

*REPORT OF EXAMINATION*

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

*Johnson City, Texas*

**For the Year Ended  
September 30, 2019**

NORTH BLANCO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express 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.

## 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, 2019, 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.

## Emphasis of Matter

As discussed in Note 9 to the financial statements, the District joined the Texas County and District Retirement System in October, 2017. The District implemented the measurement criteria and reporting provisions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7 and the budgetary comparison information on page 25 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 & Knopp, P.C.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

May 28, 2020

## 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, 2019. 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 \$1,382,825 (net position). Of this amount, \$960,015 (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 \$529,630 as a result of this year's operations.
- At September 30, 2019, the District's general fund reported an ending fund balance of \$930,323, an increase of \$158,640 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 25.

## **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 \$853,195 to \$1,382,825. 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 \$960,015 at September 30, 2019. This increase in governmental net position was the result of five factors. First, the District's revenues exceeded the expenditures by \$158,640. 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 \$360,927. Fourth, the District recorded depreciation expense in the amount of \$3,117. Fifth, the District recorded the net pension asset accounts in relation to TCDRS in the amount of \$6,700.

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

	Governmental Activities	
	2019	2018
Current and Other Assets	\$ 988,398	\$ 838,325
Capital Assets	422,810	65,000
Net Pension Asset	412	-
Total Assets	\$ 1,411,620	\$ 903,325
Deferred Outflow of Resources	\$ 6,388	\$ -
Long-Term Liabilities	\$ -	\$ -
Current Liabilities	35,083	50,130
Total Liabilities	\$ 35,083	\$ 50,130
Deferred Inflow of Resources	\$ 100	\$ -
Net Position:		
Invested in Capital Assets		
Net of Related Debt	\$ 422,810	\$ 65,000
Unrestricted	960,015	788,195
Total Net Position	\$ 1,382,825	\$ 853,195

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

**CHANGES IN NET POSITION**

	Governmental Activities	
	2019	2018
Revenues:		
Maintenance & Operations Taxes	\$ 832,564	\$ 753,386
Investment Earnings	3,088	4,006
Miscellaneous	51,844	1,045
Sales Tax	364,392	286,061
Total Revenues	\$ 1,251,888	\$ 1,044,498
Expenses:		
Johnson City VFD	\$ 144,975	\$ 267,920
Round Mountain VFD	101,916	57,942
North Blanco County EMS	438,101	638,750
Appraisal District	18,693	20,383
Professional Fees	10,058	4,738
Other Operating	5,398	2,574
Depreciation	3,117	
Total Expenses	\$ 722,258	\$ 992,307
Net Income	\$ 529,630	\$ 52,191

**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 \$930,323, which is more than last year's total of \$771,683. Revenues were more than expenditures by \$158,640 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, 2019, the District had the following capital assets in operation:

#### Capital Assets at Year End

	<u>9/30/19</u>
Land & Building	\$ 425,927
Computers	<u>1,134</u>
TOTAL CAPITAL ASSETS	\$ 427,061
Accumulated Depreciation	<u>(4,251)</u>
TOTAL NET CAPITAL ASSETS	<u>\$ 422,810</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, 2019, the District did not have any outstanding debt.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2020 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 \$1,249,667 and expenditures are estimated to be \$840,253.

If these estimates are realized, the District's budgetary General fund balance is expected to increase by the close of 2020.

## 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, 2019

	General Fund	Total	Adjust- ments (Note 3)	Statement of Net Position September 30,	
				2019	2018
<b>ASSETS</b>					
Cash in Bank	\$ 495,522	\$ 495,522	\$ -	\$ 495,522	\$ 331,987
Certificates of Deposit	437,863	437,863	-	437,863	465,540
Receivables:					
Taxes	24,202	24,202	-	24,202	17,381
Allowance for Uncollectible Accounts	(1,210)	(1,210)	-	(1,210)	(869)
Appraisal District/Sales Tax	32,021	32,021	-	32,021	24,286
Capital Assets (Net of Accumulated Depreciation)	-	-	422,810	422,810	65,000
Net Pension Asset	-	-	412	412	-
<b>Total Assets</b>	<b>\$ 988,398</b>	<b>\$ 988,398</b>	<b>423,222</b>	<b>1,411,620</b>	<b>903,325</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred Outflows Related to TCDRS	-	-	6,388	6,388	-
<b>LIABILITIES</b>					
Accounts Payable	35,083	35,083	-	35,083	50,130
<b>Total Liabilities</b>	<b>35,083</b>	<b>35,083</b>	<b>-</b>	<b>35,083</b>	<b>50,130</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Unavailable Revenues - Property Taxes	22,992	22,992	(22,992)	-	-
Deferred Inflows Related to TCDRS	-	-	100	100	-
<b>Total Deferred Inflow of Resources</b>	<b>22,992</b>	<b>22,992</b>	<b>(22,892)</b>	<b>100</b>	<b>-</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Unassigned	930,323	930,323	(930,323)	-	-
Total Fund Balances	930,323	930,323	(930,323)	-	-
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 988,398</b>	<b>\$ 988,398</b>			
<b>Net Position:</b>					
Invested in Capital Assets			422,810	422,810	65,000
Unrestricted			960,015	960,015	788,195
<b>Total Net Position</b>			<b>\$ 1,382,825</b>	<b>\$ 1,382,825</b>	<b>\$ 853,195</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, 2019

	General		Adjustments (Note 3)	Statement of Activities September 30,	
	Fund	Total		2019	2018
<u>Revenues:</u>					
Property Taxes	\$ 818,631	\$ 818,631	\$ 6,480	\$ 825,111	\$ 745,156
Penalty and Interest	7,453	7,453	-	7,453	8,230
Interest on Investments	3,088	3,088	-	3,088	4,006
Appraisal District Refund/Other	51,844	51,844	-	51,844	1,045
Sales Tax	364,392	364,392	-	364,392	286,061
Total Revenues	<u>1,245,408</u>	<u>1,245,408</u>	<u>6,480</u>	<u>1,251,888</u>	<u>1,044,498</u>
<u>Expenditures/Expenses:</u>					
Salary- EMS	275,804	275,804	-	275,804	-
Payroll Tax - EMS	88,546	88,546	-	88,546	-
Worker's Comp - EMS	11,339	11,339	-	11,339	-
Health Insurance - EMS	27,048	27,048	-	27,048	-
Retirement - EMS	8,583	8,583	(6,700)	1,883	-
Payroll Expense - EMS	2,077	2,077	-	2,077	-
Appraisal District	18,693	18,693	-	18,693	20,383
Attorney Fees	4,858	4,858	-	4,858	640
Bonds and Insurance	2,172	2,172	-	2,172	840
Clerical and Auditing	5,200	5,200	-	5,200	4,738
Postage and Box Rent	71	71	-	71	56
Publications and Notices	158	158	-	158	98
Office/Computer	870	870	-	870	940
Conferences	2,127	2,127	-	2,127	-
Volunteer Fire Departments -					
Johnson City VFD	144,975	144,975	-	144,975	267,920
Round Mountain VFD	101,916	101,916	-	101,916	57,942
Emergency Medical Services -					
North Blanco County EMS	31,404	31,404	-	31,404	638,750
Capital Outlay	360,927	360,927	(360,927)	-	-
Depreciation	-	-	3,117	3,117	-
Total Expenditures/Expenses	<u>1,086,768</u>	<u>1,086,768</u>	<u>(364,510)</u>	<u>722,258</u>	<u>992,307</u>
Excess (Deficiency) of Revenues over Expenditures	158,640	158,640	(158,640)		-
Change in Net Position			529,630	529,630	52,191
<u>Fund Balance/Net Position:</u>					
Beginning of the Year	771,683	771,683	81,512	853,195	801,004
End of the Year	<u>\$ 930,323</u>	<u>\$ 930,323</u>	<u>\$ 452,502</u>	<u>\$ 1,382,825</u>	<u>\$ 853,195</u>

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, 2019

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>
Computer	5

3. 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).

4. Budget

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

5. 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.

6. 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 TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

7. 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	\$ 930,323
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 \$66,134 and the accumulated depreciation was \$1,134. The effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	65,000
2. The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,117)
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 2019 capital outlays is to increase net position.	360,927
4. Reclassification of deferred revenues for property taxes to revenues in the government-wide statements (convert from modified accrual basis to accrual basis)	22,992
5. Deferred outflow of resources related to pension is not recorded in the fund financial statements.	6,388
6. Net pension asset is not recorded in the fund financial statements.	412
7. Deferred inflows of resources related to pension is not recorded in the fund financial statements.	(100)
Net Position of Governmental Activities	<u>\$ 1,382,825</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	\$ 158,640
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 2019 capital outlays is to increase net position.	360,927
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.	(3,117)
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).	6,480
4. Change in net pension asset and related accounts is not recorded on the governmental funds.	<u>6,700</u>
Change in Net Position of Governmental Activities	<u>\$ 529,630</u>

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, 2019, the carrying amount of the District's deposits was \$495,522 and the bank balance was \$495,522. The District's cash deposits at September 30, 2019 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, 2019, are shown below:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
Certificates of Deposit -				
Johnson City Bank	\$ 247,317	\$ 247,317	\$ -	\$ 500,000
Bandera Bank	-	-	-	- 0 -
Lone Star Capital Bank	190,546	190,546	-	- 0 -
TOTAL	<u>\$ 437,863</u>	<u>\$ 437,863</u>	<u>\$ -</u>	<u>- 0 -</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, 2019, 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 2018 tax roll, the tax rate was \$0.10 per \$100 valuation and the total property valuation was \$829,154,000. A summary of taxes receivable by years appears below:

Tax Roll	Taxes Receivable 10/01/18	Taxes Assessed	Collections and Adjustments	Taxes Receivable 9/30/19
2018	\$ -	\$ 829,154	\$ 811,418	\$ 17,736
2017	12,000	-	8,476	3,524
2016	2,197	-	1,067	1,130
2015	1,319	-	484	835
2014	1,269	-	687	582
2013	156	-	86	70
2012 & Prior	440	-	115	325
Totals	<u>\$ 17,381</u>	<u>\$ 829,154</u>	<u>\$ 822,333</u>	<u>\$ 24,202</u>

**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, 2019, the District paid \$144,975 to the Johnson City VFD (monthly budgeted expenditures of \$144,975) and \$101,916 to the Round Mountain VFD (\$57,769 budgeted expenditures, \$22,500 First Responder Truck and \$21,647 loan for Brush Truck).

The District has contracted with the North Blanco County EMS for emergency medical services. For the year ended September 30, 2019 the District paid \$31,404 to the North Blanco County EMS (monthly budgeted expenditures of \$31,404).

**NOTE 8. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year September 30, 2019, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities -				
Land & Building	\$ 65,000	\$ 360,927	\$ -	\$ 425,927
Computer	1,134	-	-	1,134
Totals	\$ 66,134	\$ 360,927	\$ -	\$ 427,061
Less Accumulated Depreciation	(1,134)	(3,117)	-	(4,251)
Capital Assets, Net	\$ 65,000	\$ 357,810	\$ -	\$ 422,810

**NOTE 9. EMPLOYEE RETIREMENT PLAN**

**Plan Description**

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. 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.
- b. A brief description of 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, 4% 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 125%) 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 January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The North Blanco County Emergency Services District No. 1 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 4%. Contributions to the pension plan from the district for 2018 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

*Members covered by benefit terms.*

At the December 31, 2018 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	0
Active employees	<u>10</u>
	10

**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 that is 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 2018 is the rate of 4% 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 September 30, 2019 were \$6,944, and were equal to the required contributions.

**Net Pension Liability**

The District's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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 (1)
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, 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	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.
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: 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 January 2019 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 <sup>(1)</sup>	Geometric Real Rate of Return <sup>(2)</sup>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	18.00%	8.40%
Global Equities	MSCI World (Net) Index	2.50%	5.70%
International Equities – Developed Markets	MSCI World Ex USA (Net) Index	10.00%	5.40%
International Equities – Emerging Markets	MSCI Emerging Markets (Net) Index	7.00%	5.90%
Investment – Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/ LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (Net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

<sup>(1)</sup> Target asset allocation adopted at the April 2019 TCDRS Board meeting

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 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%. 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)	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ (Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2017	\$ -	\$ -	\$ -
Changes for the Year:			
Service Cost	1,355		1,355
Interest on Total Pension Liability <sup>(1)</sup>	110		110
Effect of Plan Changes <sup>(2)</sup>			
Effects of Economic/Demographic - Gains or Losses	(109)		(109)
Effect of Assumptions Changes or Inputs			
Refund of Contributions			
Administrative Expenses		(1)	1
Member Contributions		1,104	(1,104)
Net Investment Income		19	(19)
Employer Contributions		596	(596)
Other <sup>(3)</sup>		50	(50)
Balances as of December 31, 2018	\$ <u>1,356</u>	\$ <u>1,768</u>	\$ <u>(412)</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 district, 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.

	<u>1% Decrease</u> 7.10%	<u>Current Discount Rate</u> 8.10%	<u>1% Increase</u> 9.10%
Total Pension Liability	\$ 1,641	\$ 1,356	\$ 1,149
Fiduciary Net Position	<u>1,768</u>	<u>1,768</u>	<u>1,768</u>
Net Pension Liability/(Asset)	<u>\$ (127)</u>	<u>\$ (412)</u>	<u>\$ (619)</u>

**Pension Expense / (Income)**

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2018 to December 31, 2018</u>
Service Cost	\$ 1,355
Interest on Total Pension Liability <sup>(1)</sup>	110
Effect of Plan Changes	-
Administrative Expenses	1
Member Contributions	(1,104)
Expected Investment Return Net of Investment Expenses	(69)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(9)
Recognition of Assumption Changes or Inputs	-
Recognition of Investment Gains or Losses	10
Other <sup>(2)</sup>	(51)
Pension Expense/(Income)	<u>\$ 243</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, 2018, the deferred inflows and outflows of resources are as follows:

<b>Deferred Inflows / Outflows of Resources</b>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 100	\$ 0
Changes of assumptions	-	0
Net difference between projected and actual earnings	-	40
Contributions made subsequent to measurement date	N/A	6,348

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 December 31</u>	
2019	\$ 1
2020	1
2021	1
2022	1
2023	(9)
Thereafter <sup>(1)</sup>	(55)

*(1) 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 10. 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, 2019, the District collected \$364,392 in sales tax.

**NOTE 11. EXCESS OF EXPENDITURES OVER BUDGET**

Actual expenditures exceeded the budgeted amounts for two line items (Capital Outlay and North Blanco County EMS) and in total.

**NOTE 12. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through May 28, 2020, 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, 2019

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
	<u>Revenues</u>			
Property Taxes	\$ 809,990	\$ 809,990	\$ 818,631	\$ 8,641
Penalty & Interest	5,500	5,500	7,453	1,953
Interest on Investments	3,500	3,500	3,088	(412)
Appraisal District Refund/Other	56,000	56,000	51,844	(4,156)
Sales Tax	250,000	250,000	364,392	114,392
Total Revenues	<u>\$ 1,124,990</u>	<u>\$ 1,124,990</u>	<u>\$ 1,245,408</u>	<u>\$ 120,418</u>
<u>Expenditures</u>				
Appraisal District	\$ 21,000	\$ 21,000	\$ 18,693	\$ 2,307
Attorney Fees	6,000	6,000	4,858	1,142
Bonds & Insurance	2,000	2,000	2,172	(172)
Clerical & Auditing	8,000	8,000	5,200	2,800
Memberships/Registration	100	100	-	100
Postage & Box Rental	125	125	71	54
Publications & Notices	250	250	158	92
Office Supplies/Computer	1,200	1,200	870	330
Internet	850	850	-	850
Volunteer Fire Departments -				
Johnson City VFD	197,128	197,128	144,975	52,153
Round Mountain VFD	87,050	87,050	101,916	(14,866)
Emergency Medical Services -				
North Blanco County EMS	539,124	539,124	444,801	94,323
Board Training	3,000	3,000	2,127	873
Contract Labor	-	-	-	-
Capital Outlay	-	-	360,927	(360,927)
Total Expenditures	<u>\$ 865,827</u>	<u>\$ 865,827</u>	<u>\$ 1,086,768</u>	<u>\$ (220,941)</u>
Excess of (Deficit) Revenues Over (Under) Expenditures	\$ 259,163	\$ 259,163	\$ 158,640	\$ (100,523)
Fund Balance - October 1, 2018	<u>771,683</u>	<u>771,683</u>	<u>771,683</u>	<u>-</u>
Fund Balance - September 30, 2019	<u>\$ 1,030,846</u>	<u>\$ 1,030,846</u>	<u>\$ 930,323</u>	<u>\$ (100,523)</u>