

**HAYS COUNTY
EMERGENCY SERVICES DISTRICT # 4**

**INDEPENDENT AUDITORS' REPORT
AND
BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

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Hays County Emergency Services District # 4
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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hays County Emergency Services District #4
Wimberley, Texas

Report on the Financial Statements

We have audited the accompanying financial statements for the governmental activities of the Hays County Emergency Services District #4 (the District), as of and for the year ended September 30, 2019, 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

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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of Hays County ESD #4, as of September 30, 2019, and the respective changes in financial position in conformity 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 on pages 3 through 6 and budgetary comparison information on page 19 be presented to supplement the financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2020, on our consideration of the Districts' internal control over financial reporting (internal control) and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing; not to provide an opinion on the internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance.



Belton, Texas
May 29, 2020

Hays County Emergency Services District # 4
Management Discussion and Analysis

Our discussion and analysis of Hays County ESD # 4 (the District) financial performance provides an overview and analysis of the District's financial activities for the year ended September 30, 2019. Please read it in conjunction with the Independent Auditors' Report on pages 1-2, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities and deferred inflows at the close of the year by \$2,211,248 (net position).
- During the year the District had total expenditures of \$940,237 compared to tax revenues and other income of \$1,163,762, resulting in an increase in its net position of \$223,525.
- The District's investment in capital assets net of accumulated depreciation and related debt totaled \$825,734 (accumulated depreciation was \$1,608,945)
- Long term debt for the fiscal year was \$23,677, with the current portion (principle) of \$(23,677). The debt was retired in the first fiscal quarter.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business, pages 7 and 9 of this report.

The *Statement of Net Position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial health is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. This may include uncollected taxes and other revenue or expenses that are appropriate for the current year even though cash is not received or expended until the following year.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District can be divided into two categories: governmental funds and proprietary funds. However, there were no proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on spendable resources available at the end the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Hays County Emergency Services District # 4
Management Discussion and Analysis

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation (pages 8 and 10) to facilitate the comparison between government funds and governmental activities.

The District maintains one governmental fund, the General Fund. The governmental fund financial statements can also be found on pages 7 and 9 of this report.

Notes to the Financial Statements The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements. These can be found starting on page 11.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position The District's assets exceed liabilities by \$2,211,248 as of September 30, 2019. A large portion of the District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding and net of accumulated depreciation. The District uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. (See Table I).

**Table I
NET POSITION**

	2019
Current and other assets	\$1,375,718
Capital assets (net)	849,411
Reserved invested funds	92,776
Total assets	2,317,905
Current liabilities	106,658
Long-term liabilities	-
Total Liabilities	106,658
Deferred Inflows	26,469
Net position	
Investment in capital assets	825,734
Assigned	92,776
Unassigned	1,292,738
Total net position	2,211,248
Total liabilities, deferred inflows, and net position	\$2,317,905

A portion of the District's net position represents resources that are subject to external and internal assignments or reservations on how they may be used. The remaining balance of the unassigned net position may be used to meet the District's ongoing obligations to its citizens.

Hays County Emergency Services District # 4
Management Discussion and Analysis

Statement of Activities and Changes in Net Position Tax Revenues and other income totaled \$1,163,762 for the year, an increase of \$299,506 from the prior year. Total revenue was up 21 percent over the prior year, and there were contributions and rental income included in revenue adding to the increase this year. Expenditures totaled \$940,237 for the year, an increase of \$89,428. This increase was primarily the result of the acquisition of the fire department. (See Table II).

**Table II
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**

	2019
Revenues	
Taxes	\$ 1,078,332
Interest	4,347
Other income	81,083
Total revenues	1,163,762
Expenditures	
General and administrative	100,992
Operations	710,319
Depreciation	128,608
Debt service - interest	318
Total Expenses	940,237
Change in net position	223,525
(adjustments)	477,231
Net position - beginning	1,510,492
Net position – ending	\$ 2,211,248

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned and assigned fund balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The Governmental Accounting Standards Board (GASB) Statement 54 requires fund balances to be classified as follows:

Non-spendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government's highest level of decision-making authority. In the case of the District it is the Board of Commissioners with other formal action needed to modify or rescind the commitment.

Assigned – Amounts constrained by District management's intent to be used for specific purposes but are not formally restricted by external resources or committed by District Board of Commissioners.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

Hays County Emergency Services District # 4
Management Discussion and Analysis

As the District completed the year, its general fund (as presented in the fund balance sheet on page 7) reported a total fund balance of \$1,292,738 (54% increase from prior year of \$600,003). This increase was the result, in part, of an increase in tax revenue and the acquisition of the fire department.

General Fund Budget Highlights. Actual revenues were \$160,037 higher than the budget, and actual expenditures were \$70,663 lower than the budget, reflecting a favorable variance of \$233,700. The net favorable variance including other income sources of \$74,863 was \$308,563. The budget is presented in the required supplemental information section on page 19.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the fiscal year-end the District had invested \$2,458,356 in capital assets (excluding accumulated depreciation of \$(1,608,945)), including buildings, vehicles, equipment and land, for an investment of \$849,411, net of accumulated depreciation.

More detailed information about the District's capital assets is presented in the Notes to the Financial Statements starting on page 16.

Debt

At year-end, the District had \$ 23,677 in total debt. This note payable for the purchase of equipment will be retired in December 2019. More detailed information about the District's long-term debt is presented in the Note 5 of the Notes to the Financial Statements starting on page 16.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's appointed Commissioners considered many factors when setting the fiscal year 2019 budget and tax rates. Some of those factors include the economy and the anticipated needs of the District for operations, acquisitions, and capital outlay in the next year.

The District adopted a general fund budget for the next fiscal year ending September 30, 2020 funded primarily through a 2019 assessed property tax rate of \$0.05/\$100 valuation for approximately \$1,542,242.

If the District does not incur any unforeseen expenditures or reductions in revenue, the District's management is confident they will accomplish the task of providing improved services within its available resources.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Hays County ESD # 4, P.O. Box 1312, Wimberley, TX 78676.

FINANCIAL SECTION

HAYS COUNTY
EMERGENCY SERVICES DISTRICT # 4
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019

	Governmental Funds		Statement of
	General Fund	Adjustments	Net Position
<u>ASSETS</u>			
Cash in Banks	\$ 28,496	\$ -	\$ 28,496
Invested Funds			
Unreserved	1,300,525	-	1,300,525
Reserved	92,776	-	92,776
Receivables			
Property Taxes (net of uncollectable, \$2,618)	26,469	-	26,469
Sales Taxes Receivable	17,073	-	17,073
Prepaid Assets	3,155	-	3,155
Capital Assets (not depreciated) - Land	-	77,747	77,747
Capital Assets (depreciated, net)			
Emergency Services Infrastructure and Equipment	-	771,664	771,664
	<u>\$ 1,468,494</u>	<u>\$ 849,411</u>	<u>\$ 2,317,905</u>
<u>LIABILITIES</u>			
Liabilities			
Current	\$ 82,180	\$ -	\$ 82,180
Non-current			
Deposits	800	-	800
Due Within One Year	-	23,677	23,677
Due In More Than One Year	-	-	-
	<u>82,980</u>	<u>23,677</u>	<u>106,657</u>
Total Liabilities			
	<u>82,980</u>	<u>23,677</u>	<u>106,657</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	26,469	(26,469)	-
	<u>26,469</u>	<u>(26,469)</u>	<u>-</u>
<u>FUND EQUITY</u>			
Fund Balances			
Assigned	92,776	(92,776)	-
Unassigned	1,266,269	(1,266,269)	-
	<u>1,359,045</u>	<u>(1,359,045)</u>	<u>-</u>
Total Fund Equity			
	<u>1,359,045</u>	<u>(1,359,045)</u>	<u>-</u>
Total Liabilities, Deferred Inflows, and Fund Equity	<u>\$ 1,468,494</u>		
<u>NET POSITION</u>			
Net Investment in Capital Assets		825,734	825,734
Unrestricted			
Assigned		92,776	92,776
Unassigned		1,292,738	1,292,738
		<u>1,292,738</u>	<u>1,292,738</u>
Total Net Position		<u>\$ 2,211,248</u>	<u>2,211,248</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</u>		<u>\$ 2,211,248</u>	<u>2,211,248</u>
			<u>\$ 2,317,905</u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

**HAYS COUNTY
EMERGENCY SERVICES DISTRICT #4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total Fund Balances for Governmental Funds (Page 7)	\$ 1,359,045
Total Net Position Reported for Governmental Activities in the Statement of Net Position is Different Because:	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>	
Land (not depreciated)	77,747
Infrastructure, and Equipment	2,380,609
(net of accumulated depreciation)	<u>(1,608,945)</u>
Total Capital Assets (See, Note 4, p 16)	849,411
Long-term debt is not considered due in the current period and, therefore not reported in the governmental fund.	(23,677)
Some revenues in governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, those revenues would be recognized regardless of when they are collected. (Deferred Inflow of Resources)	<u>26,469</u>
Total Net Position of Governmental Activities (Page 7)	<u><u>\$ 2,211,248</u></u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

HAYS COUNTY
EMERGENCY SERVICES DISTRICT #4
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE AND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Governmental Funds</u>		<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Adjustments</u>	
<u>EXPENDITURES</u>			
Operations			
Communications	\$ 24,202	\$ -	\$ 24,202
Appraisal and Collection fees	10,589	-	10,589
General and Administrative	100,992	-	100,992
Insurance	65,087	-	65,087
Employee Wages and Benefits	470,417	-	470,417
Payroll Taxes	30,809	-	30,809
Training	13,803	-	13,803
Station Repairs, Maintenance and Supplies	53,414	-	53,414
Equipment	11,241	-	11,241
Utilities	13,339	-	13,339
Depreciation	-	128,608	128,608
Loss on Disposition of Assets	-	17,418	17,418
Capital Outlay	35,744	(35,744)	-
Debt Service - Principal	23,677	(23,677)	-
Debt service- Interest	318	-	318
Total Expenditures	<u>853,632</u>	<u>86,605</u>	<u>940,237</u>
<u>REVENUES</u>			
General Revenues			
Tax Revenues	1,077,365	967	1,078,332
Interest and Dividends	4,347	-	4,347
Gain on Sale of Assets	4,804	-	4,804
Donations and Grants	37,820	-	37,820
Other Income	38,459	-	38,459
Total Revenues	<u>1,162,795</u>	<u>967</u>	<u>1,163,762</u>
Excess (Deficiency) of Revenues over Expenditures	309,163	(85,638)	223,525
Change in Fund Balance/Net Position	<u>309,163</u>	<u>(85,638)</u>	<u>223,525</u>
<u>NET POSITION</u>			
(Fund Adjustments from Acquisition)	383,572	93,659	477,231
Beginning of Year	<u>600,003</u>	<u>910,489</u>	<u>1,510,492</u>
End of Year	<u>\$ 1,292,738</u>	<u>\$ 918,510</u>	<u>\$ 2,211,248</u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

**HAYS COUNTY EMERGENCY SERVICES DISTRICT #4
RECONCILIATION OF THE GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE AND NET POSITION TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net Change in Fund Balance - Total Governmental Funds (Page 9) \$ 309,163

The Change in Net Position Reported for Governmental Activities in the Statement of Activities is Different Because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements:	35,744	
Loss on disposition/retirement of assets:	(17,418)	
Depreciation expense reported in statement of activities:	<u>(128,608)</u>	
Amount by which capital outlays are greater (less) than depreciation in current period:		(110,282)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund.

Net change in deferred inflow of resources	<u>967</u>	967
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Long-term debt principal payments are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the statement of net position

23,677

Change in Net Position of Governmental Activities (Page 9)	<u><u>\$ 223,525</u></u>
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The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Hays County Emergency Services District # 4 (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 standards-setting body for established governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

A. The Reporting Entity

The Wimberley Rural Fire Prevention District was formed on August 22, 1983, for the purpose of providing fire protection for the citizens of the District. The District is governed by a five-member Board of Fire Commissioners, which is appointed by the Hays County Commissioners Court. The District is primarily funded by property tax levies and sales tax.

The Texas legislation passed a bill effective September 1, 2003 to require all Fire Prevention Districts to change their name. Wimberley Rural Fire Prevention District has changed its name to Hays County Emergency Services District # 4.

The District is not included in any other governmental reporting entity as defined in GASB Statement No. 61. Additionally, no other entity meets these requirements for inclusion in Hays County Emergency Services District # 4's financial statements.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities are government-wide financial statements. They report information on all the District's non-fiduciary activities. Governmental activities include programs supported primarily by taxes. The District has no business type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses of a given function are those that are clearly identifiable within a specific function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds.

The District reports the following major governmental fund:

General Fund- The general fund is the District's primary operating fund. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

Governmental funds report as *program revenues* 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

(C Measurement focus and Basis of accounting continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District does not consider revenues collected after its year-end to be available in the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. All other revenue items are considered measurable and available only when the District receives cash.

D. Assets, Liabilities, Deferred Inflows of Revenues and Net Position

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.

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. 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 expensed in the period incurred. Depreciation is calculated on a straight-line basis. Estimated useful lives are as follows:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. The District does not have any items that qualify.

In addition to liabilities, the statement of net 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 has only one item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue-property taxes*, is reported in the governmental funds balance sheet (page 7). These amounts are deferred and recognized as an inflow of resources in the periods the amounts become available.

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; 2) law through constitutional provisions or enabling legislation. 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.

Unrestricted – All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

The District reports governmental fund balances by the five following classifications:

Non-spendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government's highest level of decision making authority. In the case of the District it is the District Fire Commissioners and the formal action would be an ordinance to modify or rescind the commitment.

Assigned – Amounts constrained by District management's intent to be used for specific purposes but are not formally restricted by external resources or committed by the District.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

For the classification of fund balances, the District considers restricted amounts to have been spent first when an expenditure is incurred for the purpose for which restricted and unrestricted fund balance is available. Expenditures are to be spent from the appropriate restricted fund balance first, followed by committed, assigned, and lastly unassigned fund balance.

Budget

An official budget is adopted by the Board of Fire Commissioners at the beginning of each fiscal year. The Board approves amendments to the budget as needed throughout the year. The District does not use an encumbrance system for recording purchase orders. Appropriations lapse at the end of each year.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimation and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 2 - Deposits

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2019, the carrying amount of the District's cash deposits were \$28,496 and the combined bank balance including petty cash was \$45,820.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District's investments were invested with local banking institutions. The District categorizes its fair value measurements within the 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 other observable inputs; and Level 3 inputs are unobservable inputs. As of September 30, 2019, the District had the following investments:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Input Level</u>
Bank Certificates of Deposit - Reserved	\$ 92,776	\$ 92,776	1
Mutual Funds	171,271	171,271	1
Combined Money Market Accounts	1,129,254	1,129,254	1
Total	<u>\$ 1,393,301</u>	<u>\$ 1,393,301</u>	

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools". Money market investments, which are short-term, highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized cost. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pool's share price.

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 2 – Deposits (continued)

Policies, Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk at year-end and during the year ended September 30, 2019 since the deposits were covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the District's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies, repurchase agreements, and no-load AAA money market mutual funds registered with the SEC.

Note 3 – Tax Revenue

The District's authority to levy a tax is limited to a maximum of \$0.05 per \$100 valuation. Property taxes are levied each October 1 on the assessed valuation of all taxable property in the District. The effective tax rate for the October 1, 2018 levy was \$0.0394 per \$100 of value and was based on an assessed valuation of \$2,327,047,438 generating an approximate \$916,857 of tax revenue for the district. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following assessment. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes are billed and collected by the Tax Assessor-Collector for Hays County. Property tax revenues are considered available when they become due or past due (delinquent). Receivables include the amount estimated to be collected during a 60-day period after the close of the District's fiscal year net of an amount deemed uncollectable (historically, 9% of delinquent amount). In September 2019, the District voted to increase the tax levy to the statutory maximum of \$0.05 effective with the October 1, 2019 tax levy.

As of an election held November 6, 2018, Hays County Emergency Services District #4 imposed a sales tax of 1% or \$0.01 on all applicable sales within the District's boundary excluding the City of Wimberley and City of Woodcreek. This rate went into effect April 1, 2019 and resulted in gross sales tax revenue of \$127,262 for the period April 1, 2019 to September 30, 2019. Related administrative fees and accruals resulted in net receipts of \$124,460.

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 4 – Capital Assets

The following is a summary of changes in Capital Assets for the Year:

	Balance 9/30/2018	Additions	Retirements	Balance 9/30/2019
Capital assets not depreciated:				
Land	\$ 77,747	\$ -	\$ -	\$ 77,747
Capital assets depreciated:				
Rescue equipment	-	10,452	-	10,452
Fire machinery and equipment	-	46,946	(9,849)	37,097
Office furniture and equipment	42,488	3,742	(20,684)	25,546
Fire fighting and other equipment	564,032	-	(155,992)	408,040
Buildings and improvements	607,235	17,800	-	625,035
Vehicles	1,317,466	-	(43,027)	1,274,439
Construction in progress	-	-	-	-
Capital assets depreciated	2,531,221	78,940	(229,552)	2,380,609
Less accumulated depreciation	(1,677,388)	(143,691)	212,134	(1,608,945)
Capital assets depreciated (net):	853,833	(64,751)	(17,418)	771,664
Total capital assets (net)	\$ 931,580	\$(64,751)	\$(17,418)	\$ 849,411

Note 5 – Debt

The following is a summary of long-term debt transactions for the year ended September 30, 2019:

Description	Beginning		Reductions	Ending	
	Balance	Additions		Balance	
The Blanco National Bank	\$ 46,592	\$ -	\$ (22,915)	\$ 23,677	
Total	\$ 46,592	\$ -	\$ (22,915)	\$ 23,677	

Long-term debt at September 30, 2019, consists of the following:

Notes Payable:

Note payable to a bank, due in annual installments of \$24,444 through December 2019, including interest at 3.24%; secured by related equipment.

\$ 23,677

Due within one year is (current portion):

(23,677)

Due in more than one year:

\$ -0-

2020

One year of principal remaining: \$ 23,677

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 6 – Government Acquisition

On April 1, 2019, Hays County ESD #4 (the District) acquired Wimberley Volunteer Fire Department, Inc. (the VFD), a 501(c)(3) organization providing fire protection services primarily within the boundaries of the District. The District assumed the assets, liabilities, and remaining net assets as of March 31, 2019. The District will continue the operations of the fire protection services within the District boundaries and in neighboring areas when emergent aid is needed and account for these operations within the general fund. The acquisition included all the assets of the VFD consisting of cash and cash equivalents, mutual funds, and equipment. In addition, the District assumed the liability for the accounts payable, credit cards, payroll liabilities, and other accrued expenses. There were no long-term liabilities to disclose. The acquisition value of the net assets was determined to be \$196,297.

	Acquisition Value
<u>Acquired assets</u>	
Cash and cash equivalents	42,532.69
Machinery and equipment	33,671.38
Investments – mutual funds	167,266.69
Total acquired assets	243,470.76
<u>Acquired liabilities and net assets</u>	
Current liabilities	47,174.12
Net Assets	196,296.64
Total acquired liabilities and net assets	243,470.76

Note 7 – Pension Plan

Responsibility for a defined contribution pension plan, set up with simple IRA's in the names of the eligible employees, was continued by the District after the acquisition of the VFD April 1, 2019. Each member of the Plan may make contributions to the Plan and the District makes contributions to the plan based on 3% of compensation. The Pension Plan expense at fiscal year end was \$6,944.

Hays County Emergency Services District # 4
Notes to the Financial Statements
For the year ending September 30, 2019

Note 8 – Risk Management / Litigation

The District is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage. The District has no pending litigation, not covered by insurance, which would materially affect the financial statements of the District.

Note 9 – Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition of disclosure through May 29, 2020, the date the financial statements were available to be issued.

In early March 2020, a Federal Disaster Declaration was issued covering the United States for the period from January 20, 2020 and is still in force currently. The Declaration is in response to the Covid-19 virus and its effects on individuals and business operations. The Board of Fire Commissioners and Management have evaluated the economic impact of the Federal Disaster Declaration and determined, thru May 29, 2020, the financial impact will be minimal, since first responders have been deemed "essential personnel" and, the stay-at-home and other measures to slow or disrupt the virus' spread, are not applicable. However, the District is taking steps to reduce personal exposure and enforce certain hygiene and protective garment utilization.

REQUIRED SUPPLEMENTARY INFORMATION

**HAYS COUNTY
EMERGENCY SERVICES DISTRICT #4
SCHEDULE OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES					
Tax revenue	\$ 918,295	\$ -	\$ 918,295	\$ 951,070	\$ 32,775
Sales tax revenue	-	-	-	127,262	127,262
Rental Income	9,600	-	9,600	9,600	-
Other income	-	-	-	-	-
Total General Revenue	<u>927,895</u>	<u>-</u>	<u>927,895</u>	<u>1,087,932</u>	<u>160,037</u>
EXPENDITURES					
Communications	52,850	-	52,850	24,202	28,648
Appraisal and collection fees	8,683	-	8,683	10,589	(1,906)
General and administrative	255,436	-	255,436	205,006	50,430
Salaries, wages, and benefits	485,729	-	485,729	501,828	(16,099)
Training	8,996	-	8,996	11,490	(2,494)
Station repairs, maintenance and supplies	36,300	-	36,300	21,536	14,764
Equipment	67,790	-	67,790	5,532	62,258
Building and land	10,000	-	10,000	12,529	(2,529)
Miscellaneous expense	-	-	-	1,181	(1,181)
Capital outlay	-	-	-	35,744	(35,744)
Debt service - principal	-	-	-	23,677	(23,677)
Debit service - interest	1,511	-	1,511	318	1,193
Total Expenses	<u>927,295</u>	<u>-</u>	<u>927,295</u>	<u>853,632</u>	<u>73,663</u>
Excess (Deficit) of Revenues Over Expenditures	<u>600</u>	<u>-</u>	<u>600</u>	<u>234,300</u>	<u>233,700</u>
Other Income					
Donations	-	-	-	17,658	-
Grants	-	-	-	20,161	20,161
Interest income	-	-	-	4,015	4,015
Other income	-	-	-	26,552	26,552
Unrealized gain on investments	-	-	-	4,804	-
Loan proceeds	-	-	-	-	-
Sale of assets	-	-	-	-	-
Unallocated collections	-	-	-	1,673	1,673
	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,863</u>	<u>52,401</u>
Net Change in Fund Balance (adjustment)	<u>600</u>	<u>-</u>	<u>600</u>	309,163	<u>\$308,563</u>
BEGINNING FUND BALANCE				383,572	
				600,003	
ENDING FUND BALANCE				<u>\$ 1,292,738</u>	

COMPLIANCE SECTION

ALTON D. THIELE, P.C.

CERTIFIED PUBLIC ACCOUNTANT

300 E. AVENUE C

P.O. BOX 808

BELTON, TX 76513-0808

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Fire Commissioners
Hays County Emergency Services District #4
Wimberley, TX 78676

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the aggregate remaining fund information, of Hays County Emergency Services District #4 (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

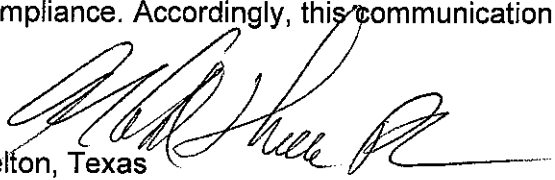
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Belton, Texas
May 29, 2020