

**Bastrop County  
Emergency Services District No. 2  
Financial Statements  
September 30, 2020**

Bastrop County Emergency Services District No. 2  
For the year ending September 30, 2020

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# MEDACK & OLTMANN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Bastrop County Emergency Services District No. 2

We have audited the accompanying financial statements of the governmental activities of Bastrop County Emergency Services District No. 2, as of and for the year ending 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Bastrop County Emergency Services District No. 2, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

*Accounting* principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of employer contributions on pages 3 through 8 and pages 29 through 32 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.

*Medack & Olthmann, LLP*

Medack & Olthmann, LLP  
Giddings, Texas  
April 27, 2021



## **BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2**

POST OFFICE BOX 1747 • BASTROP • TEXAS • 78602

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This is the discussion and analysis of the Bastrop County Emergency Services District Number 2 for the year ending September 30, 2020. This year is the thirteenth year of full operations.

Citizens and taxpayers want a clear picture of the financial health of their governments, which include Emergency Services Districts. They also want to know how their tax dollars were spent and how much it costs to provide major services such as firefighting, fire prevention and rescue services. The concept of financial accountability of elected or appointed officials is reflected in the standards adopted by the Governmental Accounting Standards Board (GASB) for annual financial reporting.

This Management Discussion and Analysis (MD&A) is composed with the GASB concepts in mind. Please read it in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- *The District's total net position for the fiscal year was \$ 7,078,077.*
- *Change in net position from current operations was an increase of \$ 8,538. This resulted in cash reserves of \$ 1,301,466 at the end of the fiscal year.*
- *The District purchased (2) 2020 3,000 Gallon Tankers for \$ 499,006, which was financed in part of \$ 926,006 with Classic Bank.*

### **Using This Annual Report**

This annual report consists of two financial statements. GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. These combined statements appear on pages 9 and 10. The first column is the only Governmental Fund, the General Fund. The second column is an adjustments column, reconciling the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

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

The Statement of Net Position and the Statement of Activities present information about the District as a whole. These statements (as reported in the last column of each of the statements) include all of the District's assets and liabilities, utilizing the accrual basis of accounting which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two columns report the District's net position and changes in them. The difference between assets and liabilities, net position, are one way to measure the District's financial health. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other non-financial factors such as changes in the District's property tax base must also be considered in an assessment of the overall financial health of the District.

The statement of activities, also included on page 10, presents information showing how the District's net position changed during the most recent twelve-month period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District may establish other funds to help in control and manage money for particular purposes or to show that it is meeting its legal responsibilities for using certain taxes, grants, and other money. These funds are reported using an accounting method called the Modified Accrual accounting which measures cash and all other financial assets that can be readily converted to cash.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare that information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The District only reports using one fund that being the General Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## The District as a Whole

Governmental activities increased the Department's net position by \$ 8,538. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the Department's governmental activities.

**Table 1**  
**Governmental Activities**  
**Net Position**

	9/30/2020	9/30/2019
<b>Assets:</b>		
Current Assets	\$ 1,435,724	\$ 663,505
Other Assets	-	5,193
Capital Assets	6,551,794	6,989,335
Total Assets	<u>\$ 7,987,518</u>	<u>\$ 7,658,033</u>
 <b>Deferred Outflows of Resources</b>	 \$ 37,193	 \$ 22,912
 <b>Liabilities</b>		
Current Liabilities	\$ 130,765	\$ 205,671
Long Term Liabilities	811,340	402,096
Total Liabilities	<u>\$ 942,105</u>	<u>\$ 607,767</u>
 <b>Deferred Inflows of Resources</b>	 \$ 4,529	 \$ 3,639
 <b>Net Position:</b>		
Net Investment in Capital Assets	\$ 6,081,778	\$ 6,699,705
Unrestricted	996,299	369,834
Restricted	-	-
Total Net Position	<u>\$ 7,078,077</u>	<u>\$ 7,069,539</u>

**Table 2**  
**Changes in Net Position**

	9/30/2020	9/30/2019
<b>Revenues:</b>		
Ad Valorem Taxes	\$ 1,506,209	\$ 1,327,610
Penalty & Interest Taxes	23,757	30,477
Grants & Donations	3,308	21,807
Fire Rescue	8,458	28,370
Interest	14,129	27,064
Miscellaneous	95,119	7,823
Total Revenues	<u>\$ 1,650,980</u>	<u>\$ 1,443,151</u>
<b>Expenses:</b>		
Tax Collector/Appraisal Fees	\$ 68,052	\$ 66,235
Insurance & Bonds	35,993	35,252
Professional Services	21,025	30,989
Fire Fighter Wellness Program	5,037	-
Miscellaneous	11,357	25,914
Communications	12,274	17,054
Utilities	21,413	18,240
Accounting/Bookkeeping	24,673	20,881
Travel & Training	27,572	32,751
Uniforms	7,762	9,266
Supplies	93,794	141,277
Dues, Subscription & Publications	12,409	3,409
Maintenance and Repairs	161,337	157,402
Salaries and Related Benefits	785,886	495,656
Pension-Volunteers	2,160	2,117
Depreciation	444,531	425,994
Interest Expense	31,671	15,216
Total Expense	<u>\$ 1,766,946</u>	<u>\$ 1,497,653</u>
<b>Gain (Loss) from Disposal of Assets</b>	124,504	1,684
<b>Changes In Net Position:</b>	8,538	(52,818)
Net Position-Beginning	<u>\$ 7,069,539</u>	<u>\$ 7,122,357</u>
Net Position- Ending	<u>\$ 7,078,077</u>	<u>\$ 7,069,539</u>



## Capital Asset and Debt Administration

### Capital Assets:

At the end of the fiscal year September 30, 2020, capital assets are as follows:

	Balance 09/30/2019	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	302,274	-	-	302,274
Construction in Progress	39,355	-	(39,355)	-
Total capital assets not being depreciated	341,629	-	(39,355)	302,274
Capital assets, being depreciated				
Vehicles	3,438,546	531,525	(1,302,537)	2,667,534
Equipment	692,944	45,441	(38,352)	700,033
Buildings and Structures	4,329,002	39,355	-	4,368,357
Total capital assets being depreciated	8,460,492	616,321	(1,340,889)	7,735,924
Total capital assets	8,802,121	616,321	(1,380,244)	8,038,198
Less accumulated depreciation for:				
Vehicles	1,362,045	244,134	(733,479)	872,700
Equipment	208,536	74,682	(37,434)	245,784
Buildings and Structures	242,205	125,715	-	367,920
Total accumulated depreciation	1,812,786	444,531	(770,913)	1,486,404
Total capital assets, being depreciated, net	6,647,706	171,790	(569,976)	6,249,520
Governmental activities capital assets, net	6,989,335	171,790	(609,331)	6,551,794

Depreciation expense charged to the general fund was \$ 444,531.

More detailed information about the District's Capital Assets is presented in Note 4 of the financial statements.

### Debt:

The District had one loan and one lease from Classic Bank and one lease agreement with Community Leasing:

- Original loan from Classic Bank of \$ 355,288 with an interest rate of 2.743% for the purchase of fire apparatus, maturing February 2022, this loan was paid off in the current fiscal year.
- Lease agreement with Classic Bank of \$ 926,006, interest rate of 2.5% for the purchase of fire apparatus, maturing September 2029.
- Lease agreement with Community Leasing of \$ 185,246, interest rate of 4.02% for the purchase of SCBA units maturing October 2022, this lease was paid off in the current fiscal year.

The fire apparatus are pledged as collateral for the outstanding debt. More detailed information about the District's Debt is presented in Note 5 of the financial statements.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the year ending September 30, 2020, the District's total fund balance was \$ 1,256,408.

### **Budgetary Highlights**

The Department's annual budget includes estimated revenues and expenditures. The annual budget is a line-item document that allows the Board of Commissioners a high degree of control over Department expenditures.

During the year, the board amended the original budget, while overall revenues did not change, overall expenditures increased by \$ 408,810 (27.96%).

The Department's 2020 budget resulted in actual expenditures more than the final budget amounts by \$604,478, while revenues were more than the budgeted amounts by \$ 205,237, mainly due to money received from the Bastrop Wildfires and property taxes.

### **Currently Known Facts, Decisions, or Conditions**

Throughout the COVID pandemic the District continued to provide a high level of service and followed all recommended health and safety protocols.

This year the District hired three additional firefighters bringing the total to nine full-time firefighters. This allows the District to have three firefighters per 48-hour shift covering 24/7/365. The firefighters reside at the 1432 State Highway 95 North fire station.

The District currently has two lease purchase agreements for one fire engine and two 3000-gallon tenders. The remaining balance is approximately \$800,000.

The District is looking for property in our southern area for a future fire station to reduce response time for our constituents South of Highway 71.

### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kate Johnston, Treasurer  
Bastrop County ESD No. 2  
P.O. Box 1747  
Bastrop, Texas, 78602

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
GOVERNMENTAL FUNDS BALANCE SHEET AND  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

	General Fund	Adjustments (Note 8)	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 1,301,466	\$ -	\$ 1,301,466
Property Taxes Receivable	133,414	-	133,414
Prepaid Expenses	844	-	844
Capital Assets (net of accumulated depreciation)	-	6,551,794	6,551,794
<b>TOTAL ASSETS</b>	<u>\$ 1,435,724</u>	<u>\$ 6,551,794</u>	<u>\$ 7,987,518</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Amounts		\$ 37,193	\$ 37,193
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<u>\$ 37,193</u>	<u>\$ 37,193</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 25,183	\$ -	\$ 25,183
Payroll Liabilities	3,721	-	3,721
Accrued Wages	16,998	-	16,998
Accrued Interest	-	142	142
Long Term Liabilities - Due within one year	-	84,721	84,721
Long Term Liabilities - Due after one year	-	811,340	811,340
<b>TOTAL LIABILITIES</b>	<u>\$ 45,902</u>	<u>\$ 896,203</u>	<u>\$ 942,105</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 133,414	\$ (133,414)	\$ -
Deferred Pension Amounts	-	4,529	4,529
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 133,414</u>	<u>\$ (128,885)</u>	<u>\$ 4,529</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balances:			
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,256,408	(1,256,408)	-
<b>Total fund balances</b>	<u>1,256,408</u>	<u>(1,256,408)</u>	-
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,435,724</u>	<u>\$ -</u>	-
<b>Net Position:</b>			
Unrestricted		996,299	996,299
Net investment in capital assets		6,081,778	6,081,778
<b>Total Net Position</b>		<u>\$ 7,078,077</u>	<u>\$ 7,078,077</u>

See Accompanying Notes to the Financial Statements

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

	General Fund	Adjustments (Note 8)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Tax Collector/Appraisal District Fees	\$ 68,052	\$ -	\$ 68,052
Insurance & Bonds	35,993	-	35,993
Professional Services	21,025	-	21,025
Fire Fighter Wellness Program	5,037	-	5,037
Miscellaneous	11,357	-	11,357
Communications	12,274	-	12,274
Utilities	21,413	-	21,413
Accounting/Bookkeeping	24,673	-	24,673
Dues, Subscriptions and Publications	12,409	-	12,409
Maintenance and Repairs	161,337	-	161,337
Supplies	93,794	-	93,794
Salaries and Related Benefits	765,707	20,179	785,886
Travel & Training	27,572	-	27,572
Uniforms	7,762	-	7,762
Pension - Volunteers	2,160	-	2,160
Capital Outlay	576,966	(576,966)	-
Depreciation	-	444,531	444,531
Debt service:			
Principal	552,671	(552,671)	-
Interest	39,559	(7,888)	31,671
Total expenditures/expenses	<u>\$ 2,439,761</u>	<u>\$ (672,815)</u>	<u>\$ 1,766,946</u>
<b>PROGRAM REVENUES</b>			
Grants and Contributions	\$ 3,308	\$ -	\$ 3,308
Total Program Revenues	<u>\$ 3,308</u>	<u>\$ -</u>	<u>\$ 3,308</u>
Net Program Expense			1,763,638
<b>GENERAL REVENUES</b>			
Ad valorem taxes	1,486,940	19,269	1,506,209
Penalties and Interest	23,757	-	23,757
Fire Rescue	8,458	-	8,458
Interest Income	14,129	-	14,129
Bastrop Wildfire Settlement	78,985	-	78,985
Miscellaneous	16,134	-	16,134
Total general revenues	<u>\$ 1,628,403</u>	<u>\$ 19,269</u>	<u>\$ 1,647,672</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (808,050)	\$ 808,050	\$ -
<b>OTHER FINANCING SOURCES</b>			
Proceeds from the Sale of Assets	\$ 694,480	\$ (694,480)	\$ -
Proceeds from Loan	926,006	(926,006)	-
Gain from Sale/Disposal of Assets	-	124,504	124,504
Total Other Financing Sources	<u>\$ 1,620,486</u>	<u>\$ (1,495,982)</u>	<u>\$ 124,504</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ 812,436	\$ (812,436)	
Change in net position	-	8,538	8,538
Fund Balance/Net Position			
Beginning of the year, as restated	<u>443,972</u>	<u>6,625,567</u>	<u>7,069,539</u>
End of the year	<u>\$ 1,256,408</u>	<u>\$ 5,821,669</u>	<u>\$ 7,078,077</u>

See Accompanying Notes to the Financial Statements

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

REPORTING ENTITY

The Bastrop County Emergency Services District No. 2 (the District) was created by Article III, Section 48-e of the Constitution of Texas as proposed by SJR, No. 27, Acts of the 70<sup>th</sup> Legislature, Regular Session 1987, and adopted by the voters at an election held November 6, 2007, to protect life and property from fire and to conserve natural and human resources.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

BASIS OF PRESENTATION

*Basic Financial Statements*

GASB sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District does not have any business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. However, the District does not have any program revenues for this fiscal period.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the general fund in the first column. The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

#### BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District did not consider all revenues as available if they are collected within 60

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

days after year-end and therefore collections were not booked. Expenditures are recorded when the related fund liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District' acquisition of net position applicable to a future reporting period.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

BUDGET

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of a motion in a public meeting.
3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year end.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The capitalization policy, i.e., the dollar value above which asset acquisitions are added to capital accounts, is \$ 5,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The range of estimated useful lives by type of asset is as follows:

Buildings and Structures	40 years
Vehicles	7-20 years
Other Equipment	10-20 years

The District does not own any infrastructure assets.

*Fund Financial Statements*

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

EQUITY CLASSIFICATIONS

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other government; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”



BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

COMPENSATED ABSENCES

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. As of the year end, the liability for accrued vacation reflects that time earned by the employees in the current year and any allowable carryover from prior periods.

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 Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by Texas County & District Retirement System (TCDRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2020, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Operating results in the future could vary from the amounts derived from management's estimates.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*,

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

NOTE 2: CASH

Deposits were with a contracted depository bank, First National Bank of Bastrop. As of year-end, deposits exceed FDIC coverage by \$ 1,050,336 in the aggregate of demand and time deposits. However, securities were pledged to cover this excess (Category 2) with a market value of \$ 2,089,840. At September 30, 2020, the carrying amount of the District's deposits was \$ 1,301,466 and the bank balance was \$ 1,300,336.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- Category 1 - Insured by FDIC or collateralized with securities held by the District or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized.

NOTE 3: PROPERTY TAXES

The District uses the Bastrop County Tax Assessor Collector to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. An enforceable lien is attached to the property as of January 1. The assessed value of the roll as of January 1, 2019, upon which the 2019 levy was based, was \$1,496,698,348, as certified by the Bastrop County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2019 levy was \$ 1,496,698 and the tax rate was \$ 0.10 per \$ 100 assessed valuation for 2019. Property taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 4: CAPITAL ASSETS

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

	Balance 09/30/2019	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	302,274	-	-	302,274
Construction in Progress	39,355	-	(39,355)	-
Total capital assets not being depreciated	341,629	-	(39,355)	302,274
Capital assets, being depreciated				
Vehicles	3,438,546	531,525	(1,302,537)	2,667,534
Equipment	692,944	45,441	(38,352)	700,033
Buildings and Structures	4,329,002	39,355	-	4,368,357
Total capital assets being depreciated	8,460,492	616,321	(1,340,889)	7,735,924
Total capital assets	8,802,121	616,321	(1,380,244)	8,038,198
Less accumulated depreciation for:				
Vehicles	1,362,045	244,134	(733,479)	872,700
Equipment	208,536	74,682	(37,434)	245,784
Buildings and Structures	242,205	125,715	-	367,920
Total accumulated depreciation, as restated	1,812,786	444,531	(770,913)	1,486,404
Total capital assets, being depreciated, net	6,647,706	171,790	(569,976)	6,249,520
Governmental activities capital assets, net	6,989,335	171,790	(609,331)	6,551,794

Depreciation expense charged to the government wide statements was \$ 444,531.

The District entered into a capital lease purchasing SCBA equipment. At September 30, 2020, the gross amount of the assets purchased was \$ 205,246 and accumulated amortization was \$ 30,862. Amortization expense is included in depreciation expense.

NOTE 5: LONG-TERM LIABILITIES

The District had one loan and one lease from Classic Bank:

- Original loan of \$ 355,288 with an interest rate of 2.743% for the purchase of fire apparatus, maturing February 2022, this loan was paid off in the current fiscal year.
- Original lease of \$ 926,006 with an interest rate of 2.5% for the purchase of fire apparatus, maturing September 2029.

The District had one lease from 1<sup>st</sup> Community National Bank:

- Original lease of \$ 185,246 with an interest rate of 4.02% for the purchase of SCBA units, maturing October 2022, this lease was paid off in the current fiscal year.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 5: LONG-TERM LIABILITIES (continued)

Transactions for the year ended September 30, 2020, are summarized as follows:

	Balance 9/30/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<u>Governmental Activities:</u>					
Notes Payable	\$ 284,770	\$ -	\$ 284,770	\$ -	\$ -
Capital Lease Obligations	185,246	926,006	267,900	843,352	84,721
Total Notes Payable & Capital Lease Obligations	\$ 470,016	\$ 926,006	\$ 552,670	\$ 843,352	\$ 84,721
Pension Liability	-	15,401	-	15,401	-
Compensated Leave Liability	24,332	12,976	-	37,308	-
Total	\$ 494,348	\$ 954,383	\$ 552,670	\$ 896,061	\$ 84,721

The annual aggregate maturities for years subsequent to September 30, 2020, are as follows:

<i>Capital Lease</i> September 30	Principal	Interest	Total
2021	84,721	21,084	105,804
2022	86,839	18,966	105,804
2023	89,009	16,795	105,804
2024	91,235	14,569	105,803
2025	93,516	12,289	105,804
2026-2030	398,033	25,184	423,217
Total	\$843,352	\$108,886	\$952,238

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN

*Plan Description.* Bastrop County Emergency Services District #2 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

a. 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, 6% 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 Jan. 1 each year, but must remain in conformity with the Act.

b. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Bastrop County Emergency Services District #2 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 6%. Contributions to the pension plan from the district for 2018 are Schedule of Employer Contributions

c. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

Employee membership data related to the Plan, as of the valuation date of December 31, 2019, was as follows:

Members	Dec. 31, 2018	Dec. 31, 2019
Number of inactive employees entitled to but not yet receiving benefits	1	1
Number of active employees	5	8
Average monthly salary:	\$ 4,382	\$ 3,953
Average age:	33.73	32.66
Average length of service in years:	4.05	3.25
<u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		
Number of benefit recipient:	0	0
Average monthly benefit:	\$0	\$0

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (continued)

Net Pension Liability

The District's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	
	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
<b>Asset Valuation Method</b>	
	Smoothing period
	5 years
	Recognition method
	Non-asymptotic
	Corridor
	None
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	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.
<b>Investment Rate of Return</b>	8.10%
<b>Cost-of-Living Adjustments</b>	Cost-of-Living Adjustments for Bastrop County Emergency Services District #2 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.
<b>Retirement Age</b>	Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility.
	<i>(For all eligible members ages 75 and later, retirement is assumed to occur immediately.)</i>
<b>Turnover</b>	Same as funding valuation
<b>Mortality</b>	

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 115% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (continued)

Long-Term Expected Rate of Return

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 long-term 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>
US Equities	Dow Jones US 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 Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities – Emerging Markets	MSCI Emerging Markets Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-.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% 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%

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (continued)

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2018	December 31, 2019
Total pension liability	\$ 85,515	\$ 157,021
Fiduciary net position	90,708	141,620
Net pension liability/(asset)	(5,193)	15,401
Fiduciary net position as a % of total pension liability	106.07%	90.19%
Pensionable covered payroll <sup>(1)</sup>	\$ 262,894	\$ 305,816
Net pension liability as a % of covered payroll	(1.98%)	5.04%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

*Note: Rounding differences may exist above or in other tables in this report.*

*(1) Payroll is calculated based on contributions as reported to TCDRS.*

Discount Rate		
Discount rate <sup>(2)</sup>	8.10%	8.10%
Long-term expected rate of return, net of investment expense <sup>(2)</sup>	8.10%	8.10%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

*(2) This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.*

*(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.*



BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (continued)

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability/(Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balances as of December 31, 2018	\$ 85,515	\$ 90,708	\$ (5,193)
<i>Changes for the year:</i>			
Service cost	26,749		26,749
Interest on total pension liability <sup>(1)</sup>	9,093		9,093
Effect of plan changes <sup>(2)</sup>	33,227		33,227
Effect of economic/demographic gains or losses	2,437		2,437
Effect of assumptions changes or inputs	0		0
Refund of contributions	0	0	0
Benefit payments	0	0	0
Administrative expenses		(108)	108
Member contributions		18,349	(18,349)
Net investment income		14,861	(14,861)
Employer contributions		16,595	(16,595)
Other <sup>(3)</sup>	0	1,216	(1,216)
Balances as of December 31, 2019	\$ 157,021	\$ 141,620	\$ 15,401

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

(2) No plan changes valued.

(3) 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 ESD net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	\$ 194,228	\$ 157,021	\$ 127,321
Fiduciary Net Position	141,620	141,620	141,620
Net pension liability/(asset)	\$ 52,608	\$ 15,401	(\$14,229)

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 6: PENSION PLAN (continued)

As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 2,928	\$ 10,139
Changes of assumption	508	40
Net difference between projected and actual earnings	1,093	0
Contributions made subsequent to measurement date	<u>N/A</u>	<u>27,014</u>
Totals	<u>\$ 4,529</u>	<u>\$ 37,193</u>

The \$ 27,014 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The remaining amounts currently reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended September 30:

2020	\$ 254
2021	95
2022	439
2023	(997)
2024	221
Thereafter <sup>(1)</sup>	5,638

*(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.*

Payable to the Pension Plan

At September 30, 2020, the District reported a payable of \$ 2,466 for the outstanding amount of employer and employee contributions to the pension plan required for the year ended September 30, 2020.

NOTE 7: FUND BALANCE CLASSIFICATION

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below:

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 7: FUND BALANCE CLASSIFICATION (continued)

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

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as non-spendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 9.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The Health & Safety Code has established that the Board of Commissioners as being the highest official body authorized to assign fund balance amount for specific purposes. This authorization or removal of such authorization is generally achieved by a resolution of the Board.

As of September 30, 2020, the District has not adopted a minimum fund balance policy.

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS (continued)

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 8,038,198
Accumulated Depreciation	<u>(1,486,404)</u>
	<u>\$ 6,551,794</u>

The statement of net position includes as Deferred Outflows of Resources amounts that are permitted to be recognized as part of pension expense over a period of years in the governmental funds.

Deferred Outflows of Resources	\$ 37,024
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Interest on debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest payable	\$ 142
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The note payable applicable to the District's governmental activities was not due and payable in the current period and accordingly was not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of net position.

Due within one year	\$ 84,721
Due after one year	811,340

Taxes receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred revenue	\$ (133,414)
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deferred Inflows of Resources	\$ 4,529
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Differences between the Governmental Fund Operating Statement and the Statement of Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

Some expenses reporting in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Adjustment for Compensated Leave	\$ 12,976
Adjustment for Pension Asset	5,193
Adjustment for Pension Liability	15,401
Change in Deferred Inflows/Outflows related to Pension	<u>(13,391)</u>
Total adjustment	\$ 20,179

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS (continued)

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ (576,966)
Depreciation Expense	444,531

Repayment of note principal is reported as expenditure in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Payment of Note Principal	\$ (552,671)
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Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued interest was calculated for capital lease obligations.

Change in Accrued Interest	\$ (7,888)
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Because some property taxes will not be collected for several months after the district's fiscal year end, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$ 19,269
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In the statement of activities, only the net gain/(loss) on the sale of equipment is reported, whereas in the governmental funds, only the gross proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

Proceeds from Sale of Assets	\$ (694,480)
Gain from Sale/Disposal of Assets	124,504

The issuance of long-term debt provides current financial resources to governmental funds; however, this has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Financing Proceeds	\$ (926,006)
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NOTE 9: ANNEXATION

The City of Bastrop has the right to annex property within the District which could in the future result in a reduction of the total value of property within the District and therefore a reduction in the total tax revenue to be collected. For the year ending September 30, 2020, no such annexation had taken place nor has the District been made aware of any annexation in the near future.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 10: PRIOR PERIOD ADJUSTMENT TO NET POSITION

The financial statements have been restated to correct an error made in prior years. The error relates to an understatement of depreciation expense by \$ 180,386. Net position as of October 1, 2019 has been adjusted for the effect of the restatement on prior years. The correction has no effect on fund balances.

Net Position as of 9/30/2019, previously reported	\$ 7,249,925
Understatement of depreciation expense	<u>(180,386)</u>
Net Position, as restated	\$ 7,069,539

NOTE 11: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 12: BASTROP WILDFIRE SETTLEMENT

During the year, the District received a settlement from Asplundh Tree Services from the 2011 Bastrop Wildfires in the amount of \$ 78,985.

NOTE 13: SUBSEQUENT EVENT

Asset Acquisition

The District made a commitment for the purchase of AMI Fire Equipment subsequent to year end for \$41,879, which will be paid from existing District funds.

COVID-19

The Coronavirus (COVID-19) pandemic impacted the nation, leading to consumer uncertainties and financial setbacks for many businesses and individuals. COVID-19 may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. Management continues to monitor and evaluate the continually evolving environment associated with the virus. While it is not possible at this time to estimate the impact that COVID-19 will have on the District's operations, the pandemic could adversely affect the District's financial position and activities.

## Required Supplementary Information

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
BUDGET TO ACTUAL COMPARISON - GENERAL FUND  
FOR THE YEAR ENDING SEPTEMBER 30, 2020

	Budget		Actual Amounts	Variance
	Original	Final	Budgetary Basis	Favorable/ (Unfavorable)
<b>GENERAL REVENUES</b>				
Ad Valorem Taxes	\$ 1,416,474	\$ 1,416,474	\$ 1,486,940	\$ 70,466
Penalties and Interest	-	-	23,757	23,757
Grants and Contributions	-	-	3,308	3,308
Fire Rescue	10,000	10,000	8,458	(1,542)
Interest Income	-	-	14,129	14,129
Bastrop Wildfire Settlement	-	-	78,985	78,985
Miscellaneous	-	-	16,134	16,134
Total General Revenues	1,426,474	\$ 1,426,474	\$ 1,631,711	\$ 205,237
<b>EXPENDITURES/EXPENSES</b>				
Tax Collector/Appraisal District Fees	63,364	65,310	68,052	(2,742)
Insurance & Bonds	38,000	38,000	35,993	2,007
Professional Services	33,000	33,000	21,025	11,975
Fire Fighter Wellness Program	5,000	6,000	5,037	963
Miscellaneous	35,732	36,000	11,357	24,643
Communications	14,300	14,300	12,274	2,026
Utilities	21,000	21,000	21,413	(413)
Accounting/Bookkeeping	20,000	20,000	24,673	(4,673)
Dues, Subscriptions and Publications	5,000	10,948	12,409	(1,461)
Maintenance and Repairs	193,800	178,800	161,337	17,463
Supplies	111,800	113,300	93,794	19,506
Salaries and Related Benefits	644,865	711,245	765,707	(54,462)
Travel & Training	30,000	30,000	27,572	2,428
Uniforms	10,000	15,000	7,762	7,238
Pension - Volunteers	2,592	2,592	2,160	432
Capital Outlay	91,000	53,362	576,966	(523,604)
Debt Service:				
Principal	51,063	470,017	552,671	(82,654)
Interest	55,957	16,409	39,559	(23,150)
Total expenditures/expenses	\$ 1,426,473	\$ 1,835,283	\$ 2,439,761	\$ (604,478)
Excess (Deficiency) of revenues over expenditures	\$ 1	\$ (408,809)	\$ (808,050)	\$ (399,241)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Loan Proceeds	\$ -	\$ -	\$ 926,006	
Proceeds from the Sale of Assets	-	-	694,480	
Total other financing proceeds	\$ -	\$ -	\$ 1,620,486	
Change in fund balance	\$ 1	\$ (408,809)	812,436	
Fund Balance Beginning of the year			443,972	
End of the year			\$ 1,256,408	

See Accompanying Notes to the Financial Statements



Bastrop County Emergency Services District No. 2  
Schedule of Changes in Net Pension Liability and Related Ratios

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total Pension Liability</b>										
Service cost	\$ 26,749	\$ 25,705	\$ 14,836	\$ 18,323	\$ 7,023	\$ 5,822	N/A	N/A	N/A	N/A
Interest on total pension liability	9,093	6,451	3,505	1,766	740	231	N/A	N/A	N/A	N/A
Effect of plan changes	33,227	-	-	-	(791)	-	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	-	(571)	-	49	-	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	2,437	(583)	7,733	(3,028)	1,125	6	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	-	-	-	(2,828)	-	-	N/A	N/A	N/A	N/A
Net change in total pension liability	71,506	31,573	25,503	14,233	8,146	6,059	N/A	N/A	N/A	N/A
Total pension liability, beginning	85,514	53,941	28,438	14,205	6,059	-	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 157,020	\$ 85,514	\$ 53,941	\$ 28,438	\$ 14,205	\$ 6,059	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	16,595	11,015	9,764	9,965	7,060	615	N/A	N/A	N/A	N/A
Member contributions	18,349	15,774	13,303	10,452	7,451	650	N/A	N/A	N/A	N/A
Investments income net of investment expenses	14,861	(895)	5,514	1,194	(132)	5	N/A	N/A	N/A	N/A
Benefit payments/refunds or contributions	-	-	-	(2,828)	-	-	N/A	N/A	N/A	N/A
Administrative expenses	(108)	(73)	(43)	(13)	(6)	(1)	N/A	N/A	N/A	N/A
Other	1,216	805	309	823	(1)	-	N/A	N/A	N/A	N/A
Net change in fiduciary net position	50,913	26,626	28,847	19,593	14,372	1,269	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	90,707	64,081	35,234	15,641	1,269	-	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ 141,620	\$ 90,707	\$ 64,081	\$ 35,234	\$ 15,641	\$ 1,269	N/A	N/A	N/A	N/A
Net pension liability/(asset), ending = (a) - (b)	\$ 15,400	\$ (5,193)	\$ (10,146)	\$ (6,802)	\$ (1,442)	\$ 4,784	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	90.19%	106.07%	118.81%	123.92%	110.16%	20.96%	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 305,816	\$ 262,894	\$ 221,717	\$ 169,203	\$ 124,179	\$ 65,000	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	5.04%	-1.98%	-4.58%	-4.02%	-1.16%	7.36%	N/A	N/A	N/A	N/A

Bastrop County Emergency Services District No. 2  
Schedule of Employer Contributions

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	Not Available	Not Available	Not Available	Not Available	Not Available
2011	**	**	**	**	**
2012	**	**	**	**	**
2013	**	**	**	**	**
2014	615	615	-	10,833	5.7%
2015	7,053	7,060	(7)	124,179	5.7%
2016	9,678	9,965	(287)	169,203	5.9%
2017	9,578	9,764	(186)	221,717	4.4%
2018	11,015	11,015	-	262,894	4.2%
2019	12,508	16,595	(4,087)	305,816	5.4%

See Accompanying Notes to the Financial Statements

Bastrop County Emergency Services District No. 2  
Notes to the Schedule of Employer Contributions  
For the year ending September 30, 2020

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which 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	13.3 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 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 110% 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.
Changes in Plan Provisions Reflected in the Schedule	2017: New mortality assumptions were reflected. 2015: No changes in plan provisions were reflected in the Schedule.  2016: No changes in plan provisions were reflected in the Schedule.  2017: New Annuity Purchase Rates were reflected for benefits earned after 2017  2019: No changes in plan provisions were reflected in the Schedule.

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