

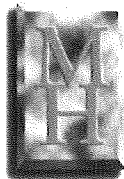
# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

**HAYS COUNTY EMERGENCY  
SERVICES DISTRICT #6**

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS

SEPTEMBER 30, 2015



# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Fire Commissioners  
Hays County Emergency Services District #6

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and general fund of the Hays County Emergency Services District #6 (District), as of and for the year ended September 30, 2015, which collectively comprise the District's basic financial statements and the related notes to the 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of September 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, the schedule of proportionate share of the net pension liability-TERSRS, the schedule of contributions-TERSRS, and the budgetary comparison information on pages 3 through 8 and on pages 27 through 30 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Montemayor Britton Bender PC*

26 January 2016  
Austin, Texas

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

The following is a narrative overview and analysis of the financial activities of Hays County Emergency Services District #6 ("the District") for the fiscal year ended September 30, 2015. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which have the following components: (1) management's discussion and analysis (MD&A), (2) basic financial statements, (3) notes to the financial statements, and (4) required supplementary information.

**Financial Highlights**

- The District's ad valorem tax rate remained at 7.95¢ per \$100 of assessed valuation for the fiscal year ended September 30, 2015. The statutory limit, as established by the State of Texas constitution, is 10¢ per \$100 of assessed valuation.
- The District's net position increased by \$412,999. The increase was more than prior year increases due to increased tax revenue. Total expenses increased by \$8,471 from prior year.
- Total assets increased by \$100,017 as a result of the acquisition of new fixed assets and an increase to cash.
- The District decreased its lease and loan debt by \$224,202 to \$2,304,360 as a result of retiring old debt on equipment.
- A prior period adjustment was recorded to reflect the new GASB 68 requirement for recording the liability for Employee Pension Plans – TCDRS and TESRS

**Explanation of the Financial Statements**

The MD&A is intended to serve as an introduction to the basic financial statements of the District. The basic financial statements are comprised of two components: 1) government-wide and fund financial statements, and 2) notes to the financial statements. This report also contains other required supplementary information in addition to the basic 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 has 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

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: uncollected property taxes).

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

**Fund Financial Statements**

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

**Governmental Fund:** The Governmental 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 Fund 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 Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the Governmental 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 Fund balance sheet and the Governmental Fund 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 less liabilities) was \$4,247,038 as of the year ended September 30, 2015. Capital assets, net of depreciation and related debt, accounted for \$2,686,552 or 63% of the total net position. Capital assets reflect the large investments in facilities and equipment that are necessary to provide adequate fire suppression services to the community. The remaining balance of net position of \$1,560,486 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 because the District engages in no business-type activities. The tables below summarize the financials of the District at September 30, 2015.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

	September 30,	
	2015	2014
Assets:		
Current and Other Assets	\$ 1,889,717	\$ 1,998,288
Non Current and Capital Assets	4,990,912	4,782,324
Total Assets	<u>6,880,629</u>	<u>6,780,612</u>
Deferred Outflows related to pensions	<u>170,794</u>	<u>-</u>
Current Liabilities	490,221	541,048
Long-term Liabilities Outstanding	2,295,617	2,405,525
Total Liabilities	<u>2,785,838</u>	<u>2,946,573</u>
Deferred Inflows related to pensions	<u>18,547</u>	<u>-</u>
Net Position:		
Net Investment in Cap Assets	2,686,552	2,253,762
Unrestricted	<u>1,560,486</u>	<u>1,580,277</u>
Total Net Position	<u>\$ 4,247,038</u>	<u>\$ 3,834,039</u>
Revenues:		
Ad Valorem Tax Revenues	\$ 2,872,972	\$ 2,516,270
Grant and Other Income	69,946	26,712
Interest Income	844	380
Gain on Sale	111,850	118,500
Total Revenues	<u>3,055,612</u>	<u>2,661,862</u>
Expenses:		
Public Safety	2,553,952	2,545,615
Interest on Long-term Debt	88,661	88,527
Total Expenses	<u>2,642,613</u>	<u>2,634,142</u>
Increase in Net Assets	412,999	27,720
Net Position, beginning of year	<u>3,834,039</u>	<u>3,806,319</u>
Net Position, end of year	<u>\$ 4,247,038</u>	<u>\$ 3,834,039</u>

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

**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, 2015, the District's only Governmental Fund was the General Fund, and it reported an ending cash and short-term investment balance of \$1,792,130 a decrease of \$158,999 from September 30, 2014. The total ending fund balance was \$1,577,161. Of this, \$1,395,033 was unreserved and available for spending at the District's discretion, and \$182,128 was assigned for construction of a custom truck.

**Purpose of Organization**

The District operates under the provisions of Chapter 775 of the Health and Safety Code. The District was established to arrange for fire and rescue protection services within its boundaries. The District handles all financial matters for the fire departments and governs six fire stations located in the county: North Hays, Henly, Henly South, East, Central and Driftwood. The District has both paid and volunteer staff and is funded primarily by the collection of taxes.

**General Fund Budgetary Highlights**

The actual General Fund had a decrease in fund balance of \$74,918. The reasons for the budget difference included the following:

- The District budgets income and expenditures on a cash basis and depreciation expense is not included which accounts for the surplus in revenues over expenditures on the budgetary schedule.
- Ad Valorem Tax Revenue was greater than expected.
- The District recorded income from the sale and disposition of fixed assets.
- The District recorded the purchase of capital assets that were more than budgeted.

**Capital Assets**

The District's investment in capital assets, net of accumulated depreciation, at September 30, 2015, totaled \$4,990,912, an increase of \$208,588. Capital assets are classified as trucks and equipment, furniture, buildings, construction in progress and land, as shown below:

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

	September 30,	
	2015	2014
Trucks and Equipment	\$ 1,151,302	\$ 1,193,576
Furniture	387,512	229,565
Buildings	2,940,604	3,011,596
Land	329,366	329,366
Construction in Progress	182,128	18,221
Capital Assets, net of accumulated depreciation	\$ 4,990,912	\$ 4,782,324

**Trucks and Equipment:** Equipment is primarily comprised of fire suppression apparatus and the equipment associated with those apparatus. The construction work in progress relates to the down payment made prior to year end on a new truck to be completed in approximately six to eight months.

**Buildings:** Buildings are comprised principally of six fire stations.

**Land:** The District's investment in land at September 30, 2015 of \$329,366 was for two tracts of land. One three acre tract was purchased for \$57,000 on which the North Station was constructed. The other tract was purchased for \$9,696, on which the Henly South Fire Station was constructed. In prior years the district received \$262,670 in contributed property from the North Hays County VFD for land for the expansion and building of new admin offices. The land for the Henly Station and the Driftwood Station was donated to the Henly Volunteer Fire Department and the Driftwood Volunteer Fire Department, respectively. The District has ground leases with each department for use of the land for the respective fire stations. The East Station was built in a condominium association development, and the land for the building was included in the cost of the building.

**Long-Term Debt**

The District's long-term debt at September 30, 2015, net of the current portion, totaled \$2,081,173 for loans and mortgages. The current portion of the long-term debt was \$223,187. 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 7.95¢ 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 government-wide Debt Service Ratio is shown below:

	September 30,		
	2015	2014	2013
Total Debt Service	\$ 312,863	\$ 331,799	\$ 223,078
Total Revenues	3,055,612	2,661,862	2,603,805
Debt Service Ratio	10.24%	12.46%	8.57%



**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

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

North Hays County continues to grow, which provides some property tax revenue growth to offset inflationary trends in operating costs. As with many local government entities, the growth provides funding to help offset inflationary trends with existing programs, but it often leaves little funds available for new or enhanced programs or services.

The tax rate of 7.95¢ per \$100 of assessed valuation can be maintained at the current level of paid vs. volunteer firefighters. However, as the growth of the population overtakes the ability of volunteers to provide the level of service required by the community, the District will need to assess a higher tax rate to pay for the cost of a larger paid staff. The maximum tax rate available to the District is 10¢ per \$100 of assessed valuation.

Therefore, the District is paying close attention to the balance between debt service, operating cost and labor costs to continue the operations needed in the community.

**Requests for Information**

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

Hays County ESD #6  
PO Box 112  
Dripping Springs, TX 78620

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2015**

	General Fund	Adjustments (Note 2)	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 564,612		\$ 564,612
Short-term investments	1,227,518		1,227,518
Accounts receivable	7,633		7,633
Taxes receivable	89,954		89,954
Capital assets:			
Land and construction work in progress		511,494	511,494
Other capital assets, net of depreciation		4,479,418	4,479,418
	-		4,990,912
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Difference actual and expected experience		76,443	76,443
Difference actual and projected plan earnings		8,303	8,303
Contributions		86,048	86,048
	-		170,794
	\$ 1,889,717		\$ 7,051,423
<b>LIABILITIES</b>			
Accounts payable	\$ 83,769		\$ 83,769
Accrued interest payable		44,432	44,432
Accrued payroll and benefits	138,833		138,833
Long-term liabilities:			
Due within 1 year: loans payable		223,187	223,187
Due in more than 1 year:			
Loans payable		2,081,173	2,081,173
Net pension liability		214,444	214,444
	222,602		2,785,838
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference actual and projected plan earnings		18,547	18,547
Unavailable revenue - property taxes	89,954	(89,954)	-
	312,556		2,804,385
<b>FUND BALANCES/NET POSITION</b>			
<b>FUND BALANCES</b>			
Fund balance - assigned for truck construction commitment	182,128	(182,128)	
Fund balance - unassigned	1,395,033	(1,395,033)	
	1,577,161		
	\$ 1,889,717		
<b>NET POSITION</b>			
Net investment in capital assets		2,686,552	2,686,552
Unrestricted		1,560,486	1,560,486
			4,247,038
			\$ 7,051,423

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

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Adjustments (Note 2)	Statement of Activities
<b>Expenditures/expenses:</b>			
<b>Labor &amp; benefits</b>			
Salaries & wages	\$ 1,236,045		\$ 1,236,045
Employee benefits	142,353	(23,505)	118,848
Medical	91,422		91,422
Payroll processing	5,356		5,356
Payroll taxes	97,209		97,209
	<u>1,572,385</u>		<u>1,548,880</u>
<b>Fire department operations</b>			
Administrative	3,972		3,972
Buildings	27,010		27,010
Fire/Rescue operations	114,901		114,901
Depreciation	-	407,060	407,060
Training	45,454		45,454
Vehicle operations	133,945		133,944
Utilities	62,724		62,724
	<u>388,006</u>		<u>795,065</u>
<b>District expenses</b>			
Audit fees and other expenses	5,700		5,700
Communications	28,940		28,940
Computer and internet	17,866		17,866
Dues	12,184		12,184
Insurance	88,681		88,681
Revenue rescue expense	8,735		8,735
Office expenses	7,955		7,955
Professional services	14,642		14,642
Tax services	25,304		25,304
	<u>210,007</u>		<u>210,007</u>
Capital outlay	615,648	(615,648)	-
<b>Debt service</b>			
Interest Expense	74,324	14,337	88,661
Principal payments	224,202	(224,202)	-
	<u>298,526</u>		<u>88,661</u>
	<u>3,084,572</u>		<u>2,642,613</u>
<b>General revenues:</b>			
Ad Valorem Tax Revenues	2,827,014	45,958	2,872,972
Interest Income	844		844
Gain on sale of capital assets	-	111,850	111,850
Grants	30,514		30,514
Other Income	39,432		39,432
Total general revenues	<u>2,897,804</u>		<u>3,055,612</u>
Revenue over/(under) expenditures	<u>(186,768)</u>		<u>412,999</u>
<b>Other financing sources:</b>			
Proceeds from sale of capital assets	111,850	(111,850)	-
Net change in fund balance/net position	<u>(74,918)</u>		<u>412,999</u>
Beginning fund balance/net position as previously stated	-		3,919,741
Restatement adjustment (see Note 13)	1,652,079		(85,702)
Beginning fund balance/net position as restated	<u>1,652,079</u>		<u>3,834,039</u>
Ending fund balance/net position	<u>\$ 1,577,161</u>		<u>\$ 4,247,038</u>

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

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: ORGANIZATION

The Northwest Hays County Rural Fire Prevention District #4 was confirmed by election in July 1984 and effectively began operations on July 1, 1985. On July 28, 2001 the District converted the Northwest Hays County Rural Fire Prevention District #4 to the Northwest Hays County Emergency Services District #5 and then on October 1, 2006, the District was renamed as the Hays County Emergency Services District #6 (the District) and is operating under the provisions of Chapter 775 of the Health and Safety Code. The District was established to arrange for fire and rescue protection services within its boundaries. The District handles all financial matters for the fire departments. The District is not included in any other governmental reporting entity.

On October 13, 2004, Hays County Fire & Rescue (HCFR) was incorporated under section 501(c)(3) of the Internal Revenue code. As of October 1, 2007 the HCFR was dissolved and all assets and liabilities of became the responsibility of the District.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The District is considered a special purpose government under GASB Statement No. 34. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements to be prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. The District services are supported primarily by ad valorem taxes. The Statement of Activities demonstrates how the District used revenue. Expenses are grouped into three categories: labor and benefits, fire department operations, and district expenses.

#### 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.

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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.

#### 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. Accruals for leave are based on length of service and the schedule worked. Employees may accrue up to 288 hours of paid leave. If unused, the leave will be paid to the employee. As of September 30, 2015, \$58,395 was accrued as a payable for paid leave.

#### 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 represent the difference between assets and liabilities. 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.

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

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) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$500 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	10 years
Furniture and equipment	10 years
Building	25-40 years

#### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The statement of net position 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 12 for more information.

The statement of financial position 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 which qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

revenue from property taxes. These amounts are deferred and recognized as an inflow in the period that they become available. The other item is pension related items reported in the government-wide financial statements. See Note 12 for more information.

#### PENSIONS

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

#### NEW PRONOUNCEMENTS

For the year ended September 30, 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish the standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. Additionally, disclosure of information related to pension benefits is required. Implementation of these new statements resulted in a restatement of the District's beginning net position in the government-wide financial statements (see Note 13).

### NOTE 3: DEPOSITS

At September 30, 2015, the carrying amount of the District's cash deposits was \$564,612 and the bank balance was \$573,642. All of the District's deposits were fully collateralized with securities held by the pledging financial institution.

### NOTE 4: INVESTMENTS

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. Investments are reported at fair value based on quoted market prices. All investments at year end were held in the Texas Local Government Investment Pool (TexPool). The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. TexPool is a 2(a)7 like fund, which means that it is structured similar to a

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4: INVESTMENTS

money market mutual fund. It allows shareholders the ability to deposit or withdraw funds on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexPool is rated AAAM (the highest rating a local government investment pool can achieve) and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2015, the TexPool portfolio had a weighted average maturity of 40 days. However, the District considers the holdings in these funds to have a one day weighted average maturity because the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

### NOTE 5: CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$329,366	\$0	\$0	\$329,366
Construction work in progress	<u>18,221</u>	<u>182,128</u>	<u>(18,221)</u>	<u>182,128</u>
	<u>347,587</u>	<u>182,128</u>	<u>(18,221)</u>	<u>511,494</u>
Capital assets being depreciated:				
Trucks and equipment	4,200,478	240,186	(265,875)	4,174,789
Furniture and equipment	365,754	192,762	0	558,516
Buildings	3,541,716	18,793	0	3,560,509
Accumulated depreciation	<u>(3,673,211)</u>	<u>(407,060)</u>	<u>265,875</u>	<u>(3,814,396)</u>
Net assets being depreciated	<u>4,434,737</u>	<u>44,681</u>	<u>0</u>	<u>4,479,418</u>
	<u>\$4,782,324</u>	<u>\$226,809</u>	<u>(\$18,221)</u>	<u>\$4,990,912</u>

### NOTE 6: 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. Primarily, capital outlay was higher than budgeted, while debt service was less than anticipated. Additionally, salaries were higher than budgeted due to the recording of pension expense as required under GASB 68, which was not budgeted.



**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: PROPERTY TAXES**

The District has the authority to levy a tax to a maximum of \$0.10 per \$100 of value. Ad valorem taxes are levied each October 1 on the assessed valuation of all taxable property in the District. The tax rate for the October 1, 2014 levy was \$0.0795 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 8: LONG-TERM DEBT**

<u>Loans</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
95060	\$292,000	2022	2.75%	\$157,646	\$0	\$17,292	\$140,354
95061	175,000	2022	2.75%	90,292	0	10,229	80,063
95244	240,000	2024	3.25%	142,209	0	12,684	129,525
95243	500,000	2024	3.25%	306,285	0	28,359	277,926
95672	178,478	2016	6.00%	35,604	0	17,850	17,754
662992BJ4	350,000	2027	5.14%	269,501	0	15,080	254,421
58116	239,837	2020	3.67%	204,620	0	31,105	173,515
1885140001	<u>1,400,000</u>	2028	3.36%	<u>1,322,405</u>	<u>0</u>	<u>91,603</u>	<u>1,230,802</u>
	<u>\$3,375,315</u>			<u>\$2,528,562</u>	<u>\$0</u>	<u>\$224,202</u>	<u>\$2,304,360</u>

Maturities of long-term debt as of September 30, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$223,187	\$74,956	\$298,143
2017	206,357	73,206	279,563
2018	213,613	65,949	279,562
2019	221,131	58,431	279,562
2020	229,678	49,884	279,562
2021-2025	877,124	139,045	1,016,169
2026-2028	<u>333,270</u>	<u>18,064</u>	<u>351,334</u>
	<u>\$2,304,360</u>	<u>\$479,535</u>	<u>\$2,783,895</u>

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9: CONTRACT COMMITMENTS

In August 2015, the District executed an agreement with Siddons-Martin Emergency Group, Inc. for approximately \$364,000 for the purchase of a customized fire truck. As of September 30, 2015, there was a remaining balance of approximately \$182,000 under the agreement.

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

Fund balance - general fund	\$1,577,161
Increase net position for capital assets not reported in the fund financial statements	4,990,912
Taxes receivables deferred in the fund financial statements and not in the government-wide financial statements	89,954
Long-term liabilities not reported in the fund financial statements	(2,518,804)
Accrued interest expense on long-term debt not reported in the fund financial statements	(44,432)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and are not in the fund financial statements	<u>152,247</u>
Net position - governmental activities	<u>\$4,247,038</u>
Net change in fund balance - governmental fund	(\$74,918)
Change in long-term taxes receivable deferred in the fund financial statements	45,958
Depreciation expense not recognized in the fund financial statements	(407,060)
Long-term debt principal payments and change in accrued interest recognized as expenditures in the fund financial statements	209,866
Pension contributions are reported as expenditures in the governmental fund when made. Adjustments to the net pension liability and pension expense resulting from changes in deferred outflows and inflows of resources are not recognized in the fund financial statements.	23,505
Capital outlays recognized as expenditures in the fund financial statements	<u>615,648</u>
Change in net position - governmental activities	<u>\$412,999</u>

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss including general liability, property damage, and worker's compensation. The District insures against risk through participation in the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool, consisting of approximately 2,600 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 workers' compensation coverage. The District's risk is limited to the amount of premiums paid unless the pool should fail, in which case, the District would be liable for its ratable share of the pool deficit.

### NOTE 12: PENSION PLANS

#### 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](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:

Employee deposit rate	6%
District contribution rate	6.76%
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, any/20, rule of 80

##### Employees Covered

As of the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12: PENSION PLANS

Inactive employees or beneficiaries receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	6
Active employees	23

#### 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 6% of their annual salary during the year, and the District was required to contribute at the actuarially determined rate of 6.76%. The District's contributions to TCDRS for the year ended September 30, 2015 were \$81,095, which equaled the required contribution.

#### Net Pension Liability

The District's net pension liability of \$140,849 for TCDRS at September 30, 2015 was measured as of December 31, 2014. 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:	12/31/2014
Actuarial cost method:	Entry age normal
Investment rate of return (8.00% rate of return plus 0.10% adjustment gross of administrative expenses):	8.10%
Inflation:	3.00%
Projected Salary Increases:	4.90%
Mortality rates	RP-2000 mortality tables

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012.

#### 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

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12: PENSION PLANS

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 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	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities-Developed	11.00%	5.35%
International Equities-Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	25.00%	5.15%

#### Pension Plan Fiduciary Net Position

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

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12: PENSION PLANS

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

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease <u>(7.10%)</u>	Discount Rate <u>(8.10%)</u>	1% Increase <u>(9.10%)</u>
District's net pension liability	\$272,771	\$140,849	\$36,089

<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 12/31/13	<u>\$425,845</u>	<u>\$344,266</u>	<u>\$81,579</u>
Changes for the year:			
Service cost	107,101	0	107,101
Interest on total pension liability	38,428	0	38,428
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	84,087	0	84,087
Effect of assumption changes or inputs	0	0	0
Refunds of contributions	(8,021)	(8,021)	0
Benefit payments	0	0	0
Administrative expenses	0	(332)	332
Member contributions	0	65,889	(65,889)
Net investment income	0	23,351	(23,351)
Employer contributions	0	81,461	(81,461)
Other	<u>0</u>	<u>(23)</u>	<u>23</u>
Balance at December 31, 2014	<u>\$647,440</u>	<u>\$506,591</u>	<u>\$140,849</u>

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

For the year ended September 30, 2015, the District recognized pension expense of \$58,923. At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12: PENSION PLANS

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$0	\$76,443
Changes in actuarial assumptions	\$0	\$0
Differences between projected and actual investment earnings	\$0	\$8,308
Contributions subsequent to the measurement date	N/A	\$67,436

\$67,436 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, 2016. 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:

2015	\$9,721
2016	\$9,721
2017	\$9,721
2018	\$9,721
2019	\$7,644
Thereafter	\$38,223

### TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)

#### Plan Description

The District provides pension benefits for eligible volunteer emergency services personnel who are members in good standing with the District. The Fire Fighters' Pension Commissioner is the administrator of the TESRS, a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS was created by Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977), and established the applicable benefit provisions. The 79<sup>th</sup> Legislature, Regular Session (2005), recodified the provisions and gave TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas and eligibility requirements by board rule. TESRS issues a publicly available annual financial report that includes financial statements and RSI for TESRS, as well as detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the plan. This report may be obtained by calling 800-919-337. The report is also available on TESRS' website at [www.tesrs.texas.gov](http://www.tesrs.texas.gov)

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12: PENSION PLANS

#### Benefits Provided

The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increased 10% for each of the next five years of service so that a member becomes 100% vested within 15 years of service.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For each year of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. In addition, member districts may purchase prior service credit for service with the participating department before the department began participating in the plan that is not buy-back service and that does not count as qualified service. There is a separate benefit formula for this prior service.

On and off duty death and on duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

#### Contributions

Contributions are not required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board.

Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make the TESRS actuarially sound. The expected contributions from the state are appropriations equal to (1) the maximum annual contribution (one-third of all contributions to the System by governing bodies of participating departments in a year) as needed in accordance with state law governing the System, and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. For the year ended September 30, 2015, the District's contributions to TESRS were \$18,612.

#### Pension Liability

At September 30, 2015, the District reported a liability of \$73,595 for its proportionate share of the TESRS net pension liability. The net pension liability was measured as of August 31, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of August 31, 2013 to the measurement date of August 31, 2014. The District's proportionate share of the net pension liability for the plan as of August 31, 2014 was .405%.



**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12: PENSION PLANS**

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

For the year ended September 30, 2015, the District recognized pension expense of \$17,279. At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$0	\$0
Changes in actuarial assumptions	\$0	\$0
Differences between projected and actual investment earnings	\$0	\$18,547
Contributions subsequent to the measurement date	\$18,612	N/A

\$18,612 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

For the year ended September 30:

2016	\$4,636
2017	\$4,637
2018	\$4,637
2019	\$4,637
2020	-
Thereafter	-

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12: PENSION PLANS

#### Actuarial Assumptions

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

Valuation Date:	8/31/2013
Measurement Date:	8/31/2014
Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return	7.75%
Inflation	3.5%
Projected Salary Increases:	N/A
Mortality Rates:	RP-2000 mortality tables

The long-term expected rate of return on the TESRS pension plan investments was determined to be 7.75% 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 ranges 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>Long-term Expected Real Rate of Return</u>
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Developed international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnership	5%	7.1%
Fixed income		
Domestic	21%	1.4%
International	5%	1.6%

# HAYS COUNTY EMERGENCY SERVICES DISTRICT #6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12: PENSION PLANS

#### Discount Rate

The discount rate used to measure the total TESRS pension liability was 7.75%. No projection of cash flows used to determine the discount rate because the August 31, 2014 valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in 30 years using the conservative level dollar amortization method. Because of those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate noted above, as well as what the District's proportionate share of the 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 (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of net pension liability	\$151,657	\$73,595	\$28,050

#### Pension Plan Fiduciary Net Position

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

### NOTE 13: RESTATEMENT OF BEGINNING NET POSITION

The implementation of GASB 68 by the District required a restatement of the prior year net position to recognize the District's net pension liability (NPL), the liability to employees for benefits provided through the District's participation in two pension plans. The District's NPL of \$214,444 was measured as of August 31, 2014 for TESRS and December 31, 2014 for TCDRS, and the total pension liability used to calculate NPL was determined by actuarial valuations as of those dates. A restatement to recognize NPL decreased the District's beginning net position from \$3,919,741 to \$3,834,039. Before this restatement, the District's government-wide financial statements did not reflect this liability.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015\***  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

<b>Total pension liability</b>	<u>2015</u>
Service cost	\$107,101
Interest on total pension liability	38,428
Changes of benefit terms	0
Difference between expected and actual experience of the total pension net liability	84,087
Changes of assumptions	0
Benefit payments, including refunds of employee contributions	<u>(8,021)</u>
<b>Net change in total pension liability</b>	221,595
<b>Total pension liability-beginning</b>	<u>425,845</u>
<b>Total pension liability-ending (a)</b>	<u>\$647,440</u>
<b>Plan fiduciary net position</b>	
Contributions-employer	\$81,461
Contributions-employee	65,889
Net investment income	23,351
Benefit payments, including refunds of employee contributions	(8,021)
Administrative expenses	(332)
Other	<u>(23)</u>
<b>Net change in plan fiduciary net position</b>	162,325
<b>Plan fiduciary net position-beginning</b>	<u>344,266</u>
<b>Plan fiduciary net position-ending (b)</b>	<u>\$506,591</u>
<b>Net pension liability (a) - (b)</b>	\$140,849
Plan fiduciary net position as a percentage of the total pension liability	78.25%
Covered employee payroll	\$1,098,156
Net pension liability as a percentage of covered-employee payroll	12.83%

Note:

\* The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available. The beginning Net Pension Liability was determined using rollback procedures allowed for initial year of implementation.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015\***  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

	<u>2015</u>
Actuarially determined contribution	\$78,737
Contributions in relation to the actuarially determined contribution	81,461
Contribution deficiency (excess)	(\$2,724)
Covered-employee payroll	\$1,098,156
Contributions as a percentage of covered-employee payroll	7.42%

Note:

\* The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available. Valuation Date: December 31, 2014

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015\***  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

	<u>2015</u>
Proportion of the net pension liability	.405%
Proportionate share of the net pension liability	\$73,595
Covered-employee payroll **	N/A
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll **	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.5%

Note:

\* The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available. Valuation Date: August 31, 2014

\*\* This plan is offered to the District's volunteers, therefore, there is no payroll expense.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015\***  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

	<u>2015</u>
Contractually required contribution **	N/A
Contributions in relation to the contractually required contribution	\$18,360
Contribution deficiency (excess)	-
Covered employee payroll ***	N/A
Contributions as a percentage of covered-employee payroll ***	N/A

Note:

\* The District implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available. Valuation Date: August 31, 2014

\*\* The contribution requirement per member is not actuarially determined. Rather, minimum contribution provisions are determined by Board rule and there is no maximum contribution rate.

\*\*\* This plan is offered to the District's volunteers, therefore, there is no payroll expense.

- See Independent Auditor's Report -

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Original and Final		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
General revenues			
Ad valorem tax revenues	\$ 2,748,132	\$ 2,827,014	\$ 78,882
Interest income	300	844	544
Grants and other	25,000	30,514	5,514
Other income	29,516	39,432	9,916
	<u>2,802,948</u>	<u>2,897,804</u>	<u>94,856</u>
Expenditures			
Current:			
Public safety	2,237,398	2,170,398	67,000
Capital outlay	474,900	615,648	(140,748)
Debt service	326,455	298,526	27,929
	<u>3,038,753</u>	<u>3,084,572</u>	<u>(45,819)</u>
Revenues (under)/over expenditures	<u>(235,805)</u>	<u>(186,768)</u>	<u>49,037</u>
Other financing sources			
Proceeds from sale of capital assets	106,000	111,850	5,850
Net change in fund balance	(129,805)	(74,918)	54,887
Beginning fund balance	1,652,079	1,652,079	-
Ending fund balance	<u>\$ 1,522,274</u>	<u>\$ 1,577,161</u>	<u>\$ 54,887</u>







# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Fire Commissioners  
Hays County Emergency Services District #6

## COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

We have audited the financial statements of the Hays County Emergency Services District #6 (District) for the year ended September 30, 2015, and have issued our report thereon dated January 26, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information related to the planned scope and timing of our audit in our engagement letter to you dated September 4, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

### Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of fixed assets is based on general knowledge of the assets involved and customary lives used by other organizations for similar assets. We evaluated the key factors and assumptions used to develop the estimated useful lives of fixed assets (and related accumulated depreciation) in determining that they are reasonable in relation to the financial statements taken as a whole.

For purposes of measuring the net pension liability, deferred inflows and outflows of resources related to pensions and pension expense, management's estimates have been determined on the same basis as they are reported by the Texas County and District Retirement System (TCDRS) and the Texas Emergency Services Retirement System (TESRS). The District's net pension liability was determined by an actuarial valuation as of December 31, 2014 for TCDRS and August 31, 2014 for TESRS. We evaluated the key factors and assumptions used to develop the valuation and the accrual in determining that they are reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Uncorrected Misstatements

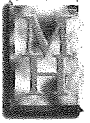
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 26, 2016.



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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We applied certain limited procedures to the management's discussion and analysis, the general fund budgetary comparison schedule, and the schedules of changes in net pension liability and related ratios-TCDRS, the schedule of employer contributions-TCDRS, the schedule of proportionate share of the net pension liability-TERSRS, the schedule of contributions-TERSRS, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Fire Commissioners and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Montemayor Britton Bender PC

26 January 2016  
Austin, Texas

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #6**

**UNCORRECTED MISSTATEMENTS**

SEPTEMBER 30, 2015

	<u>Debit</u>	<u>Credit</u>
Prepaid insurance	5,600	
Insurance expense	2,559	
Beginning fund balance		8,159
Accounts payable	31,260	
Health insurance expense		8,814
Miscellaneous expense		11,397
Beginning fund balance		11,049
Employee benefits expense	7,579	
Accrued payroll liability		7,579