

**Hays County
Emergency Services District #8**

Independent Auditor's Report

September 30, 2023

Hays County Emergency Services District #8

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Statement of Net Position and Governmental Fund Balance Sheet	8
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	10
Notes to Financial Statements	11
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	26
Schedule of Changes in Net Pension Asset and Related Ratios	27
Schedule of District Contributions	28
Notes to Required Supplementary Information	29



S. PATRICIA WHITE, CPA, P.C.

Independent Auditor's Report

To the Board of Fire Commissioners
Hays County Emergency Services District #8
Buda, Texas

I have audited the accompanying financial statements of the governmental activities and General Fund of Hays County Emergency Services District #8 (the District), as of and for the year ended September 30, 2023, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the District as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. My responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. I am required to be independent of the Company and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but 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 control. Misstatements are considered material if there is substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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.
- Obtaining 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 Company'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 my judgement, there are conditions or events considered in the aggregate that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, amount other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit, if any.

Required Supplementary Information

Accounting principles generally accepted in the United States of American require that the management discussion and analysis, the budgetary comparison schedule – general fund, the schedule of changes in net pension asset and related ratios, the schedule of district contributions, and the notes to required supplementary 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 the financial reporting for placing the basic financial statements in an appropriate operations, 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 I obtained during our audit of the basic financial statements. I 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.

Patricia White CPA

May 24, 2024
Round Rock, Texas

Management's Discussion and Analysis

The discussion and analysis of Hays County Emergency Services District #8's (the "District's") financial performance provides an overview of the District's financial activities for the year ended September 30, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- During the year, the District had expenses of \$10,766,718 compared to total revenues of \$16,416,837 resulting in net increase to net position of \$5,650,119 for the year ended September 30, 2023. For the year ended September 30, 2022, the District had net income of \$4,304,182.
- There were 843 new residential homes and nine new commercial properties during fiscal 2023. This increase is consistent with the previous year's growth adding to the sales and property tax revenues of the District.
- The District's new 45,000 square foot Administrative/Training/Fire Station is currently under construction. It is 80% complete with completion date slated for Fall 2024.
- The District received Hays County American Rescue Plan Grant for \$3,000,000 and has allocated an additional \$2,000,000 in District Funds to construct Station #4 in Shadow Creek. The District is working with the Shadow Creek MUD to allocate land for the new station.
- Sales and Property tax revenues continue to increase annually, based growth which also results in growth of the District workforce.

Using This Annual Report

This annual report consists of a series of financial statements: The Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds, Revenues, Expenditures and Changes in Fund Balances provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future pending.

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

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

The District as a Whole

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants.

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

Summarized Statement of Net Position:

	<u>9/30/2023</u>	<u>9/30/2022</u>
Current assets	24,342,398	30,292,725
Capital assets	<u>24,135,682</u>	<u>10,604,246</u>
Total assets	<u>48,478,080</u>	<u>40,896,971</u>
Deferred outflows of resources	<u>39,682</u>	<u>614,428</u>
Current liabilities	3,683,393	1,673,671
Long-term debt	<u>17,521,736</u>	<u>18,753,755</u>
Total liabilities	<u>21,205,129</u>	<u>20,427,426</u>
Deferred inflows of resources	<u>1,352,519</u>	<u>773,978</u>
Invested in capital assets, net of long-term debt	5,647,098	9,121,834
Unrestricted	<u>20,313,016</u>	<u>11,188,161</u>
Total net position	<u>25,960,114</u>	<u>20,309,995</u>

Summarized Statement of Activities:

	<u>9/30/2023</u>	<u>9/30/2022</u>
Revenues:		
Property taxes	6,164,905	5,534,051
Sales and use tax	3,656,813	3,418,007
EMS revenue	3,750,975	3,573,009
Other income	<u>2,844,144</u>	<u>851,631</u>
Total revenues	<u>16,416,837</u>	<u>13,376,698</u>
Expenses:		
Personnel and related costs	8,408,042	6,659,207
Depreciation	513,034	493,457
Debt service	526,703	455,890
Other expenses	<u>1,318,939</u>	<u>1,463,962</u>
Total expenses	<u>10,766,718</u>	<u>9,072,516</u>
Change in net position	<u>5,650,119</u>	<u>4,304,182</u>

Capital Assets

As of September 30, 2023, the District had \$24,135,682 invested in capital assets (net of depreciation). At year end \$4,523,726 is invested in buildings, \$5,943,811 in trucks and equipment, \$18,050,757 in construction in progress and \$725,730 is invested in land. Total accumulated depreciation as of September 30, 2023, was \$5,108,342.

Long-Term Debt

The District's long-term debt on September 30, 2023, totaled \$18,765,947 for all notes payable. The current portion of the long-term debt is \$1,244,211.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when setting the budget and tax rates. One of those factors is the economy and estimated needs to operate the District in the coming year.

Contacting the District's Financial Management

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

Hays County ESD #8
P.O. Box 782
Buda, Texas 78610
Telephone (512) 295-2232

Hays County Emergency Services District #8

Statement of Net Position and Governmental Fund Balance Sheet

September 30, 2023

Assets

	<u>General Fund</u>	<u>Adjustments</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 23,971,011	\$ -	\$ 23,971,011
Accounts receivable	8,113	-	8,113
Taxes receivable	363,274	-	363,274
Prepaid expenses	-	-	-
	<u>24,342,398</u>	<u>-</u>	<u>24,342,398</u>
Total current assets			
Capital Assets:			
Land	-	725,730	725,730
Construction in Progress	-	18,050,757	18,050,757
Buildings	-	4,523,726	4,523,726
Equipment	-	5,943,811	5,943,811
Less accumulated depreciation	-	(5,108,342)	(5,108,342)
	<u>-</u>	<u>24,135,682</u>	<u>24,135,682</u>
Net capital assets			
	<u>-</u>	<u>24,135,682</u>	<u>24,135,682</u>
Total assets	<u>24,342,398</u>	<u>24,135,682</u>	<u>48,478,080</u>
Deferred Outflows of Resources			
Pension contributions after measurement date	-	39,682	39,682
Deferred outflows related to pension asset	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 39,682</u>	<u>\$ 39,682</u>

	<u>General Fund</u>	<u>Adjustments</u>	<u>Total</u>
Current liabilities			
Accounts payable	\$ 2,045,556	\$ -	\$ 2,045,556
Accrued payroll liabilities	106,867	-	106,867
Accrued interest payable	-	286,759	286,759
Current portion - loans	15,554	1,228,657	1,244,211
Total current liabilities	<u>2,167,977</u>	<u>1,515,416</u>	<u>3,683,393</u>
Long-term liabilities:			
Loans payable	-	18,765,947	18,765,947
Less: current portion of note payable	-	(1,244,211)	(1,244,211)
Total long-term liabilities	<u>-</u>	<u>17,521,736</u>	<u>17,521,736</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	24,506	(24,506)	-
Deferred inflows related to pension asset	-	1,352,519	1,352,519
Total Deferred inflows of resources	<u>24,506</u>	<u>1,328,013</u>	<u>1,352,519</u>
Fund Balances/Net Position:			
Unassigned	<u>22,106,228</u>		
Total fund balance	<u>22,106,228</u>		
Total liabilities and net assets	<u>\$ 24,298,711</u>		
Investment of capital assets, net of long-term debt Unrestricted			5,647,098 <u>20,313,016</u>
Total net position			<u>\$ 25,960,114</u>

Hays County Emergency Services District #8

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

Year Ended September 30, 2023

	General Fund	Adjustments	Total
Revenues:			
Property tax revenue	\$ 6,140,399	\$ 24,506	\$ 6,164,905
EMS revenue	3,750,975	-	3,750,975
Sales tax revenue	3,656,813	-	3,656,813
Interest income	1,284,014	-	1,284,014
Permit fees	57,767	-	57,767
Grant revenue	1,502,363	-	1,502,363
	16,392,331	24,506	16,416,837
Expenditures/expenses:			
Payroll and related costs	7,421,896	986,146	8,408,042
Depreciation	-	513,034	513,034
Debt service	1,743,169	(1,216,466)	526,703
Capital outlay/maintenance	14,029,935	(13,858,082)	171,853
EMS expenses	184,205	-	184,205
Insurance	71,770	-	71,770
Firefighting supplies and programs	196,416	-	196,416
Professional fees	129,950	-	129,950
Utilities and telephone	330,118	-	330,118
Training expense	40,602	-	40,602
Office supplies	116,333	-	116,333
Fuel	77,692	-	77,692
	24,342,086	(13,575,368)	10,766,718
Revenues in excess of expenditures	(7,949,755)		
Change in net position			5,650,119
Net position at beginning of year	30,055,983		20,309,995
Net position at end of year	\$ 22,106,228		\$ 25,960,114

Hays County Emergency Services District #8

Notes to Financial Statements

1. Summary of Significant Account Policies

The Reporting Entity

Rural Fire Prevention Districts may be organized in the State of Texas under the provisions of Article III, Section 48-d of the State Constitution. The Northeast Hays County Rural Fire Prevention District was confirmed by election in July 1984 and effectively began operations on July 1, 1985. In July 2003, the organization was converted to Hays County Emergency Services District #8 (the “District”). The District was established to arrange for fire protection services within its boundaries.

The accounting policies of the Hays County Emergency Services District #8 conform to generally accepted accounting principles in the United States of America applicable to state and local governments. The District is included in the basic financial statements of Hays County as a component unit as set forth in Governmental Accounting Standards Board (“GASB”) 14, The Financial Reporting Entity”.

Additionally, no other entity meets these requirements for inclusion in Hays County ESD #8 financial statements.

Use of Estimates

The preparation of these 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 those estimates.

Government-Wide and Fund Financial Statements

The District is considered a special purpose government. 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 tax and sales tax revenues. The Statement of Activities demonstrates how the District used its revenues.

Hays County Emergency Services District #8

Notes to Financial Statements

1. Summary of Significant Account Policies (continued)

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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenses generally are recorded when a liability is incurred.

The District has only one governmental fund, the general fund. The general fund is the operating fund of the District.

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

Cash and Cash Equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates market value.

Receivables

The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, the recoveries of previously charged off accounts are added to the allowance. At September 30, 2023, the District had no allowance.

Hays County Emergency Services District #8

Notes to Financial Statements

1. Summary of Significant Account Policies (continued)

Fund Balance

Fund balance for governmental funds is classified as non-spendable, restricted, committed, and assigned or unassigned in the fund financial statements.

- Non-spendable fund balance includes amounts not available to be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- Restricted fund balances include those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balances are established and modified by approval of the District Commissioners and can be used only for the specific purposes determined by the District's Commissioners.
- Assigned fund balance is intended to be used by the District for specific purposes but does not meet criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, equipment, fire trucks and vehicles and furniture and fixtures are reported in the governmental activities columns in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Pension

The fiduciary net asset positions of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/from TCERS's fiduciary net position. 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.

Hays County Emergency Services District #8

Notes to Financial Statements

1. Summary of Significant Account Policies (continued)

Deferred Revenue

The District reported unearned deferred revenue in the Statement of Net Assets. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considerable to have been for prior year services.

District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

Deferred Outflows and Inflows of Resources

The District complies with GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District also complies with GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

2. Deposits and Investments

On September 30, 2023, the District had \$23,971,011 invested in cash and cash equivalents.

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2023, \$354,149 of the District's total deposit balance was covered by federal depository insurance. The remaining balance of the deposits was invested in TexPool.

Interest Rate Risk - The District does have a formal investment policy in place. The District's cash and cash equivalents are currently invested in short-term instruments such as an interest-bearing checking account.

Investments

The Board of Directors has authorized the District under a written investment policy to invest funds in compliance with the 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.

Hays County Emergency Services District #8

Notes to Financial Statements

2. Deposits and Investments

All investments at year end were held in the Texas Local Government Investment Pool (TexPool). The State Comptroller oversees TexPool, with Texas Treasury Safekeeping Trust Company 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 constructed similar to a 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. As of September 30, 2023, TexPool portfolio had weighted average maturity of 30 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. As of September 30, 2023, the District had \$23,616,862 invested in TexPool.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfil its obligations. The ratings of securities by nationally recognized agencies are designed to give an additional indication of credit risk. At September 30, 2023, investments were included in an external local government investment pool with a rating in compliance with the District’s investment policy,

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. At September 30, 2023, investments were included in an external local government investment pool.

Interest Rate Risk – The District considers the holdings in the external local government investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders unless there has been a significant change in value. At September 30, 2023, investments were included in the external government investment pool.

3. Property Taxes

The District has the authority to levy a tax to a maximum of \$.10 per \$100 of value. Property taxes are levied each October 1 on the assessed valuation of all taxable property in the District. The tax rate for the October 1, 2022, levy was \$.10 per \$100 of value. Taxes are due on receipt of the bill and are delinquent if not paid before February 1 of the year following the levy. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes are billed and collected by the Hays County Tax Assessors-Collector.

Hays County Emergency Services District #8

Notes to Financial Statements

4. Capital Assets

The following is a summary of changes in capital assets for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Reclassifications</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 725,730	\$ -	\$ -	\$ 725,730
Construction in Progress	4,181,731	13,869,026	-	18,050,757
	<u>4,907,461</u>	<u>13,869,026</u>	<u>-</u>	<u>18,776,487</u>
Capital assets, being depreciated:				
Buildings	4,523,726	-	-	4,523,726
Trucks and equipment	5,768,367	175,444	-	5,943,811
Less accumulated depreciation	<u>(4,595,308)</u>	<u>(513,034)</u>	<u>-</u>	<u>(5,108,342)</u>
Total capital assets being depreciated, net	<u>5,696,785</u>	<u>(337,590)</u>	<u>-</u>	<u>5,359,195</u>
Capital assets, net	<u>\$ 10,604,246</u>	<u>\$ 13,531,436</u>	<u>\$ -</u>	<u>\$ 24,135,682</u>

Hays County Emergency Services District #8

Notes to Financial Statements

5. Long-Term Debt

Bank	Description	Maturity Date	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
Government Capital	Station 2	3/1/2029	5.683%	\$ 959,030	\$ -	\$ 114,911	\$ 844,119
Marquette	Station 3	1/10/2027	3.696%	579,359	-	107,860	471,499
Extraco Banks NA	New Station	51,591	2.450%	17,689,448	-	740,037	16,949,411
Government Capital	New Engines	10/13/2024	2.250%	<u>754,575</u>	<u>-</u>	<u>253,657</u>	<u>500,918</u>
				<u>\$ 19,982,412</u>	<u>\$ -</u>	<u>\$ 1,216,465</u>	18,765,947
						Less current maturities	<u>(1,244,211)</u>
							<u>\$ 17,521,736</u>

Annual debt service required for the notes payable are as follows:

Future Payments	Principal	Interest	Total
2024	\$ 1,244,211	\$ 498,957	\$ 1,743,168
2025	1,280,919	462,250	1,743,169
2026	1,052,440	425,527	1,477,967
2027	1,084,380	393,588	1,477,968
2028	987,153	369,640	1,356,793
2029-2033	4,664,532	1,410,546	6,075,078
2034-2038	5,092,604	804,636	5,897,240
2039-2042	<u>3,359,708</u>	<u>168,915</u>	<u>3,528,623</u>
	<u>\$ 18,765,947</u>	<u>\$ 4,534,059</u>	<u>\$ 23,300,006</u>

Hays County Emergency Services District #8

Notes to Financial Statements

6. 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 VFIS, an insurer of emergency organizations.

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 fall, in which case, the District would be liable for its ratable share of the pool deficit.

7. Employee Retirement Plan

Plan Description – The District provides retirement, disability, and death benefits for all of its non-temporary full-time employees through a nontraditional defined benefit pension plan administered by the TCDRS. The Board of Trustees of TCDRS are responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 850 active participating counties and districts throughout Texas. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar basis. The CAFR is available at <http://www.tcdrs.org>.

Benefits Provided – Effective the date of employment, the District provides retirement, disability, and death benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage has been set by the District at 7 percent and has elected a matching rate of \$2 to \$1. The employee's savings grow at a rate of 7 percent, compounded annually. At retirement, the employee's account balance is combined with the District's matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month that they make a deposit into their account. District employees also receive service time for the years worked prior to the District's participation in TCDRS. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the employer matching contribution, at age 60 or older.

The District's employees must work five years to be vested. Once vested, an employee has earned the right to receive a lifetime monthly retirement benefit and is eligible to retire at age 60. The District has also adopted the Rule of 75, which gives all vested employees the right to retire and receive a lifetime monthly benefit when the employee's age plus years of service equals 75 or more. Any employee with 30 years of service, regardless of age, will also have the right to retire and receive a lifetime monthly benefit.

Hays County Emergency Services District #8

Notes to Financial Statements

7. Employee Retirement Plan (continued)

Employee membership data related to the Plan, as of the valuation date of December 31, 2022, was as follows:

Retirees and beneficiaries receiving benefits	2
Terminated employees entitled to but not yet receiving benefits	18
Active plan members	56
Total	<u>76</u>

Any TCDRS member who is a vested member may terminate employment prior to attaining age 60 and remain eligible to retire and receive a monthly benefit after attaining age 60 provided his or her membership is not terminated other than by retirement.

Any TCDRS member who is a vested member who is totally and permanently disabled is eligible for a disability retirement benefit. A member who is not vested is eligible for disability retirement benefits if total and permanent disability was a result of an on-the-job injury.

Any TCDRS member who has four or more years of service credit with the District is eligible for purposes of the survivor annuity death benefit.

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Prior service gives employees credit for time worked for an eligible organization before it joined the system. Partial lump sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit. District employees all have the option to receive a lump sum payment at retirement up to the amount of their final account balance.

Any amendments to the plan would be approved by the District.

Contributions – The District has elected the annually determined contribution rate plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employees and the employer based on the covered payroll of the employee. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using an elected rate of 10% for the year ended September 30, 2022, as adopted by the governing body of the District. The actuarially determined rate for the year ended December 31, 2022, was 7%. The employee contribution rate was 7%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Hays County Emergency Services District #8

Notes to Financial Statements

7. Employee Retirement Plan (continued)

Net Pension Asset – The District’s net pension asset was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation testing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual entry age normal
Amortization Method	Straight-line amortization over expected working life
Asset Valuation Method	5-year smoothed market
Inflation	3%
Salary Increases	Varies with age and service. 3% average over career including inflation
Investment Rate of Return	7.60%
Cost of Living Adjustment	Cost of Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumptions for future cost of living adjustments are included in the GASB 68 calculations. No assumptions for future cost of living adjustments are included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25% for age 65-66 for males and females.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing Members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Tables for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries, and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.

Hays County Emergency Services District #8

Notes to Financial Statements

7. Employee Retirement Plan (continued)

The actuarial assumptions that determined the total pension liability as of December 31, 2022, were based on the results of an actuarial experience study for the period December 31, 2015, through December 31, 2022, except where required to be different by GASB 68.

Long-Term Expected Rate of Return – The long-term rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS’ investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

Asset Class	Benchmark	Target Allocation (a)	Geometric Real Rate of Return (Expected minus Inflation) (b)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities – Developed	MSCI World Ex USA (net) Index	5.00%	4.95%
International Equities – Emerging	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index (d)	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REIT Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Aerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (c)	6.00%	5.70%
Private Equity	Hedge Fund Research, Inc.	6.00%	2.90%
Hedge Funds	Hedge Funds Research Inc., (HFRI) Fund of Composite	6.00%	2.90%
Cash Equivalents	90-Day US Treasury	2.00%	0.20%

Hays County Emergency Services District #8

Notes to Financial Statements

7. Employee Retirement Plan (continued)

- a) Target allocation adopted at the April 2019 TCDRS Board Meeting.
- b) Geometric real rates of return equity the expected return minus the assumed inflation rate of 1.7%, per Cliffwater LLC's 2019 capital market assumptions.
- c) Includes vintage years 2006-present of Quarter Pooled Horizon internal rates of return.
- d) Includes vintage years 2005-present of Quarter Pooled Horizon internal rates of return.
- e) Includes vintages years 2007-present of Quarter Pooled Horizon internal rates of return.

The discount rate used to measure the total pension liability was 8.10%. This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross administrative expenses as required by GASB 68. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in Net Pension Asset – Changes in the District's net pension asset for the valuation year ended December 31, 2022, are as follows:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a) - (b)
Balance as of December 31, 2021	\$ 6,925,513	\$ 6,177,163	\$ 748,350
Changes for the year:			
Service Cost	697,552		697,552
Interest on total pension liability (1)	578,170		578,170
Effect of plan changes (2)			-
Effect of economic/demographic gains or losses	135,375		135,375
Effect of assumption changes or inputs			-
Refund of contributions	(9,570)	(9,570)	-
Benefit payments	(22,140)	(22,140)	-
Administrative expenses		(4,089)	4,089
Member contributions		330,310	(330,310)
Net investment income		(455,987)	455,987
Employer contributions		802,181	(802,181)
Other (3)		160,143	(160,143)
Balance as of December 31, 2022	<u>\$ 8,304,900</u>	<u>\$ 6,978,011</u>	<u>\$ 1,326,889</u>

Hays County Emergency Services District #8

Notes to Financial Statements

7. Employee Retirement Plan (continued)

(1) reflects the change in the liability due to time value of money. TCDRS does not charge fees or interest.

(2) no plan changes valued.

(3) relates to allocation of system-wide items.

Sensitivity Analysis – The following presents the net pension asset of the District, calculated using the discounted rate of 7.6%, as well as what the District’s net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate.

	1% Decrease (6.60%)	Current Discount Rate	1% Increase (8.60%)
Total pension liability	\$ 9,986,472	\$ 8,304,899	\$ 6,953,903
Fiduciary net position	6,978,008	6,978,008	6,978,008
Net pension liability/(asset)	\$ 3,008,464	\$ 1,326,891	\$ (24,105)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended September 30, 2020, the District recognized pension expense of \$446,957.

As of September 30, 2023, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,578	\$ 407,094
Changes of assumptions	20,104	380,611
Net difference between projected and actual earnings	-	345,291
Contributions made subsequent to measurement date	-	-
Total	\$ 39,682	\$ 1,132,996

Hays County Emergency Services District #8

Notes to Financial Statements

7. Employee Retirement Plan (continued)

The amounts reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. The remaining amounts currently reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

Service cost	\$	697,552
Interest on total pension liability		578,170
Effect on plan changes		-
Administrative expenses		4,089
Member contributions		(330,310)
Expected investment return net of investment expenses		(516,350)
Recognition of economic/demographic gains or losses		56,307
Recognition of assumption changes or inputs		58,788
Recognition of investment gains or losses		58,853
Other - relates to allocation of system-wide items		(160,143)
Pension expense	\$	<u>446,956</u>

Hays County Emergency Services District #8

Notes to Financial Statements

-24-

8. Reconciliation of Government Wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds total fund balance	\$ 22,106,228
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,135,682
Other reconciling items	(1,515,849)
Long-term debt	<u>(18,765,947)</u>
Total net position	<u>\$ 25,960,114</u>

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in excess of expenditures	\$ (7,949,755)
Current year capital outlays	13,858,082
Repayment of long-term debt	1,216,466
Other reconciling items	24,506
Pension plan expense	(986,146)
Depreciation expense	<u>(513,034)</u>
Change in net position	<u>\$ 5,650,119</u>

9. Commitment

The District is in the process of building a new 42,068 square foot Administrative/Training/Fire Station and 3,600 square foot Support/Maintenance Shop. The total commitment to the contractor is \$22,406,737 with \$17,552,813 paid towards this commitment to date.

Hays County Emergency Services District #8

Notes to Financial Statements

Hays County Emergency Services District #8

Budgetary Comparison Schedule – General Fund

For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property tax revenue	\$ 5,444,980	\$ 6,080,083	\$ 6,140,399	\$ 60,316
Sales tax revenue	2,500,000	3,150,000	3,656,813	506,813
EMS revenue	3,411,426	3,266,088	3,750,975	484,887
Grant revenue	4,000	3,000	1,502,363	1,499,363
Other income	32,600	51,200	1,284,014	1,232,814
Permit fees	40,000	40,000	57,767	17,767
Training revenue	500	2,500	-	(2,500)
	<u>11,433,506</u>	<u>12,592,871</u>	<u>16,392,331</u>	<u>3,799,460</u>
Expenditures:				
Payroll and related costs	6,532,359	6,431,074	7,421,896	(990,822)
Debt service	1,743,169	1,827,669	1,743,169	84,500
Maintenance	1,909,903	1,213,844	14,029,935	(12,816,091)
Insurance	175,500	181,000	71,770	109,230
Firefighting supplies and programs	438,000	453,000	196,416	256,584
EMS expenses	234,950	235,000	184,205	50,795
Utilities and telephone	100,750	100,750	330,118	(229,368)
Office supplies	91,000	77,000	116,333	(39,333)
Fuel	72,550	81,000	77,692	3,308
Professional fees	171,520	143,000	138,831	4,169
Training expense	55,000	55,000	40,602	14,398
Total expenditures/expenses	<u>11,524,701</u>	<u>10,798,337</u>	<u>24,350,967</u>	<u>(13,552,630)</u>
Expenditures in excess of revenues	(91,195)	1,794,534	(7,958,636)	(9,753,170)
Fund balance at beginning of year	30,055,983	30,055,983	30,055,983	-
Fund balance at end of year	<u>\$ 29,964,788</u>	<u>\$ 31,850,517</u>	<u>\$ 22,097,347</u>	<u>\$ (9,753,170)</u>

Hays County Emergency Services District #8

Schedule of Changes in Net Pension Asset and Related Ratios

For the Year Ended September 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	
Total Pension Liability					
Service Cost	\$ 697,552	\$ 682,012	\$ 462,536	\$ 422,058	\$
Interest on total pension liability	578,170	486,499	373,291	294,702	
Effect of plan changes	-	-	-	225,316	
Effect of assumption changes or inputs	-	69,960	489,081	-	
Effect of economic/demographic (gains) or losses	135,375	(16,059)	281,629	21,829	
Benefit payment/refunds or contributions	(31,711)	(31,789)	(34,624)	(33,686)	
Net change in total pension liability	<u>1,379,386</u>	<u>1,190,623</u>	<u>1,571,913</u>	<u>930,219</u>	
Total pension liability, beginning	<u>6,925,513</u>	<u>5,734,890</u>	<u>4,162,976</u>	<u>3,232,756</u>	2
Total pension liability, ending	<u><u>\$ 8,304,899</u></u>	<u><u>\$ 6,925,513</u></u>	<u><u>\$ 5,734,889</u></u>	<u><u>\$ 4,162,975</u></u>	<u>\$ 3</u>
Fiduciary Net Position					
Employer contributions	\$ 802,181	\$ 776,233	\$ 738,090	\$ 496,218	\$
Member contributions	330,310	319,625	303,919	198,487	
Investment income net of investment expenses	(455,987)	1,016,082	286,006	290,936	
Benefit payment/refunds of contributions	(31,711)	(31,789)	(34,624)	(33,686)	
Administrative expenses	(4,089)	(3,342)	(2,977)	(2,095)	
Other	160,143	31,267	30,082	23,014	
Net change in fiduciary net position	<u>800,847</u>	<u>2,108,076</u>	<u>1,320,496</u>	<u>972,874</u>	
Fiduciary net position, beginning	<u>6,177,162</u>	<u>4,069,086</u>	<u>2,748,590</u>	<u>1,775,714</u>	
Fiduciary net position, ending	<u><u>6,978,009</u></u>	<u><u>6,177,162</u></u>	<u><u>4,069,086</u></u>	<u><u>2,748,588</u></u>	<u>1</u>
Net pension liability/ (asset), ending	<u><u>\$ 1,326,890</u></u>	<u><u>\$ 748,351</u></u>	<u><u>\$ 1,665,803</u></u>	<u><u>\$ 1,414,387</u></u>	<u>\$ 1</u>
Fiduciary net position as a % of total pension liability	84.02%	89.19%	70.95%	66.02%	
Pensionable covered payroll	\$ 4,718,712	\$ 4,566,077	\$ 4,341,708	\$ 3,308,121	\$ 3
Net pension liability/(asset) as a % of	28.12%	16.39%	38.37%	42.75%	

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be disclosed as they become available.

Hays County Emergency Services District #8

Schedule of District Contributions

For the Year Ended September 30, 2023

<u>Year ending December 31,</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (2)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2013					
2014					
2015	91,378	91,378	-	1,086,535	8.4%
2016	223,245	228,427	(5,182)	2,654,519	8.6%
2017	219,099	280,476	(61,377)	2,856,570	9.8%
2018	440,373	473,859	(33,486)	3,159,060	15.0%
2019	430,056	496,218	(66,162)	3,308,121	15.0%
2020	587,433	738,090	(150,657)	4,341,706	17.0%
2021	601,809	776,233	(174,424)	4,566,077	17.0%
2022	593,142	802,181	(209,039)	4,718,712	17.0%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement NO. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

(2) Payroll is calculated based on contributions as reported to TCDRS.

This schedule is presented to illustrate the requirement to show information for 10 years.

Hays County Emergency Services District #8

Notes to Required Supplementary Information

For the Year Ended September 30, 2019

Valuation date: actuarially determined contribution rates are calculated each December 31, two years prior (if available) to the end of the fiscal year in which contributions are reported.

Actuarial Cost Method	Individual entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	5.0 years based on contribution rate calculated in 12/31/2022 valuation
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies with age and service. 4.70% average over career including inflation
Investment Rate of Return	7.50% net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub - 2010 for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employee Contributions*	<p>2015 – new inflation, mortality and other assumptions were reflected.</p> <p>2017 – new mortality assumptions were reflected.</p> <p>2019 – new inflation, mortality and other assumptions were reflected.</p> <p>2022 – new investment return and inflation assumptions were reflected.</p>
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	<p>2015 – no changes in plan provision were reflected in the Schedule.</p> <p>2016 – no changes in plan provisions were reflected in the Schedule.</p> <p>2017 – new annuity purchase rates were reflected for benefits earned after 2017.</p> <p>2018 – employer contributions reflect that the prior service matching rate was increased to 100%</p> <p>2019 – no changes in plan provisions were reflected in the Schedule.</p> <p>2020 – employer contributions reflect the member contribution rate was increased to 7%.</p> <p>2022 – no changes in plan provisions were reflected in the schedule</p>

*- Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule.