
	<u>2,009,330</u>	<u>2,009,330</u>	<u>2,426,732</u>	<u>417,402</u>
EXPENDITURES				
Current service operations:				
Wages and benefits	1,256,590	1,256,590	1,128,058	128,532
Station repairs and maintenance	68,005	68,005	78,831	(10,826)
Insurance	98,410	98,410	77,907	20,503
Professional services	66,000	66,000	50,168	15,832
Supplies and equipment	31,725	31,725	42,890	(11,165)
Uniforms	44,000	44,000	36,178	7,822
Communications	39,100	39,100	28,900	10,200
Office and administrative	38,640	38,640	26,202	12,438
Appraisal and tax collection fees	14,500	14,500	19,539	(5,039)
Utilities	30,100	30,100	17,858	12,242
Training	28,550	28,550	9,149	19,401
Other	16,710	16,710	0	16,710
Debt service	68,467	68,467	68,467	0
Capital outlay	<u>1,408,533</u>	<u>1,658,533</u>	<u>1,876,343</u>	<u>(217,810)</u>
	<u>3,209,330</u>	<u>3,459,330</u>	<u>3,460,490</u>	<u>(1,160)</u>
REVENUE (UNDER)/OVER EXPENDITURES	(1,200,000)	(1,450,000)	(1,033,758)	416,242
OTHER FINANCING SOURCES				
Use of reserves	600,000	850,000	0	(850,000)
Proceeds from debt	<u>600,000</u>	<u>600,000</u>	<u>398,733</u>	<u>(201,267)</u>
NET CHANGE IN FUND BALANCE	0	0	(635,025)	(635,025)
BEGINNING FUND BALANCE	<u>3,886,558</u>	<u>3,886,558</u>	<u>3,886,558</u>	<u>0</u>
ENDING FUND BALANCE	<u>\$3,886,558</u>	<u>\$3,886,558</u>	<u>\$3,251,533</u>	<u>(\$635,025)</u>

See independent auditor's report.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

REQUIRED SUPPLEMENTARY INFORMATION -TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2022*

Total pension liability/ (asset)

Service cost	\$22,188
Interest on total pension liability/ (asset)	1,686
Effect of plan changes	0
Difference between economic/demographic (gains) or /losses	17
Changes of assumptions	(181)
Benefit payments, including refunds of employee contributions	<u>0</u>
Net change in total pension liability/ (asset)	23,710
Total pension liability/ (asset)-beginning	<u>0</u>
Total pension liability/ (asset)-ending (a)	<u>\$23,710</u>

Plan fiduciary net position

Contributions-employer	\$12,168
Contributions-employee	12,064
Net investment income	2,785
Benefit payments, including refunds of employee contributions	0
Administrative expenses	(15)
Other	<u>687</u>
Net change in plan fiduciary net position	27,689
Plan fiduciary net position-beginning	<u>0</u>
Plan fiduciary net position-ending (b)	<u>\$27,689</u>
Net pension liability/ (asset) (a) - (b)	<u><u>(\$3,979)</u></u>

Plan fiduciary net position as a % of the total pension/ (asset) liability	116.78%
Covered employee payroll	\$172,349
Net pension liability as a percentage of covered employee payroll	-2.31%

Note: The District began participating in the plan in fiscal 2022. Fiscal year 2022 Valuation Date: 12/31/21.

See independent auditor's report.

HAYS COUNTY EMERGENCY SERVICES DISTRICT #4

REQUIRED SUPPLEMENTARY INFORMATION -TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022*

Actuarially determined contribution**	\$58,856
Contributions in relation to the actuarially determined contribution**	\$58,856
Contribution deficiency (excess)	\$0
Covered-employee payroll	\$883,016
Contributions as a percentage of covered-employee payroll	7%

Notes to Required Supplementary Information:

* The District began participating in the plan in fiscal 2022.

** 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	15.7 years (based on contribution rate calculated in 12/31/2019)
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	8.0%, net of investment expenses, including inflation
Inflation	2.75%
Projected Salary Increases	Varies by age and service. 4.90% average over career 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 rates	RP-2014 Healthy Annuitant Mortality Table (130% for males and 110% for females), both projected with 110% of the MP-2014 Ultimate scale after 2014.

Changes in Assumptions and Methods:

2021: No changes in assumptions and methods.

Changes in Plan Provisions:

2021: No changes in plan provisions were reflected in the schedule.

See independent auditor's report.

