

**Hays County
Emergency Services District #2**

**Annual Financial Report
For the Year Ending**

September 30, 2020

JANSEN AND GREGORCZYK

Certified Public Accountants
PO Box 1778 Kyle, TX 78640

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hays County Emergency Services District #2

We have audited the accompanying financial statements of the governmental activities of Hays County Emergency Services District #2 (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Hays County Emergency Services District #2, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Jansen and Gregorczyk

Kyle, Texas

March 23, 2021

HAYS COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

Our discussion and analysis of the Hays County Emergency Services District #2's (the District's) financial performance provides an overview of the District's financial activities for the year ended September 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

The financial report consists of three parts: Management's Discussion and Analysis (this section), the financial statements, and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- During the year, the District had expenses of \$2,777,683 compared to total revenues of \$3,268,323 resulting in an increase in net assets of \$490,640 for the year ended September 30, 2020.
- The District's cash and investments balance increased by \$509,475 for the fiscal year.
- The District contributed \$2,041,110 to Hays County ESD #8 for EMS purposes.
- The District purchased new capital assets in the form of an equipment and improvements to the vehicle during the year.
- The District paid \$550,000 to ESD #8 for the housing of their EMS units, personnel, equipment, utilities and infrastructure during the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements: The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

Reporting the District as a Whole

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

These two statements report the District's *net position* and changes 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 are one indicator

of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax to assess the *overall health* of the District.

THE DISTRICT AS A WHOLE

The District's total net assets increased by \$490,640 in the year ended September 30, 2020. Our analysis of the District's activities below focuses on net assets (Table 1) and the changes in net assets (Table 2).

Table 1

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 2,650,776	\$ 2,185,031
Capital Assets, net	690,072	764,851
Total Assets	<u>\$ 3,340,848</u>	<u>2,949,882</u>
Current Liabilities	-	99,674
Total Liabilities	<u>\$ -</u>	<u>\$ 99,674</u>
Net Assets:		
Invested in Capital Assets	690,072	764,851
Unreserved	<u>2,650,776</u>	<u>2,085,357</u>
Total Net Position	<u>\$ 3,340,848</u>	<u>\$ 2,850,208</u>

Table 2

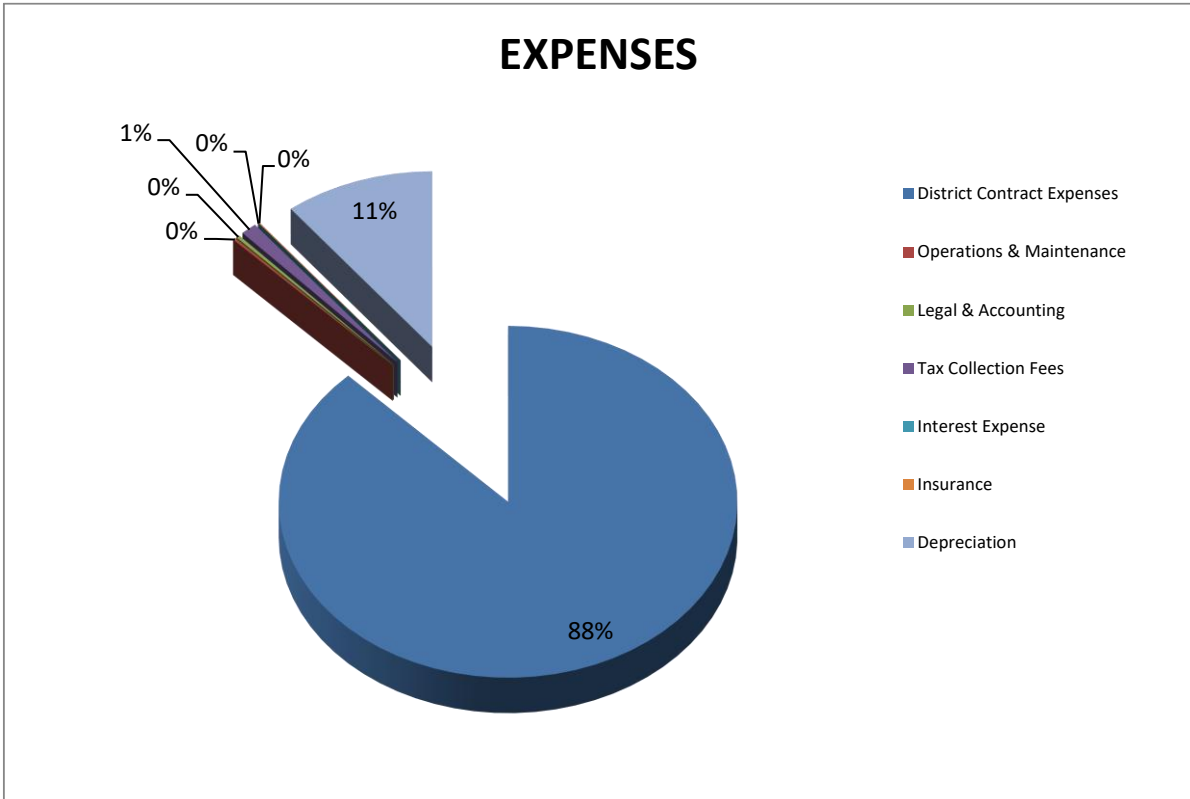
Revenues

Ad Valorem Taxes	\$ 3,247,723	\$ 1,927,328
Interest & Misc. Income	20,600	102,307
	<u>3,268,323</u>	<u>2,029,635</u>

Expenses

District Contract Expenses	2,591,110	1,170,470
Operations & Maintenance	1,205	2,582
Legal & Accounting	3,420	3,440
Tax Collection Fees	22,682	15,218
Interest Expense	-	-
Insurance	1,217	1,163
Depreciation	158,049	141,395
Total Expenses	<u>2,777,683</u>	<u>1,334,268</u>

Increase in Net Assets	<u>\$ 490,640</u>	<u>\$ 695,367</u>
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Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$2,635,141 at September 30, 2020.

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

Fund Budgetary Highlights

The Board of Commissioners did make budget increases during the year. The analysis of the budget is reflected on the Schedule of Revenues, Expenditures and Changes in Net Position-Budget and Actual-(Non-GAAP Budgetary Basis) following the Notes to the Financial Statements.

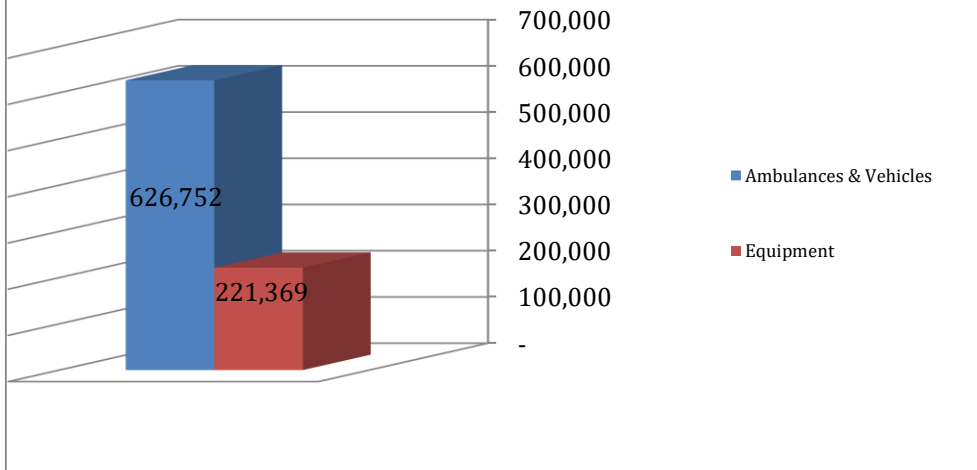
Revenues over expenses increased by \$556,241 during the year. Expenditures were \$1,706 less than budget and revenue was \$8,349 more than budgeted mainly due to increased tax revenue.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2020, the District had \$1,744,899, excluding depreciation, invested in capital assets. Of this amount, \$1,182,599 represented ambulances and vehicles and \$562,300 is invested in depreciable equipment. Total depreciation for the year was \$158,049.

Fixed Assets(net of depreciation)



Debt Administration

The District had no debt as of September 30, 2020.

Economic Factors and Budgets and Rates

The District's appointed officials considered many factors when setting the fiscal year 2020 budget and tax rates. One of those factors is the economy and estimated needs to operate the District in the coming year.

This part of the 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.

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:

Ms. Halley Ortiz, President
Hays County ESD#2
P.O. Box 153
Buda, TX 78610

Hays County Emergency Services District #2
Statement of Net Position and Governmental Funds Balance Sheet
As of September 30, 2020

	General Fund	Adjustments (Note 5)	Statement of Net Assets
ASSETS			
Cash	\$ 24,396		\$ 24,396
Investments	2,592,583		2,592,583
Taxes receivable	33,797	-	33,797
Capital assets:			
Capital Assets, net of accumulated depreciation	-	690,072	690,072
Total Assets	2,650,776	690,072	3,340,848
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	-	-
Total liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	33,797	(33,797)	-
FUND BALANCES/NET POSITION			
Fund Balances			
Fund balance - unassigned	2,616,979	(2,616,979)	
	\$ 2,650,776		
NET POSITION			
Net investment in capital assets			690,072
Unrestricted		2,650,776	2,650,776
TOTAL NET POSITION			\$ 3,340,848

See accompanying notes to the financial statements

Hays County Emergency Services District #2
Statement of Activities and Governmental Funds Statement
of Revenues, Expenditures and Changes in Fund Balances
For the Year ended September 30, 2020

	General Fund	Adjustments (Note 5)	Statement of Activities
Expenses:			
District Contract Expenses	\$ 2,041,110		\$ 2,041,110
Station User Fee	550,000		550,000
Operations	1,205	-	1,205
Depreciation	-	158,049	158,049
Tax Collection Expenses	22,682		22,682
Professional Services	3,420		3,420
Capital Outlay	83,270	(83,270)	-
Debt Service	-	-	-
Insurance	1,217		1,217
Total expenses	<u>\$ 2,702,904</u>		<u>\$ 2,777,683</u>
General revenues:			
Ad Valorem Tax Revenues	3,238,545	9,178	3,247,723
Interest Income	20,600		20,600
Total general revenue	<u>\$ 3,259,145</u>		<u>\$ 3,268,323</u>
Change in net position/fund balance	556,241		490,640
Net position/fund balance - beginning	2,060,738		2,850,208
Net position/fund balance - ending	<u><u>\$ 2,616,979</u></u>		<u><u>\$ 3,340,848</u></u>

See accompanying notes to the financial statements

Hays County Emergency Services District #2

Notes to the Financial Statements

For the Year Ending September 30, 2020

Note 1 Summary of Significant Accounting Policies

The accounting policies of the Hays County Emergency Services District #2 (the District) conform to generally accepted accounting principles (GAAP) in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

A. The Reporting Entity

Emergency Services Districts may be organized in the State of Texas under the provisions of Article III, Section 48-e of the State Constitution. The Northeast Hays County Emergency Services District (ESD) was confirmed by election in 1989. The District was established to arrange for emergency services within its boundaries. The District operates under the Health and Safety Code in Chapter 775, Emergency Services Districts. The District contracts with and disburses funds to the nonprofit emergency medical services corporation located in San Marcos to provide for the emergency services in the Buda area.

Hays County ESD #2 is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Additionally, no other entity meets these requirements for inclusion in Hays County ESD #2 financial statements.

The District is governed by a five-member board of emergency services commissioners (the Board) appointed for two-year terms by the Hays County Commissioners. The Board sets the budget and tax rate within limits authorized by Chapter 775 of the Health and Safety Code.

B. Government-Wide Financial and Fund Financial Statements

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

D. Cash and Cash Equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates.

E. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District reported unavailable revenue in the form of property taxes as Deferred Inflows of Resources in the Statement of Net Position. Deferred Inflows arise when potential revenue does not meet both the

measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considered to have been for prior year services.

H. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) at the time of acquisition and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis.

Estimated useful lives are as follows:

Ambulances	10 years
Equipment	5 years

Note 2 – Cash Deposits and Investments

The District's deposits exposed to concentrations of credit risk consist of cash, which is deposited in two major financial institutions. At September 30, 2020, the carrying amount of the District's cash deposits was \$14,180 and the bank balance was \$14,180. The District has no deposits in excess of FDIC insurance.

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 certificates of deposits, money market funds and an interest-bearing checking account.

Credit Risk. The Board Directors has authorized the District to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds or interest-bearing demand deposits and is stated at fair value.

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, 2020, all of the District's deposit balance was covered by federal depository insurance.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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 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, 2020 the TexPool portfolio had a weighted average maturity of 38 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, 2020, the District had \$2,592,583 invested in TexPool.

Note 3 - Property Taxes

The District has the authority to levy a tax to a maximum of \$.010 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, 2019 levy was \$.075 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 Assessor-Collector.

Note 4 - Capital Assets

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

	Balance <u>9/30/19</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>9/30/20</u>
Capital assets being depreciated:				
Ambulances & Vehicles	\$ 1,134,297	\$ 48,302	\$ -	\$ 1,182,599
Equipment	527,332	34,968	-	562,300
Total assets being depreciated	<u>1,661,629</u>	<u>83,270</u>	<u>-</u>	<u>1,744,899</u>
Less accumulated depreciation	<u>(896,779)</u>	<u>-</u>	<u>(158,049)</u>	<u>(1,054,828)</u>
Total capital assets	<u><u>\$ 764,850</u></u>	<u><u>\$ 83,270</u></u>	<u><u>\$ (158,049)</u></u>	<u><u>\$ 690,071</u></u>

Note 5 – Adjustments to Convert Fund Statements to Government-Wide

Unrestricted fund balance - governmental fund	\$ 2,616,979
Increase net position for capital assets not reported in the governmental funds	690,072
Taxes receivables deferred in the fund financial statements and in the government-wide financial statements	<u>33,797</u>
Net position - governmental activities	<u>\$ 3,340,848</u>
Net change in fund balance - governmental fund	556,241
Capital outlays recognized as expenditures in the fund financial statements	83,270
Depreciation expense not recognized in the fund financial statements	(158,049)
Net increase in tax receivable deferred in the fund financial statements and not in the government-wide financial statements	<u>9,178</u>
Change in net position - governmental activities	<u>\$ 490,640</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.

NOTE 7 – Subsequent Events

The board has reviewed subsequent events from year end to the date of this report, March 23, 2021 and no material issues were found.

NOTE 8 – Other Matters

Auditing standards GASB Cod. 2300.107 as well as FASB Statement No. 57 require disclosure by the governmental entity regarding related party transactions. No such instances or transactions were noted in the audit findings.

In early 2020, the United States was hit by a global pandemic of the COVID 19 virus, causing significant medical and economic impacts.

While the impacts of this ongoing pandemic will not be determined for months or years to come, early estimates indicate that the COVID 19 pandemic may have significant financial impacts to the District in ways that include, but are not limited to, the following:

- Potential decreases in tax revenue as a result of a decrease in property valuation, tax amnesty or abatement, potential foreclosures, etc.
- Potential decreases in insurance, Medicare/Medicaid, and other non-taxation revenue.
- Significant disruption of the medical supply chain resulting in higher prices for consumables, medication, and equipment.
- Need for significant increases in spending on Personal Protective Equipment (PPE) and storage for same.

SUPPLEMENTARY SCHEDULES

Hays County Emergency Services District #2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended September 30, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Ad Valorem Tax Revenues	\$ 3,213,221	\$ 3,213,221	\$ 3,238,545	\$ 25,324
Interest Income	37,575	37,575	20,600	(16,975)
Total general revenue	<u>3,250,796</u>	<u>3,250,796</u>	<u>3,259,145</u>	<u>8,349</u>
Expenditures:				
Contracted EMS services	2,041,110	2,041,110	2,041,110	-
Station User Fee	550,000	550,000	550,000	
Operations	3,000	3,000	1,205	1,795
Tax Collection expenses	18,500	18,500	22,682	(4,182)
Professional Services	5,500	5,500	3,420	2,080
Debt Service	-	-	-	-
Insurance	1,500	1,500	1,217	283
Capital Outlay	85,000	85,000	83,270	1,730
Total Expenditures:	<u>2,704,610</u>	<u>2,704,610</u>	<u>2,702,904</u>	<u>1,706</u>
Net change in fund balance	546,186	546,186	556,241	10,055
Beginning fund balance	<u>2,060,738</u>	<u>2,060,738</u>	<u>2,060,738</u>	<u>-</u>
Ending fund balance	<u>\$ 2,606,924</u>	<u>\$ 2,606,924</u>	<u>\$ 2,616,979</u>	<u>\$ 10,055</u>