

*REPORT OF EXAMINATION*

**NORTH BLANCO COUNTY  
EMERGENCY SERVICES  
DISTRICT NO. 1**

*Johnson City, Texas*

For the Year Ended  
September 30, 2020

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2020

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# NEFFENDORF & BLOCKER, P.C.

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## **Report on Basic Financial Statements Accompanied by Required Supplementary Information**

### INDEPENDENT AUDITOR'S REPORT

Board of Emergency Service Commissioners  
North Blanco County Emergency Services District No. 1  
Johnson City, TX 78636

We have audited the accompanying financial statements of the governmental activities of North Blanco County Emergency Services District No. 1 as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the North Blanco County Emergency Services District No. 1, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3–7), budgetary comparison information (page 26), Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions and Notes to the Schedule of Contributions (pages 27-29) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Neffendorf + Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, Texas

June 28, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the North Blanco County Emergency Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial statements of the District for the year ended September 30, 2020. Please read it in conjunction with the independent auditors' report on page 1, and District's Basic Financial Statements which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,713,503 (net position). Of this amount, \$1,063,717 (unrestricted net position) may be used to meet the District's ongoing obligations to citizen's and creditors.
- The District's net position increased by \$1,330,678 as a result of this year's operations.
- At September 30, 2020, the District's general fund reported an ending fund balance of \$1,025,628, an increase of \$95,305 in comparison with the prior year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (also on pages 9 & 10) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 11) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (general fund) is presented as a required supplemental schedule on page 26.

## **Reporting the District as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of 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. To fully assess the overall health of the District, however, you should consider other factors as well, such as changes in the District's property tax base and the condition of the District's capital assets.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements on pages 9 & 10 and provide detailed information about the most significant funds - not the District as a whole. Governmental fund types include the general fund.

➤ Governmental funds - All of the District's basic services are reported in governmental funds. They use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the adjustments column and Note 3 to the financial statements.

Net position of the District's governmental activities increased from \$1,382,825 to \$2,713,503. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$1,063,717 at September 30, 2020. This increase in governmental net position was the result of five factors. First, the District's revenues exceeded the expenditures by \$95,305. Second, the District adjusted the difference in unavailable revenues for property taxes (convert from modified accrual to accrual basis). Third, the District acquired capital assets in the amount of \$897,904. Fourth, the District recorded depreciation expense in the amount of \$149,495. Fifth, the District recorded the net pension asset accounts in relation to TCDRS in the amount of \$6,669.

**Table I**  
**North Blanco County Emergency Services District**

**NET POSITION**

|                               | Governmental Activities |              |
|-------------------------------|-------------------------|--------------|
|                               | 2020                    | 2019         |
| Current and Other Assets      | \$ 1,514,603            | \$ 988,398   |
| Capital Assets                | 1,833,811               | 422,810      |
| Net Pension Asset             | -                       | 412          |
| Total Assets                  | \$ 3,348,414            | \$ 1,411,620 |
| <br>                          |                         |              |
| Deferred Outflow of Resources | \$ 13,914               | \$ 6,388     |
| <br>                          |                         |              |
| Long-Term Liabilities         | \$ 184,025              | \$ -         |
| Net Pension Liability         | 454                     | -            |
| Current Liabilities           | 464,255                 | 35,083       |
| Total Liabilities             | \$ 648,734              | \$ 35,083    |
| <br>                          |                         |              |
| Deferred Inflow of Resources  | \$ 91                   | \$ 100       |
| <br>                          |                         |              |
| Net Position:                 |                         |              |
| Invested in Capital Assets    |                         |              |
| Net of Related Debt           | \$ 1,649,786            | \$ 422,810   |
| Unrestricted                  | 1,063,717               | 960,015      |
| Total Net Position            | \$ 2,713,503            | \$ 1,382,825 |

**Table II**  
**North Blanco County Emergency Services District**

**CHANGES IN NET POSITION**

|                                | Governmental Activities |              |
|--------------------------------|-------------------------|--------------|
|                                | 2020                    | 2019         |
| Revenues:                      |                         |              |
| Maintenance & Operations Taxes | \$ 904,644              | \$ 832,564   |
| Investment Earnings            | 6,593                   | 3,088        |
| Miscellaneous                  | 62,083                  | 51,844       |
| Sales Tax                      | 489,458                 | 364,392      |
| Contributions                  | 834,592                 | -            |
| Total Revenues                 | \$ 2,297,370            | \$ 1,251,888 |
| Expenses:                      |                         |              |
| Johnson City VFD               | \$ 200,862              | \$ 144,975   |
| Round Mountain VFD             | 63,354                  | 101,916      |
| North Blanco County EMS        | 512,532                 | 438,101      |
| Appraisal District             | 19,308                  | 18,693       |
| Professional Fees              | 10,654                  | 10,058       |
| Other Operating                | 6,214                   | 5,398        |
| Debt Service - Interest        | 4,273                   | -            |
| Depreciation                   | 149,495                 | 3,117        |
| Total Expenses                 | \$ 966,692              | \$ 722,258   |
| Net Income                     | \$ 1,330,678            | \$ 529,630   |

**THE DISTRICT'S FUNDS**

As the District completed the year, its general fund (as presented in the balance sheet on page 9) reported a fund balance of \$1,025,628, which is more than last year's total of \$930,323. Revenues were more than expenditures by \$95,305 for the general fund.

The District adopted the General Fund Budget. Actual revenues were more than budgeted amounts and expenditures were more than budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2020, the District had the following capital assets in operation:

#### Capital Assets at Year End

|                          | <u>9/30/20</u>      |
|--------------------------|---------------------|
| Land                     | \$ 334,209          |
| Buildings                | 373,712             |
| Equipment                | 63,423              |
| Vehicles                 | 702,754             |
| Construction in Progress | 621,961             |
| TOTAL CAPITAL ASSETS     | \$ 2,096,059        |
| Accumulated Depreciation | (262,248)           |
| TOTAL NET CAPITAL ASSETS | <u>\$ 1,833,811</u> |

More detailed information about the District's capital assets is presented in the Notes to Financial Statements (Note 8).

### Debt Administration

At September 30, 2020, the District had the following debt:

|   | <u>9/30/20</u>    |
|---|-------------------|
| Johnson City Bank -<br>Line of Credit - Construction Loan | \$ 400,000        |
| Vehicles  | 184,025           |
| TOTAL   | <u>\$ 584,025</u> |

The District drew \$400,000 on a construction line of credit loan with the Johnson City Bank for the Round Mountain Volunteer Fire Department building as of September 30, 2020 (total loan commitment of \$800,000).

The District also received loan proceeds of \$196,350 from the Johnson City Bank to refinance the purchase of vehicles. The District made principal payments of \$12,325 to reduce the loan balance to \$184,025 at September 30, 2020.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. Factors considered in establishing a budget are the funding needs of the District operations and programs necessary to meet the objectives of the District. Amounts available for appropriation in the General Fund budget are \$1,425,000 and expenditures are estimated to be \$1,009,569.

If these estimates are realized, the District's budgetary General fund balance is expected to increase by the close of 2021.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors 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 Board President or Treasurer at P.O. Box 494, Johnson City, Texas 78636.

## BASIC FINANCIAL STATEMENTS

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET -  
SEPTEMBER 30, 2020

|   | General<br>Fund     | Capital<br>Projects<br>Fund | Total               | Adjust-<br>ments<br>(Note 3) | Statement of<br>Net Position<br>September 30, |                     |
|---|---------------------|-----------------------------|---------------------|------------------------------|---|---------------------|
|   |                     |                             |                     |                              | 2020  | 2019                |
| <b>ASSETS</b>                                       |                     |                             |                     |                              |   |                     |
| Cash in Bank  | \$ 800,333          | \$ -                        | \$ 800,333          | \$ -                         | \$ 800,333                                    | \$ 495,522          |
| Certificates of Deposit                             | 638,793             | -                           | 638,793             | -                            | 638,793                                       | 437,863             |
| Receivables:  |                     |                             |                     |                              |   |                     |
| Taxes   | 26,021              | -                           | 26,021              | -                            | 26,021  | 24,202              |
| Allowance for Uncollectible Accounts                | (1,301)             | -                           | (1,301)             | -                            | (1,301)                                       | (1,210)             |
| Appraisal District/Sales Tax                        | 50,757              | -                           | 50,757              | -                            | 50,757  | 32,021              |
| Capital Assets (Net of<br>Accumulated Depreciation) | -                   | -                           | -                   | 1,833,811                    | 1,833,811                                     | 422,810             |
| Net Pension Asset                                   | -                   | -                           | -                   | -                            | -   | 412                 |
| <b>Total Assets</b>                                 | <b>\$ 1,514,603</b> | <b>\$ -</b>                 | <b>\$ 1,514,603</b> | <b>1,833,811</b>             | <b>3,348,414</b>                              | <b>1,411,620</b>    |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                |                     |                             |                     |                              |   |                     |
| Deferred Outflows Related to TCDRS                  | -                   | -                           | -                   | 13,914                       | 13,914  | 6,388               |
| <b>LIABILITIES</b>                                  |                     |                             |                     |                              |   |                     |
| Accounts Payable                                    | 64,255              | -                           | 64,255              | -                            | 64,255  | 35,083              |
| Line of Credit - Construction Loan                  | 400,000             | -                           | 400,000             | -                            | 400,000                                       | -                   |
| Long-Term Liabilities:                              |                     |                             |                     |                              |   |                     |
| Due Within One Year                                 | -                   | -                           | -                   | 37,650                       | 37,650  | -                   |
| Due After One Year                                  | -                   | -                           | -                   | 146,375                      | 146,375                                       | -                   |
| Net Pension Liability                               | -                   | -                           | -                   | 454                          | 454   | -                   |
| <b>Total Liabilities</b>                            | <b>464,255</b>      | <b>-</b>                    | <b>464,255</b>      | <b>184,479</b>               | <b>648,734</b>                                | <b>35,083</b>       |
| <b>DEFERRED INFLOW OF RESOURCES</b>                 |                     |                             |                     |                              |   |                     |
| Unavailable Revenues - Property Taxes               | 24,720              | -                           | 24,720              | (24,720)                     | -   | -                   |
| Deferred Inflows Related to TCDRS                   | -                   | -                           | -                   | 91                           | 91  | 100                 |
| <b>Total Deferred Inflow of Resources</b>           | <b>24,720</b>       | <b>-</b>                    | <b>24,720</b>       | <b>(24,629)</b>              | <b>91</b>                                     | <b>100</b>          |
| <b>FUND BALANCES/NET POSITION</b>                   |                     |                             |                     |                              |   |                     |
| Fund Balances:                                      |                     |                             |                     |                              |   |                     |
| Unassigned  | 1,025,628           | -                           | 1,025,628           | (1,025,628)                  | -   | -                   |
| Total Fund Balances                                 | 1,025,628           | -                           | 1,025,628           | (1,025,628)                  | -   | -                   |
| <b>Total Liabilities &amp; Fund Balances</b>        | <b>\$ 1,514,603</b> | <b>\$ -</b>                 | <b>\$ 1,514,603</b> |                              |   |                     |
| Net Position:                                       |                     |                             |                     |                              |   |                     |
| Invested in Capital Assets                          |                     |                             |                     | 1,649,786                    | 1,649,786                                     | 422,810             |
| Unrestricted  |                     |                             |                     | 1,063,717                    | 1,063,717                                     | 960,015             |
| <b>Total Net Position</b>                           |                     |                             |                     | <b>\$ 2,713,503</b>          | <b>\$ 2,713,503</b>                           | <b>\$ 1,382,825</b> |

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

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
 STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED - SEPTEMBER 30, 2020

|   | General<br>Fund  | Capital<br>Projects<br>Fund | Total            | Adjustments<br>(Note 3) | Statement of<br>Activities<br>September 30, |                  |
|---|------------------|-----------------------------|------------------|-------------------------|---|------------------|
|   |                  |                             |                  |                         | 2020  | 2019             |
| <b>Revenues:</b>  |                  |                             |                  |                         |   |                  |
| Property Taxes  | \$ 894,193       | \$ -                        | \$ 894,193       | \$ 1,728                | \$ 895,921                                  | \$ 825,111       |
| Penalty and Interest  | 8,723            | -                           | 8,723            | -                       | 8,723                                       | 7,453            |
| Interest on Investments   | 6,593            | -                           | 6,593            | -                       | 6,593                                       | 3,088            |
| Appraisal District Refund/Other   | 62,083           | -                           | 62,083           | -                       | 62,083                                      | 51,844           |
| Sales Tax   | 489,458          | -                           | 489,458          | -                       | 489,458                                     | 364,392          |
| Contributions   | 172,000          | -                           | 172,000          | 662,592                 | 834,592                                     | -                |
| <b>Total Revenues</b>   | <b>1,633,050</b> | <b>-</b>                    | <b>1,633,050</b> | <b>664,320</b>          | <b>2,297,370</b>                            | <b>1,251,888</b> |
| <b>Expenditures/Expenses:</b>   |                  |                             |                  |                         |   |                  |
| Salary- EMS   | 410,194          | -                           | 410,194          | -                       | 410,194                                     | 275,804          |
| Payroll Tax - EMS   | 34,265           | -                           | 34,265           | -                       | 34,265                                      | 88,546           |
| Worker's Comp - EMS   | 11,352           | -                           | 11,352           | -                       | 11,352                                      | 11,339           |
| Health Insurance - EMS  | 34,732           | -                           | 34,732           | -                       | 34,732                                      | 27,048           |
| Retirement - EMS  | 26,492           | -                           | 26,492           | (6,669)                 | 19,823                                      | 1,883            |
| Payroll Expense - EMS   | 2,166            | -                           | 2,166            | -                       | 2,166                                       | 2,077            |
| Appraisal District  | 19,308           | -                           | 19,308           | -                       | 19,308                                      | 18,693           |
| Attorney Fees   | 2,923            | -                           | 2,923            | -                       | 2,923                                       | 4,858            |
| Bonds and Insurance   | 1,947            | -                           | 1,947            | -                       | 1,947                                       | 2,172            |
| Clerical and Auditing   | 7,731            | -                           | 7,731            | -                       | 7,731                                       | 5,200            |
| Postage and Box Rent  | 81               | -                           | 81               | -                       | 81  | 71               |
| Publications and Notices  | 114              | -                           | 114              | -                       | 114   | 158              |
| Office/Computer   | 1,660            | -                           | 1,660            | -                       | 1,660                                       | 870              |
| Conferences   | 2,412            | -                           | 2,412            | -                       | 2,412                                       | 2,127            |
| Volunteer Fire Departments -  |                  |                             |                  |                         |   |                  |
| Johnson City VFD  | 200,862          | -                           | 200,862          | -                       | 200,862                                     | 144,975          |
| Round Mountain VFD  | 63,354           | -                           | 63,354           | -                       | 63,354                                      | 101,916          |
| Emergency Medical Services -  |                  |                             |                  |                         |   |                  |
| North Blanco County EMS   | -                | -                           | -                | -                       | -   | 31,404           |
| Debt Service -  |                  |                             |                  |                         |   |                  |
| Principal   | 12,325           | -                           | 12,325           | (12,325)                | -   | -                |
| Interest  | 4,273            | -                           | 4,273            | -                       | 4,273                                       | -                |
| Capital Outlay  | 75,074           | 822,830                     | 897,904          | (897,904)               | -   | -                |
| Depreciation  | -                | -                           | -                | 149,495                 | 149,495                                     | 3,117            |
| <b>Total Expenditures/Expenses</b>  | <b>911,265</b>   | <b>822,830</b>              | <b>1,734,095</b> | <b>(767,403)</b>        | <b>966,692</b>                              | <b>722,258</b>   |
| Excess (Deficit) of Revenues<br>over Expenditures                                     | 721,785          | (822,830)                   | (101,045)        | 101,045                 | -   | -                |
| Other Financing Sources (Uses) -  |                  |                             |                  |                         |   |                  |
| Bank Loan Proceeds  | -                | 196,350                     | 196,350          | (196,350)               | -   | -                |
| Transfers In  | -                | 626,480                     | 626,480          | (626,480)               | -   | -                |
| Transfers Out   | (626,480)        | -                           | (626,480)        | 626,480                 | -   | -                |
| Excess (Deficit) of Revenues and<br>Other Sources Over Expenditures<br>and Other Uses | 95,305           | -                           | 95,305           | (95,305)                | -   | -                |
| Change in Net Position  | -                | -                           | -                | 1,330,678               | 1,330,678                                   | 529,630          |
| <b>Fund Balance/Net Position:</b>   |                  |                             |                  |                         |   |                  |
| Beginning of the Year   | 930,323          | -                           | 930,323          | 452,502                 | 1,382,825                                   | 853,195          |
| End of the Year   | \$ 1,025,628     | \$ -                        | \$ 1,025,628     | \$ 1,687,875            | \$ 2,713,503                                | \$ 1,382,825     |

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

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENT  
SEPTEMBER 30, 2020

NOTE 1. CREATION OF DISTRICT

The North Blanco County Emergency Services District No. 1 was approved by voters in May, 1989 and operates under Article III, Section 48E, of the Texas Constitution. The Blanco County Commissioners Court appoints five members to the Board of Emergency Service Commissioners. The District is a political subdivision of the State and has full authority to carry out the objects of its creation, including fire prevention, fire-fighting services, emergency medical services and ambulance services.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of North Blanco County Emergency Services District No. 1 conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The District has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the District over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the District and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The District's financial statements include all funds over which the District exercises oversight responsibility. The District does not exercise oversight responsibility over any other reporting entity. Also, The District is not included as a part of any other reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the North Blanco County Emergency Services District No. 1 nonfiduciary activities. *Governmental activities* include sources supported by taxes, fees and interest on investments.

The Statement of Activities demonstrates how other people or entities that participate in services the District operates have shared in the payment of the direct costs.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, which is recognized when due. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from customers are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The government reports the following major governmental funds:

The general fund is the government's operating fund and accounts for all financial resources of the general government.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Temporary investments are stated at cost.

2. Capital Assets

Capital assets, which include computers, are reported in the governmental activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciable assets of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Equipment     | 7            |
| Ambulances    | 7            |

3. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Fund Equity

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

5. Budget

The Board of Directors annually adopt a budget for the general fund (usually in September of each year).

6. Deferred Outflows of Resources and Deferred Inflows of Resources

The District has implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under GASB 63, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

|  |              |
|--|--------------|
| Total Fund Balance - Governmental Fund   | \$ 1,025,628 |
| 1. Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$427,061 and the accumulated depreciation was \$4,251. The effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position. | 422,810      |
| 2. The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.  | (149,495)    |
| 3. Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2020 capital outlays is to increase net position.  | 897,904      |

|    |   |                     |
|----|---|---------------------|
| 4. | Reclassification of deferred revenues for property taxes to revenues in the government-wide statements (convert from modified accrual basis to accrual basis) | 24,720              |
| 5. | Deferred outflow of resources related to pension is not recorded in the fund financial statements.  | 13,914              |
| 6. | Net pension liability is not recorded in the fund financial statements.   | (454)               |
| 7. | Deferred inflows of resources related to pension is not recorded in the fund financial statements.  | (91)                |
| 8. | Capital assets contributed by other entities.   | 662,592             |
| 9. | Long-term debt (loan payable) is not due and payable in the current period, and therefore, is not reported as a liability in the fund.                        |                     |
|    | Loan Proceeds   | (196,350)           |
|    | Principal Payments  | <u>12,325</u>       |
|    | Net Position of Governmental Activities   | <u>\$ 2,713,503</u> |

Reconciliation of the Governmental Fund Statement of Revenues, Expenditure, and Changes in Fund Balance to the Statement of Activities

|    |   |           |
|----|---|-----------|
|    | Total Net Change in Fund Balances - Governmental Funds  | \$ 95,305 |
| 1. | Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2020 capital outlays is to increase net position. | 897,904   |
| 2. | Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.   | (149,495) |
| 3. | Revenues in the government-wide Statement of Activities that do not provide current financial resources are not reported as revenues in the fund (convert from modified accrual basis to accrual basis).  | 1,728     |
| 4. | Change in net pension asset and related accounts is not recorded on the governmental funds.   | 6,669     |
| 5. | Capital assets contributed by other entities.   | 662,592   |
| 6. | Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.  | 12,325    |

7. Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

(196,350)

Change in Net Position of Governmental Activities

\$ 1,330,678

#### NOTE 4. 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, 2020, the carrying amount of the District's deposits was \$800,333 and the bank balance was \$864,126. The District's cash deposits at September 30, 2020 were entirely covered by FDIC insurance.

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 temporary investments at September 30, 2020, are shown below:

| Name                      | Carrying<br>Amount | Market<br>Value   | FDIC<br>Coverage  | Pledged<br>Securities |
|---------------------------|--------------------|-------------------|-------------------|-----------------------|
| Certificates of Deposit - |                    |                   |                   |                       |
| Johnson City Bank         | \$ 248,247         | \$ 248,247        | \$ 248,247        | \$ -                  |
| Security State Bank       | 200,000            | 200,000           | 200,000           | -                     |
| Lone Star Capital Bank    | 190,546            | 190,546           | 190,546           | -                     |
| TOTAL                     | <u>\$ 638,793</u>  | <u>\$ 638,793</u> | <u>\$ 638,793</u> | -                     |

#### Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District discloses 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 since its deposits at year-end 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. The District's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

#### NOTE 5. PROPERTY TAXES

The District levies taxes on real property within the District on October 1 each year, which is the lien date. Such taxes become delinquent the following February 1. 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. Property tax revenues are considered available when they become due or past due and receivable within the current period. The Blanco County Appraisal District appraises and collects taxes for the District. The District can levy a tax not to exceed .10 (10 cents) per 100 valuation. For the 2019 tax roll, the tax rate was \$0.10 per \$100 valuation and the total property valuation was \$907,869,925. A summary of taxes receivable by years appears below:

| Tax Roll     | Taxes<br>Receivable<br>10/01/19 | Taxes<br>Assessed | Collections<br>and<br>Adjustments | Taxes<br>Receivable<br>9/30/20 |
|--------------|---------------------------------|-------------------|-----------------------------------|--------------------------------|
| 2019         | \$ -                            | \$ 908,238        | \$ 897,338                        | \$ 10,900                      |
| 2018         | 17,736                          | -                 | 7,261                             | 10,475                         |
| 2017         | 3,524                           | -                 | 962                               | 2,562                          |
| 2016         | 1,130                           | -                 | 479                               | 651                            |
| 2015         | 835                             | -                 | 289                               | 546                            |
| 2014         | 582                             | -                 | 87                                | 495                            |
| 2013 & Prior | 395                             | -                 | 3                                 | 392                            |
| Totals       | \$ 24,202                       | \$ 908,238        | \$ 906,419                        | \$ 26,021                      |

#### NOTE 6. BONDS & INSURANCE

The District has a Public Employee Dishonesty Bond with a \$25,000 blanket limit. The District also has general commercial liability in the general aggregate of \$3,000,000 and management liability in the general aggregate of \$3,000,000.

#### NOTE 7. CONTRACTS

The District has contracted with the Johnson City and Round Mountain Volunteer Fire Departments (VFD) for fire-fighting services. For the year ended September 30, 2020, the District paid \$200,862 to the Johnson City VFD (monthly budgeted expenditures) and \$63,354 to the Round Mountain VFD (monthly budgeted expenditures).

The District has contracted with the North Blanco County EMS for emergency medical services. For the year ended September 30, 2020 the District paid \$512,532 to the North Blanco County EMS (monthly budgeted expenditures).

NOTE 8. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year September 30, 2020, was as follows:

|                               | Primary Government   |              |             | Ending<br>Balance |
|-------------------------------|----------------------|--------------|-------------|-------------------|
|                               | Beginning<br>Balance | Additions    | Retirements |                   |
| Governmental Activities -     |                      |              |             |                   |
| Land                          | \$ 65,000            | \$ 269,209   | \$ -        | \$ 334,209        |
| Buildings & Improvements      | 360,927              | 12,785       | -           | 373,712           |
| Equipment                     | 1,134                | 62,289       | -           | 63,423            |
| Vehicles                      | -                    | 702,754      | -           | 702,754           |
| Construction in Progress      | -                    | 621,961      | -           | 621,961           |
| Totals                        | \$ 427,061           | \$ 1,668,998 | \$ -        | \$ 2,096,059      |
| Less Accumulated Depreciation | (4,251)              | (257,997)    | -           | (262,248)         |
| Capital Assets, Net           | \$ 422,810           | \$ 1,411,001 | \$ -        | \$ 1,833,811      |

NOTE 9. LINE OF CREDIT - CONSTRUCTION LOAN

The District obtained a line of credit loan with the Johnson City Bank for construction of the Round Mountain Volunteer Fire Department building. The loan was originated on April 23, 2020 and provides for draws up to \$800,000 with an interest rate of 2.5%. The loan terms include interest only payments on the unpaid balance until April 23, 2021. The amount drawn on the loan at September 30, 2020 was \$400,000. Subsequent to the audit period, the loan was paid off.

NOTE 10. LOAN PAYABLE

Changes in long-term debt appear below:

|                   | Balance<br>10/1/19 | Issued     | Retired   | Balance<br>9/30/20 | Due Within<br>One Year |
|-------------------|--------------------|------------|-----------|--------------------|------------------------|
| Loan Payable -    |                    |            |           |                    |                        |
| Johnson City Bank | \$ -               | \$ 196,350 | \$ 12,325 | \$ 184,025         | \$ 37,650              |

The District obtained a loan from the Johnson City Bank to refinance the purchase of vehicles. The total loan amount of \$196,350 is due in monthly installments of \$3,484.96 (including interest at 2.5%) until maturity on May 27, 2025.

Estimated principal and interest requirements are as follows:

| Year Ended | Principal  | Interest  | TOTAL      |
|------------|------------|-----------|------------|
| 2021       | \$ 37,650  | \$ 4,170  | \$ 41,820  |
| 2022       | 38,602     | 3,218     | 41,820     |
| 2023       | 39,578     | 2,242     | 41,820     |
| 2024       | 40,575     | 1,244     | 41,819     |
| 2025       | 27,620     | 259       | 27,879     |
|            | \$ 184,025 | \$ 11,133 | \$ 195,158 |

## NOTE 11. RETIREMENT PLAN

### Plan Description

North Blanco County Emergency Services District No. 1 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public-employee retirement system. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on calendar year basis. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

The following is a brief description of the benefit terms:

1. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
2. The plan provides retirement, disability and survivor benefits.
3. TCDRS is a savings-based plan. For the district's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
4. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
5. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

### *Employees covered by benefit terms.*

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 0         |
| Inactive employees entitled to but not yet receiving benefits    | 3         |
| Active employees   | <u>19</u> |
|  | 22        |

### **Contributions**

A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members for calendar year 2020 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The District's contributions to TCDRS for the year ended December 31, 2020 were \$26,492, and were equal to the required contributions.

### Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions:**

The Total Pension Liability in December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

|  |   |
|--|---|
| Valuation Timing                                       | 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                                  | Entry Age Normal <sup>(1)</sup>   |
| Amortization Method                                    |   |
| Recognition of economic/<br>demographic gain or losses | Straight-Line amortization over Expected Working Life   |
| Recognition of assumption<br>changes or inputs         | Straight-Line amortization over Expected Working Life   |
| Asset Valuation Method                                 |   |
| Smooth Period  | 5 years   |
| Recognition Method                                     | Non-asymptotic  |
| Corridor   | None  |
| Inflation  | 2.75%   |
| Salary Increases                                       | 3.25%   |
| Investment Rate of Return                              | 8.10% (Gross of administrative expenses)  |
| Cost of Living Adjustments                             | Cost-of-Living Adjustments for North Blanco County Emergency Services District No. 1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age   | Deferred members are assumed to retire (100% probability) at the later of:<br>a) age 60; b) earliest retirement eligibility.  |
| Turnover   | New employees are assumed to replace any terminated members and have similar entry ages.  |
| Mortality  | RP-2014 Mortality Tables  |

*(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.*

The long-term expected 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 April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

| Asset Class                        | Benchmark   | Target Allocation<br>( <sup>1</sup> ) | Geometric Real Rate of Return ( <sup>2</sup> ) |
|------------------------------------|---|---------------------------------------|--|
| U.S. Equities                      | Dow Jones U.S. Total Stock Market Index   | 14.50%                                | 5.20%  |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index ( <sup>3</sup> ) | 20.00%                                | 8.20%  |
| Global Equities                    | MSCI World (Net) Index  | 2.50%                                 | 5.50%  |
| International Equities – Developed | MSCI World Ex USA (Net) Index   | 7.00%                                 | 5.20%  |
| International Equities – Emerging  | MSCI Emerging Markets (Net) Index   | 7.00%                                 | 5.70%  |
| Investment – Grade Bonds           | Bloomberg Barclays U.S. Aggregate Bond Index  | 3.00%                                 | -0.20%   |
| Strategic Credit                   | FTSE High-Yield Cash- Pay Capped Index  | 12.00%                                | 3.14%  |
| Direct Lending                     | S&P/LSTA Leveraged Loan Index   | 11.00%                                | 7.16%  |
| Distressed Debt                    | Cambridge Associates Distressed Securities Index( <sup>4</sup> )                    | 4.00%                                 | 6.90%  |
| REIT Equities                      | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (Net) Index                | 3.00%                                 | 4.50%  |
| Master Limited Partnerships (MLPs) | Alerian MLP Index   | 2.00%                                 | 8.40%  |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index ( <sup>5</sup> )                             | 6.00%                                 | 5.50%  |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index                      | 8.00%                                 | 2.30%  |

(<sup>1</sup>) Target asset allocation adopted at the June 2020 TCDRS Board meeting

(<sup>2</sup>) Geometric real rates of return in addition to assumed inflation of 1.80%, per Cliffwater's 2020 capital market assumptions.

(<sup>3</sup>) Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

(<sup>4</sup>) Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

(<sup>5</sup>) Includes vintage years 2007– present of Quarter Pooled Horizon IRRs.

## Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes 8.00%, increased by .10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pensions plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in Net Pension Liability / (Asset)

| Changes in Net Pension Liability / (Asset)         | Total Pension Liability<br>(a) | Fiduciary Net Position<br>(b) | Net Pension Liability/(Asset)<br>(a)-(b) |
|--|--------------------------------|-------------------------------|--|
| Balances as of December 31, 2018                   | \$ 1,356                       | \$ 1,768                      | \$ (412)                                 |
| Changes for the Year:                              |                                |                               |  |
| Service Cost                                       | 18,367                         | -                             | 18,367                                   |
| Interest on Total Pension Liability <sup>(1)</sup> | 1,598                          | -                             | 1,598                                    |
| Effect of Plan Changes <sup>(2)</sup>              | -                              | -                             | -  |
| Effects of Economic/Demographic Gains or Losses    | 6,745                          | -                             | 6,745                                    |
| Effect of Assumptions Changes or Inputs            | -                              | -                             | -  |
| Refund of Contributions                            | -                              | -                             | -  |
| Benefit Payments                                   | -                              | -                             | -  |
| Administrative Expenses                            | -                              | (21)                          | 21                                       |
| Member Contributions                               | -                              | 16,070                        | (16,070)                                 |
| Net Investment Income                              | -                              | 265                           | (265)                                    |
| Employer Contributions                             | -                              | 8,678                         | (8,678)                                  |
| Other <sup>(3)</sup>                               | -                              | 851                           | (851)                                    |
| Balances as of December 31, 2019                   | <u>\$ 28,066</u>               | <u>\$ 27,611</u>              | <u>\$ 454</u>                            |

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

### Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 8.10%, as well as what the North Blanco County Emergency Services District No. 1 net pension liability 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%<br>Decrease<br><u>7.10%</u> | Current<br>Discount<br>Rate<br><u>8.10%</u> | 1%<br>Increase<br><u>9.10%</u> |
|-------------------------------|--------------------------------|---|--------------------------------|
| Total Pension Liability       | \$ 34,874                      | \$ 28,066                                   | \$ 22,770                      |
| Fiduciary Net Position        | <u>27,611</u>                  | <u>27,611</u>                               | <u>27,611</u>                  |
| Net Pension Liability/(Asset) | <u>\$ 7,263</u>                | <u>\$ 454</u>                               | <u>\$ (4,841)</u>              |

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

For the year ended December 31, 2019 the District recognized pension expense of \$2,648.

| Prepaid Expense/(Income)                              | January 1, 2019 to<br>December 31, 2019 |
|---|---|
| Service Cost  | \$ 18,367                               |
| Interest on Total Pension Liability <sup>(1)</sup>    | 1,598                                   |
| Effect of Plan Changes                                | -                                       |
| Administrative Expenses                               | 21                                      |
| Member Contributions                                  | (16,070)                                |
| Expected Investment Return Net of Investment Expenses | (1,159)                                 |
| Recognition of Deferred Inflows/Outflows of Resources |   |
| Recognition of Economic/Demographic Gains or Losses   | 553                                     |
| Recognition of Assumption Changes or Inputs           | -                                       |
| Recognition of Investment Gains or Losses             | 189                                     |
| Other <sup>(2)</sup>                                  | (851)                                   |
| Pension Expense/(Income)                              | <u>\$ 2,648</u>                         |

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

| Deferred Inflows/Outflows of Resources               | <u>Deferred Inflows<br/>of Resources</u> | <u>Deferred<br/>Outflows<br/>of Resources</u> |
|--|--|---|
| Differences between expected and actual experience   | \$ 91                                    | \$ 6,183                                      |
| Changes of assumptions                               | -  | -   |
| Net difference between projected and actual earnings | -  | 745   |
| Contributions made subsequent to measurement date    | N/A                                      | 6,986   |

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| <u>Year Ended<br/>December 31</u> |        |
|-----------------------------------|--------|
| 2020                              | \$ 742 |
| 2021                              | 742    |
| 2022                              | 742    |
| 2023                              | 731    |
| 2024                              | 553    |
| Thereafter <sup>(a)</sup>         | 3,327  |

<sup>(a)</sup> Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTE 12. SALES TAX ELECTION

In a special election on November 3, 2015, the District's voters approved the adoption of a Sales and Use Tax at a rate of one percent. For the fiscal year ended September 30, 2020, the District collected \$489,458 in sales tax.

NOTE 13. INTERFUND TRANSFERS

For the fiscal year ended September 30, 2020, the District transferred \$626,480 from the general fund to the capital projects funds. The purpose of these transfers was for construction costs related to the new building.

NOTE 14. COMMITMENTS

The District has entered into a construction contract for the new building at September 30, 2020:

| Contractor             | <u>Total Contract</u> | <u>Amount Expended</u> | <u>Remaining Commitment</u> |
|------------------------|-----------------------|------------------------|-----------------------------|
| Southwest Erectors LLC | \$ <u>944,269</u>     | \$ <u>613,624</u>      | \$ <u>330,645</u>           |

NOTE 15. SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 28, 2021, the date which the financial statements were available to be issued. The District is not aware of any subsequent events that materially impact the financial statements.

SUPPLEMENTARY INFORMATION

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

|   | Budgeted<br>Amounts<br>Final | Actual<br>Amounts<br>(GAAP<br>Basis) | Variance<br>With<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------------|--------------------------------------|--|
| <u>Revenues</u>   |                              |                                      |  |
| Property Taxes  | \$ 889,755                   | \$ 894,193                           | \$ 4,438   |
| Penalty & Interest  | 5,500                        | 8,723                                | 3,223  |
| Interest on Investments   | 3,500                        | 6,593                                | 3,093  |
| Appraisal District Refund/Other   | 59,000                       | 62,083                               | 3,083  |
| Sales Tax   | 325,000                      | 489,458                              | 164,458  |
| Contributions - Permian Pipeline  | -                            | 172,000                              | 172,000  |
| Total Revenues  | <u>\$ 1,282,755</u>          | <u>\$ 1,633,050</u>                  | <u>\$ 350,295</u>  |
| <u>Expenditures</u>   |                              |                                      |  |
| Appraisal District  | \$ 21,000                    | \$ 19,308                            | \$ 1,692   |
| Attorney Fees   | 14,000                       | 2,923                                | 11,077   |
| Bonds & Insurance   | 4,500                        | 1,947                                | 2,553  |
| Clerical & Auditing   | 8,000                        | 7,731                                | 269  |
| Memberships/Registration  | 100                          | -                                    | 100  |
| Postage & Box Rental  | 125                          | 81                                   | 44   |
| Publications & Notices  | 250                          | 114                                  | 136  |
| Office Supplies/Computer  | 1,050                        | 1,660                                | (610)  |
| Volunteer Fire Departments -  |                              |                                      |  |
| Johnson City VFD  | 167,239                      | 200,862                              | (33,623)   |
| Round Mountain VFD  | 73,750                       | 63,354                               | 10,396   |
| Emergency Medical Services -  |                              |                                      |  |
| North Blanco County EMS   | 544,550                      | 519,201                              | 25,349   |
| Board Training  | 3,000                        | 2,412                                | 588  |
| Debt Service -  |                              |                                      |  |
| Principal   | -                            | 12,325                               | (12,325)   |
| Interest  | -                            | 4,273                                | (4,273)  |
| Capital Outlay  | 80,289                       | 75,074                               | 5,215  |
| Total Expenditures  | <u>\$ 917,853</u>            | <u>\$ 911,265</u>                    | <u>\$ 6,588</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures                | \$ 364,902                   | \$ 721,785                           | \$ 356,883   |
| Other Financing Sources (Uses) -  |                              |                                      |  |
| Transfers Out   | <u>(800,000)</u>             | <u>(626,480)</u>                     | <u>173,520</u>   |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures and Other Uses | (435,098)                    | 95,305                               | 530,403  |
| Fund Balance - October 1, 2019  | <u>930,323</u>               | <u>930,323</u>                       | <u>-</u>   |
| Fund Balance - September 30, 2020   | <u>\$ 495,225</u>            | <u>\$ 1,025,628</u>                  | <u>\$ 530,403</u>  |

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

|   | Year Ended December 31 |           |
|---|------------------------|-----------|
|   | 2019                   | 2018      |
| <b>Total Pension Liability</b>                              |                        |           |
| Service Cost  | \$ 18,367              | \$ 1,355  |
| Interest on Total Pension Liability                         | 1,598                  | 110       |
| Effect of Plan Changes                                      | -                      | -         |
| Effect of Assumption Changes or Inputs                      | -                      | -         |
| Effect of Economic/Demographic (Gains) or Losses            | 6,745                  | (109)     |
| Benefit Payments/Refunds of Contributions                   | -                      | -         |
| Net Change in Total Pension Liability                       | \$ 26,710              | \$ 1,356  |
| Total Pension Liability, Beginning                          | 1,356                  | -         |
| Total Pension Liability, Ending (a)                         | \$ 28,066              | \$ 1,356  |
| <b>Fiduciary Net Position</b>                               |                        |           |
| Employer Contributions                                      | \$ 8,678               | \$ 595    |
| Member Contributions  | 16,070                 | 1,104     |
| Investment Income Net of Investment Expenses                | 265                    | 19        |
| Benefit Payments/Refunds of Contributions                   | -                      | -         |
| Administrative Expenses                                     | (21)                   | (1)       |
| Other   | 851                    | 51        |
| Net Change in Fiduciary Net Position                        | \$ 25,843              | \$ 1,768  |
| Fiduciary Net Position, Beginning                           | 1,768                  | -         |
| Fiduciary Net Position, Ending (b)                          | \$ 27,611              | \$ 1,768  |
| Net Pension Liability/(Asset), Ending = (a) – (b)           | \$ 454                 | \$ (412)  |
| Fiduciary Net Position as a %<br>of Total Pension Liability | 98.38%                 | 130.40%   |
| Pensionable Covered Payroll                                 | \$ 401,746             | \$ 27,599 |
| Net Pension Liability as a % of Covered Payroll             | 0.11%                  | -1.49%    |

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.*

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
 SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS -  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

| Year Ending<br>December 31 | Actuarially<br>Determined<br>Contribution <sup>(1)</sup> | Actual<br>Employer<br>Contribution <sup>(1)</sup> | Contribution<br>Deficiency<br>(Excess) | Pensionable<br>Covered<br>Payroll <sup>(2)</sup> | Actual<br>Contribution<br>as a % of<br>Covered Payroll |
|----------------------------|--|---|--|--|--|
| 2010                       | \$ -   | \$ -  | \$ -                                   | \$ -   | \$ -   |
| 2011                       | -  | -   | -                                      | -  | -  |
| 2012                       | -  | -   | -                                      | -  | -  |
| 2013                       | -  | -   | -                                      | -  | -  |
| 2014                       | -  | -   | -                                      | -  | -  |
| 2015                       | -  | -   | -                                      | -  | -  |
| 2016                       | -  | -   | -                                      | -  | -  |
| 2017                       | -  | -   | -                                      | -  | -  |
| 2018                       | 596  | 596   | -                                      | 27,599   | 2.20%  |
| 2019                       | 8,678  | 8,678   | -                                      | 401,746  | 2.20%  |

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> Payroll is calculated based on contributions as reported to TCDRS.

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2020

**Valuation Date:**

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.

**Methods and assumptions used to determine contribution rates:**

|   |   |
|---|---|
| Actuarial Cost Method   | Entry Age   |
| Amortization Method   | Level percentage of payroll, closed   |
| Remaining Amortization Period   | 4.7 years (based on contribution rate calculated in 12/31/2019 valuation)   |
| Asset Valuation Method  | 5-year smoothed market  |
| Inflation   | 2.75%   |
| Salary Increases  | Varies by age and service. 4.9% average over career including inflation.  |
| Investment Rate of Return   | 8.00%, net of administrative and investment expenses, including inflation   |
| Retirement Age  | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.   |
| Mortality   | 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 100% of the MP-2014 Ultimate scale after 2014.   |
| Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions* | 2015: New inflation, mortality and other assumptions were reflected.<br><br>2017: New mortality assumptions were reflected.   |
| Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*         | 2015: No changes in plan provisions were reflected in the Schedule.<br><br>2016: No changes in plan provisions were reflected in the Schedule.<br><br>2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.<br><br>2018: No changes in plan provisions were reflected in the Schedule.<br><br>2019: No changes in plan provisions were reflected in the Schedule. |

\* Only changes effective 2015 and later are shown in the Notes to Schedule.



# NEFFENDORF & BLOCKER, P.C.

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June 28, 2021

To the Board of Emergency Services Commissioners  
North Blanco County Emergency Services District No. 1  
Johnson City, TX 78636

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of North Blanco County Emergency Services District No. 1 for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Blanco County Emergency Services District No. 1 are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 28, 2021.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Current Year Recommendations

#### Capital Assets Transferred from Other Entities

The District received capital assets by transfer from other entities. The capital assets transferred should be recorded on the District's general ledger at cost or estimated cost.

#### Budget to Actual Comparison

The District's monthly financial statements should include a comparison of the budget to actual results for revenues and expenditures.

#### Budget Amendments

Upon approval of budget amendments by the board in the minutes, the budget to actual comparisons should reflect separate columns for the original budget and then the amended budget. Major capital equipment purchases and capital improvements (Round Mountain VFD Building) should be adopted as separate line items in the budget along with the source of funds for purchasing or construction (for example - loans, use of surplus funds, etc.).

This information is intended solely for the use of the Board of Directors and management of North Blanco County Emergency Services District No. 1 and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Neffendorf & Blocker, P.C.*

NEFFENDORF & BLOCKER, P.C.  
Fredericksburg, Texas