

**Hays County
Emergency Services District #8**

Independent Auditor's Report

September 30, 2021

Hays County Emergency Services District #8

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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 of the Hays County Emergency Services District #8 (the "District") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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, I 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.

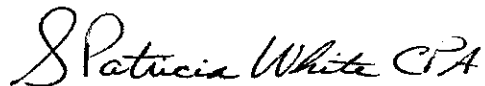
I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my 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, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's 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 the required supplementary information be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, are 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 operation, economic, or historical context. I 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 of our inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an 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.



May 24, 2022
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, 2021. 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 \$8,475,124 compared to total revenues of \$11,117,086 resulting in net increase to net position of \$2,641,962 for the year ended September 30, 2021. For the year ended September 30, 2020, the District had net income of \$3,376,140.
- There were 763 new residential homes and 9 new commercial properties during fiscal 2021. This increase is consistent with prior year growth adding to the sales and property tax revenues of the District.
- The District has started the planning and are in the process of getting approval for the financing of a new 42,068 square foot Administrative/Training/Fire Station and 3,600 square foot Support/Maintenance Shop with an estimated construction cost of \$20,000,000. The District received financing of \$18,500,000 during the current fiscal year.

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 revenues and expenses are considered 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 net position of the District's activities increased by \$2,641,962. 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.

The actual General Fund had revenues in excess of expenditures of \$2,210,845.

Summarized Statement of Net Position:

	<u>9/30/2021</u>	<u>9/30/2020</u>
Current assets	29,477,426	9,091,285
Capital assets	<u>8,229,616</u>	<u>7,446,781</u>
Total assets	<u>37,707,042</u>	<u>16,538,066</u>
Deferred outflows of resources	<u>849,081</u>	<u>574,060</u>
Current liabilities	1,755,770	851,063
Long-term debt	<u>19,982,412</u>	<u>2,755,458</u>
Total liabilities	<u>21,738,182</u>	<u>3,606,521</u>
Deferred inflows of resources	<u>812,128</u>	<u>141,755</u>
Invested in capital assets, net of long-term debt	5,474,159	4,250,852
Unrestricted	<u>10,531,654</u>	<u>9,112,998</u>
Total net position	<u>16,005,813</u>	<u>13,363,850</u>

Summarized Statement of Activities:

	<u>9/30/2021</u>	<u>9/30/2020</u>
Revenues:		
Property taxes	4,798,343	4,724,525
Sales and use tax	3,068,274	2,457,599
EMS revenue	3,110,099	3,236,110
Other income	<u>140,370</u>	<u>116,870</u>
Total revenues	<u>11,117,086</u>	<u>10,535,104</u>
Expenses:		
Personnel and related costs	6,516,106	5,258,878
Depreciation	493,457	503,457
Debt service	352,394	140,913
Other expenses	<u>1,113,167</u>	<u>1,255,716</u>
Total expenses	<u>8,475,124</u>	<u>7,158,964</u>
Change in net position	<u>2,641,962</u>	<u>3,376,140</u>

Capital Assets

As of September 30, 2021, the District had \$8,229,616 invested in capital assets (net of depreciation). At year end \$4,523,726 is invested in buildings, \$5,768,367 in trucks and equipment, \$1,313,644 in construction in progress and \$725,730 is invested in land. Total accumulated depreciation as of September 30, 2020 was \$4,101,851.

Long-Term Debt

The District's long-term debt at September 30, 2021 totaled \$21,255,458 for all notes payable. The current portion of the long-term debt is \$1,273,046. The District incurred new debt of \$18,500,000 during the current fiscal year.

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, 2021

Assets

	<u>General Fund</u>	<u>Adjustments</u>	<u>Total</u>
Assets			
Cash and cash equivalents	29,025,305	-	29,025,305
Accounts receivable	933	-	933
Taxes receivable	451,188	-	451,188
Total current assets	<u>29,477,426</u>	<u>-</u>	<u>29,477,426</u>
Capital Assets:			
Land	-	725,730	725,730
Construction in Progress	-	1,313,644	1,313,644
Buildings	-	4,523,726	4,523,726
Equipment	-	5,768,367	5,768,367
Less accumulated depreciation	-	(4,101,851)	(4,101,851)
Net capital assets	<u>-</u>	<u>8,229,616</u>	<u>8,229,616</u>
Total assets	<u>29,477,426</u>	<u>8,229,616</u>	<u>37,707,042</u>
Deferred Outflows of Resources			
Pension contributions after measurement date	-	83,194	83,194
Deferred outflows related to pension asset	-	765,887	765,887
Total Deferred Outflows of Resources	<u>-</u>	<u>849,081</u>	<u>849,081</u>

Notes to the financial statements are integral to this statement.

	<u>General Fund</u>	<u>Adjustments</u>	<u>Total</u>
Current liabilities			
Accounts payable	111,844	-	111,844
Accrued payroll liabilities	83,979	-	83,979
Accrued interest payable	-	286,901	286,901
Current portion - loans	-	1,273,046	1,273,046
Total current liabilities	<u>195,823</u>	<u>1,559,947</u>	<u>1,755,770</u>
Long-term liabilities:			
Loans payable	-	21,255,458	21,255,458
Less: current portion of note payable	-	(1,273,046)	(1,273,046)
Total long-term liabilities	<u>-</u>	<u>19,982,412</u>	<u>19,982,412</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	64,476	(64,476)	-
Deferred inflows related to pension asset	141,755	670,373	812,128
Total Deferred inflows of resources	<u>206,231</u>	<u>605,897</u>	<u>812,128</u>
Fund Balances/Net Position:			
Unassigned	<u>29,075,372</u>		
Total fund balance	<u>29,075,372</u>		
Total liabilities and net assets	<u>29,477,426</u>		
Investment of capital assets, net of long-term debt Unrestricted			<u>5,474,159</u> <u>10,531,654</u>
Total net position			<u>16,005,813</u>

Notes to the financial statements are integral to this statement.

Hays County Emergency Services District #8

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

Year Ended September 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Total</u>
Revenues:			
Property tax revenue	4,733,867	64,476	4,798,343
EMS revenue	3,110,099	-	3,110,099
Sales tax revenue	3,068,274	-	3,068,274
Grant revenue	72,660	-	72,660
Other income	31,530	-	31,530
Permit fees	19,870	-	19,870
Operations revenue	16,310	-	16,310
	<u>11,052,610</u>	<u>64,476</u>	<u>11,117,086</u>
Expenditures/expenses:			
Payroll and related costs	6,083,628	432,478	6,516,106
Depreciation	-	493,457	493,457
Debt service	792,865	(440,471)	352,394
Capital Outlay	852,105	(852,105)	-
EMS expenses	212,934	-	212,934
Insurance	173,212	-	173,212
Firefighting supplies and programs	162,911	-	162,911
Maintenance	159,878	-	159,878
Professional fees	119,136	-	119,136
Utilities and telephone	95,220	-	95,220
Training expense	79,190	-	79,190
Office supplies	59,057	-	59,057
Fuel	51,629	-	51,629
	<u>8,841,765</u>	<u>(366,641)</u>	<u>8,475,124</u>
Revenues in excess of expenditures	2,210,845		
Other Financing Sources			
Proceeds from long term debt	18,500,000	(18,500,000)	-
Change in net position			2,641,962
Net position at beginning of year	<u>8,364,527</u>		<u>13,363,851</u>
Net position at end of year	<u>29,075,372</u>		<u>16,005,813</u>

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 measureable 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.

Fund Balance

Fund balance for governmental funds are 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.

Hays County Emergency Services District #8

Notes to Financial Statements

1. Summary of Significant Account Policies (continued)

Fund Balance

- 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

All capital assets are capitalized at cost (or estimated historical cost) 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 lives are as follows: building 40 years, vehicles 7 years, and donated items 5 years.

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.

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.

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'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.

Hays County Emergency Services District #8

Notes to Financial Statements

1. Summary of Significant Account Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

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

At September 30, 2020, the District had \$29,025,305 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, 2020, \$441,339 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 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 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, 2020, 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, 2020, the District had \$28,583,966 invested in TexPool.

Hays County Emergency Services District #8

Notes to Financial Statements

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, 2020 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.

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	<u>-</u>	<u>852,105</u>	<u>461,539</u>	<u>1,313,644</u>
	<u>725,730</u>	<u>852,105</u>	<u>461,539</u>	<u>2,039,374</u>
Capital assets, being depreciated:				
Buildings	4,523,726	-	-	4,523,726
Trucks and equipment	5,805,719	-	-	5,805,719
Less accumulated depreciation	<u>(3,608,394)</u>	<u>(493,453)</u>	<u>(37,356)</u>	<u>(4,139,203)</u>
Total capital assets being depreciated, net	<u>6,721,051</u>	<u>(493,453)</u>	<u>(37,356)</u>	<u>6,190,242</u>
Capital assets, net	<u>\$ 7,446,781</u>	<u>\$ 358,652</u>	<u>\$ 424,183</u>	<u>\$ 8,229,616</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%	\$ 1,169,944	\$ -	\$ 102,885	\$ 1,067,059
Marquette	Station 3	1/10/2027	3.696%	784,990	-	100,308	684,682
Extraco Banks NA	New Station	51,591	2.450%	-	18,500,000	-	18,500,000
Government Capital	New Engines	10/13/2024	2.250%	<u>1,240,995</u>	<u>-</u>	<u>237,278</u>	<u>1,003,717</u>
				<u>\$ 3,195,929</u>	<u>\$ 18,500,000</u>	<u>\$ 440,471</u>	21,255,458
					Less current maturities		<u>(1,273,046)</u>
							<u>\$ 19,982,412</u>

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

Future Payments	Principal
2022	\$ 1,273,046
2023	1,225,657
2024	1,267,166
2025	1,242,510
2026	1,055,868
2027-2031	4,861,215
2032-2036	4,848,039
2037-2041	<u>5,481,957</u>
	<u>\$ 21,255,458</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 780 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, 2020 was as follows:

Retirees and beneficiaries receiving benefits	1
Terminated employees entitled to but not yet receiving benefits	18
Active plan members	55
Total	<u>74</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, 2020 as adopted by the governing body of the District. The actuarially determined rate for the year ended December 31, 2020 was 8%. 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, 2020 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, 2020 actuarial valuation was determined using the following actuarially 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	Level percentage of payroll, closed
Amortization Period	5.6 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.90% average over career including inflation
Investment Rate of Return	8.10%
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 is include in the GASB 68 calculations. No assumptions for future cost of living adjustments is 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, 2020 were based on the results of an actuarial experience study for the period December 31, 2019 through December 31, 2020, 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 2020 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	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (c)	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities – Developed	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities – Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index (d)	2.00%	7.20%
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	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (c)	6.00%	6.30%
Hedge Funds	Hedge Funds Research Inc., (HFRI) Fund of Composite	13.00%	3.90%

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 of 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, 2019 are as follows:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a) - (b)
Balance as of December 31, 2019	\$ 4,162,976	\$ 2,748,590	\$ 1,414,386
Changes for the year:			
Service Cost	462,536	-	462,536
Interest on total pension liability (1)	373,291	-	373,291
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	281,629	-	281,629
Effect of assumption changes or inputs	489,081	-	489,081
Refund of contributions	(17,353)	(17,353)	-
Benefit payments	(17,270)	(17,270)	-
Administrative expenses	-	(2,977)	2,977
Member contributions	-	303,919	(303,919)
Net investment income	-	286,006	(286,006)
Employer contributions	-	738,090	(738,090)
Other (3)	-	30,082	(30,082)
Balance as of December 31, 2020	<u>\$ 5,734,890</u>	<u>\$ 4,069,087</u>	<u>\$ 1,665,803</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.

Security Analysis – The following presents the net pension asset of the District, calculated using the discounted rate of 8.1%, 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 (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate	1% Increase (9.10%)
Total pension liability	\$ 6,930,378	\$ 5,734,890	\$ 4,784,468
Fiduciary net position	4,069,086	4,069,086	4,069,086
Net pension liability/(asset)	\$ 2,861,292	\$ 1,665,804	\$ 715,382

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended September 30, 2020, the District recognized pension expense of \$769,475. As of September 30, 2021, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,923	\$ 377,199
Changes of assumptions	26,806	434,929
Net difference between projected and actual earnings	42,877	-
Contributions made subsequent to measurement date	769,475	-
Total	\$ 849,081	\$ 812,128

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, 2021. The remaining amounts currently reported as deferred outflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended September 30:	Pension Expense Amount
2021	\$ 88,007
2022	93,173
2023	67,104
2024	91,111
2025	95,568
Thereafter	297,559
	<u>\$ 732,522</u>

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	\$ 29,075,372
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,229,616
Other reconciling items	(43,717)
Long-term debt	<u>(21,255,458)</u>
Total net position	<u>\$ 16,005,813</u>

Hays County Emergency Services District #8

Notes to Financial Statements

8. Reconciliation of Government Wide and Fund Financial Statements (continued)

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

Revenues in excess of expenditures	\$ 20,710,845
Current year capital outlays	852,105
Repayment of long-term debt	440,471
Other reconciling items	64,476
Pension plan expense	(432,478)
Depreciation expense	(493,457)
Other financing sources	<u>(18,500,000)</u>
Change in net position	\$ <u>2,641,962</u>