

**Bastrop County
Emergency Services District No. 2
Financial Statements
September 30, 2022**

Bastrop County Emergency Services District No. 2
For the year ending September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bastrop County Emergency Services District No. 2 as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bastrop County Emergency Services District No. 2, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bastrop County Emergency Services District No. 2, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bastrop County Emergency Services District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bastrop County Emergency Services District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 3-8 and 28-31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 & Oltmann, LLP
Giddings, Texas
February 2, 2023



BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2

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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, 2022. 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 \$6,705,421.*
- *Change in net position from current operations was a decrease of \$283,195. This resulted in cash reserves of \$1,246,484 at the end of the fiscal year.*

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 decreased the Department's net position by \$283,195. 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

	9/30/2022	9/30/2021
Assets:		
Current Assets	\$ 1,502,990	\$ 1,476,718
Capital Assets	<u>5,947,939</u>	<u>6,307,054</u>
Total Assets	\$ 7,450,929	\$ 7,783,772
Deferred Outflows of Resources	\$ 106,621	\$ 82,824
Liabilities		
Current Liabilities	\$ 159,325	\$ 131,624
Long Term Liabilities	<u>634,312</u>	<u>741,557</u>
Total Liabilities	\$ 793,637	\$ 873,181
Deferred Inflows of Resources	\$ 58,492	\$ 4,799
Net Position:		
Net Investment in Capital Assets	\$ 5,276,146	\$ 5,548,423
Unrestricted	1,429,275	1,440,193
Restricted	<u>-</u>	<u>-</u>
Total Net Position	\$ 6,705,421	\$ 6,988,616

Table 2
Changes in Net Position

	9/30/2022	9/30/2021
Revenues:		
Ad Valorem Taxes	\$ 1,781,110	\$ 1,605,748
Penalty & Interest Taxes	35,876	29,110
Grants & Donations	19,960	19,165
Fire Rescue	3,938	1,628
Interest	14,921	2,953
Miscellaneous	5,125	32,119
Total Revenues	<u>\$ 1,860,930</u>	<u>\$ 1,690,723</u>
Expenses:		
Tax Collector/Appraisal District Fees	\$86,946	\$ 80,067
Insurance & Bonds	35,983	38,601
Professional Services	39,271	23,630
Fire Fighter Wellness Program	3,598	4,915
Miscellaneous	19,373	701
Communications	14,437	13,749
Utilities	20,118	18,344
Accounting/Bookkeeping	30,050	25,864
Dues, Subscriptions and Publications	32,228	29,325
Maintenance and Repairs	146,261	197,855
Supplies	135,376	97,606
Salaries and Related Benefits	1,062,092	758,334
Travel & Training	22,989	15,113
Uniforms	7,446	8,180
Pension - Volunteers	1,548	1,944
Depreciation	460,014	444,740
Interest Expense	18,937	21,216
Total Expense	<u>\$ 2,136,667</u>	<u>\$ 1,780,184</u>
Gain (Loss) from Disposal of Assets	(7,458)	-
Changes In Net Position:	(283,195)	(89,461)
Net Position-Beginning	<u>\$ 6,988,616</u>	<u>\$ 7,078,077</u>
Net Position- Ending	<u>\$ 6,705,421</u>	<u>\$ 6,988,616</u>

Capital Asset and Debt Administration

Capital Assets:

At the end of the fiscal year September 30, 2022, capital assets are as follows:

	Balance 09/30/2021	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2022
Governmental Activities:				
Capital assets not being depreciated:				
Land	302,274	-	-	302,274
Total capital assets not being depreciated	302,274	-	-	302,274
Capital assets, being depreciated				
Vehicles	2,867,534	48,707	(25,000)	2,891,241
Equipment	700,033	38,543	(6,391)	732,185
Buildings and Structures	4,368,357	30,107	-	4,398,464
Total capital assets being depreciated	7,935,924	117,357	(31,391)	8,021,890
Total capital assets	8,238,198	117,357	(31,391)	8,324,164
Less accumulated depreciation for:				
Vehicles	(1,118,772)	(258,509)	8,542	(1,368,739)
Equipment	(318,656)	(75,583)	6,391	(387,848)
Buildings and Structures	(493,716)	(125,922)	-	(619,638)
Total accumulated depreciation, as restated	(1,931,144)	(460,014)	14,933	(2,376,225)
Total capital assets, being depreciated, net	6,004,780	(342,657)	(16,458)	5,645,665
Governmental activities capital assets, net	6,307,054	(342,657)	(16,458)	5,947,939

Depreciation expense charged to the general fund was \$460,014.

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:

- Lease agreement with Classic Bank of \$926,006, interest rate of 2.5% for the purchase of fire apparatus, maturing September 2029.

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, 2022, the District's total fund balance was \$1,274,520.

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 \$66,096.

The Department's 2022 budget resulted in actual expenditures more than the final budget amounts by \$8,162, while revenues were more than the budgeted amounts by \$72,985, mainly due to money received from property taxes.

Currently Known Facts, Decisions, or Conditions

The District hired three additional firefighters in October 2022 bringing the total to 15 full-time firefighters. The District has five firefighters per 48-hour shift covering 24/7/365. The District has three firefighters at the Highway 95 fire station and two at the FM 1441 station. The District also has 20 volunteer firefighters.

The District held a successful sales tax election on May 7, 2022, for 1.5%, from 6.75% to 8.25%. The District voted to reduce property tax rate from a maximum of 10 cents/\$100 to 8.5 cents/\$100.

The District is working with Bastrop County WCID #2 to purchase property at the corner of McAllister Road and Tall Forest Drive for a future fire station.

The District held two brush chipping events for its residents. The Board approved the purchase of a commercial chipper for \$98,000.

Two Board members were reappointed.

The District currently has two lease purchase agreements for one fire engine and two 3000-gallon tenders. The remaining balance is approximately \$600,000.

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:

Bastrop County ESD No. 2
Attn: Treasurer
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, 2022

	General Fund	Adjustments (Note 8)	Statement of Net Position
ASSETS			
Cash	\$ 1,246,484	\$ -	\$ 1,246,484
Property Taxes Receivable	134,745	-	134,745
Prepaid Expenses	98,066	-	98,066
Net Pension Asset	-	23,695	23,695
Capital Assets (net of accumulated depreciation)	-	5,947,939	5,947,939
TOTAL ASSETS	<u>\$ 1,479,295</u>	<u>\$ 5,971,634</u>	<u>\$ 7,450,929</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Amounts		\$ 106,621	\$ 106,621
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>\$ 106,621</u>	<u>\$ 106,621</u>
LIABILITIES			
Accounts Payable	\$ 33,078	\$ -	\$ 33,078
Payroll Liabilities	7,756	-	7,756
Accrued Wages	29,239	-	29,239
Accrued Interest	-	243	243
Long Term Liabilities - Due within one year	-	89,009	89,009
Long Term Liabilities - Due after one year	-	634,312	634,312
TOTAL LIABILITIES	<u>\$ 70,073</u>	<u>\$ 723,564</u>	<u>\$ 793,637</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 134,702	\$ (134,702)	\$ -
Deferred Pension Amounts	-	58,492	58,492
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 134,702</u>	<u>\$ (76,210)</u>	<u>\$ 58,492</u>
FUND BALANCES/NET POSITION			
Fund balances:			
Nonspendable	98,066	(98,066)	
Restricted	-	-	
Committed	-	-	
Assigned	-	-	
Unassigned	1,176,454	(1,176,454)	
Total fund balances	<u>1,274,520</u>	<u>(1,274,520)</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,479,295</u>		
Net Position:			
Unrestricted		1,429,275	1,429,275
Restricted		-	-
Net investment in capital assets		5,276,146	5,276,146
Total Net Position		<u>\$ 6,705,421</u>	<u>\$ 6,705,421</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, 2022

	General Fund	Adjustments (Note 8)	Statement of Activities
EXPENDITURES/EXPENSES			
Tax Collector/Appraisal District Fees	\$ 86,946	\$ -	\$ 86,946
Insurance & Bonds	35,983	-	35,983
Professional Services	39,271	-	39,271
Fire Fighter Wellness Program	3,598	-	3,598
Miscellaneous	19,373	-	19,373
Communications	14,437	-	14,437
Utilities	20,118	-	20,118
Accounting/Bookkeeping	30,050	-	30,050
Dues, Subscriptions and Publications	32,228	-	32,228
Maintenance and Repairs	146,261	-	146,261
Supplies	135,376	-	135,376
Salaries and Related Benefits	1,074,128	(12,036)	1,062,092
Travel & Training	22,989	-	22,989
Uniforms	7,446	-	7,446
Pension - Volunteers	1,548	-	1,548
Capital Outlay	117,357	(117,357)	-
Depreciation		460,014	460,014
Debt service:			
Principal	86,839	(86,839)	-
Interest	18,966	(29)	18,937
Total expenditures/expenses	<u>\$ 1,892,914</u>	<u>\$ 243,753</u>	<u>\$ 2,136,667</u>
PROGRAM REVENUES			
Grants and Contributions	\$ 19,960	\$ -	\$ 19,960
Total Program Revenues	<u>\$ 19,960</u>	<u>\$ -</u>	<u>\$ 19,960</u>
Net Program Expense			2,116,707
GENERAL REVENUES			
Ad valorem taxes	\$ 1,781,956	\$ (846)	\$ 1,781,110
Penalties and Interest	35,876	-	35,876
Fire Rescue	3,938	-	3,938
Interest Income	14,921	-	14,921
Miscellaneous	5,125	-	5,125
Total general revenues	<u>\$ 1,841,816</u>	<u>\$ (846)</u>	<u>\$ 1,840,970</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,138)	\$ 31,138	\$ -
OTHER FINANCING SOURCES			
Proceeds from the Sale of Assets	\$ 9,000	\$ (9,000)	\$ -
Gain/(Loss) from Sale/Disposal of Assets	-	(7,458)	(7,458)
Total Other Financing Sources	<u>\$ 9,000</u>	<u>\$ (16,458)</u>	<u>\$ (7,458)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	\$ (22,138)	\$ 22,138	
Change in net position	-	(283,195)	(283,195)
Fund Balance/Net Position			
Beginning of the year	<u>1,296,658</u>	<u>5,691,958</u>	<u>6,988,616</u>
End of the year	<u>\$ 1,274,520</u>	<u>\$ 5,430,901</u>	<u>\$ 6,705,421</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, 2022

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 70th 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 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.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2022

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.”

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

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

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, 2022, 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*, 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.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

RECENTLY ADOPTED 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. The adoption of GASB 87 did not have a material impact on the District's financial statements, and the adoption did not result in a restatement of previously reported fund balance 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 \$995,819 in the aggregate of demand and time deposits. However, securities were pledged to cover this excess (Category 2) with a market value of \$2,505,475. At September 30, 2022, the carrying amount of the District's deposits was \$1,246,484 and the bank balance was \$1,245,819.

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, 2021, upon which the 2021 levy was based, was \$1,843,183,522, as certified by the Bastrop County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2021 levy was \$1,747,174 and the tax rate was \$0.09 per \$100 assessed valuation for 2021. 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, 2022

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2022, was as follows:

	Balance 09/30/2021	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2022
Governmental Activities:				
Capital assets not being depreciated:				
Land	302,274	-	-	302,274
Total capital assets not being depreciated	302,274	-	-	302,274
Capital assets, being depreciated				
Vehicles	2,867,534	48,707	(25,000)	2,891,241
Equipment	700,033	38,543	(6,391)	732,185
Buildings and Structures	4,368,357	30,107	-	4,398,464
Total capital assets being depreciated	7,935,924	117,357	(31,391)	8,021,890
Total capital assets	8,238,198	117,357	(31,391)	8,324,164
Less accumulated depreciation for:				
Vehicles	(1,118,772)	(258,509)	8,542	(1,368,739)
Equipment	(318,656)	(75,583)	6,391	(387,848)
Buildings and Structures	(493,716)	(125,922)	-	(619,638)
Total accumulated depreciation, as restated	(1,931,144)	(460,014)	14,933	(2,376,225)
Total capital assets, being depreciated, net	6,004,780	(342,657)	(16,458)	5,645,665
Governmental activities capital assets, net	6,307,054	(342,657)	(16,458)	5,947,939

Depreciation expense charged to the government wide statements was \$460,014.

NOTE 5: LONG-TERM LIABILITIES

The District has one lease from Classic Bank of \$926,006 with an interest rate of 2.5% for the purchase of fire apparatus, maturing September 2029.

Transactions for the year ended September 30, 2022, are summarized as follows:

	Balance 9/30/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 758,631	\$ -	\$ 86,838	\$ 671,793	\$ 89,009
Total Capital Lease Obligations	843,352	-	86,838	671,793	89,009
Pension Liability	35,657	-	35,657	-	-
Compensated Leave Liability	34,108	17,420	-	51,528	-
Total	\$ 896,061	\$ 17,420	\$ 122,495	\$ 723,321	\$ 89,009

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 5: LONG-TERM LIABILITIES – continued

The annual aggregate maturities for years subsequent to September 30, 2022, are as follows:

September 30	Principal	Interest	Total
2023	89,009	16,795	105,804
2024	91,235	14,569	105,804
2025	93,516	12,288	105,804
2026	95,853	9,951	105,804
2027	98,250	7,554	105,804
2028-2032	203,930	7,679	211,609
	<u>671,793</u>	<u>68,836</u>	<u>740,629</u>

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) TCERS is a savings-based plan. For the district's plan, 6% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- b. Membership information is shown in the chart below.
- c. 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 TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the district and are currently 6%. Contributions to the pension plan from the district for 2021 are shown in the Schedule of Employer Contributions.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 6: PENSION PLAN – continued

Membership Information

Members	Dec. 31, 2021	Dec. 31, 2020
Number of inactive employees entitled to but not yet receiving benefits:	5	3
Number of active employees:	13	11
Average monthly salary:	\$4,446	\$4,141
Average age:	30.46	31.12
Average length of service in years:	3.39	3.17
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	0	0
Average monthly benefit:	\$0	\$0

Net Pension Liability

The District's net pension liability was measured as of December 31, 2021, 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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	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.
Actuarial Cost Method	Entry Age Normal
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	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.5%
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 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.7% per year for a career employee.
Investment Rate of Return	7.60%

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 6: PENSION PLAN – continued

Cost-of-Living Adjustments	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.
Retirement Age	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>
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.

Mortality

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries, and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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 January 2022 information for a 10-year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 6: PENSION PLAN – continued

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones US Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
Int'l Equities – Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
Int'l Equities – Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index +33% Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

(1) Target asset allocation adopted at the March 2022 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

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

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

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

Net Pension Liability / (Asset)	December 31, 2021	December 31, 2020
Total pension liability	\$324,399	\$261,208
Fiduciary net position	348,095	225,551
Net pension liability/(asset)	(23,695)	35,657
Fiduciary net position as a % of total pension liability	107.30%	86.35%
Pensionable covered payroll ⁽¹⁾	\$621,861	\$493,386
Net pension liability as a % of covered payroll	(3.81)%	7.23%

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.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 6: PENSION PLAN – continued

Discount Rate

Discount rate ⁽²⁾	7.60%	7.60%
Long-term expected rate of return, net of investment expense ⁽²⁾	7.60%	7.60%
Municipal bond rate ⁽³⁾	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.

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, 2020	\$261,208	\$225,551	\$35,657
<i>Changes for the year:</i>			
Service cost	80,357		80,357
Interest on total pension liability ⁽¹⁾	25,205		25,205
Effect of plan changes ⁽²⁾	0		0
Effect of economic/demographic gains or losses	(26,988)		(26,988)
Effect of assumptions changes or inputs	4,818		4,818
Refund of contributions	(20,201)	(20,201)	0
Benefit payments	0	0	0
Administrative expenses		(188)	188
Member contributions		37,312	(37,312)
Net investment income		56,894	(56,894)
Employer contributions		46,852	(46,852)
Other ⁽³⁾	0	1,874	(1,874)
Balances as of December 31, 2021	\$324,399	\$348,095	\$(23,695)

(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.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 6: PENSION PLAN – continued

Sensitivity Analysis

The following presents the net pension liability of the district, calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$408,491	\$324,399	\$258,582
Fiduciary Net Position	348,095	348,095	348,095
Net pension liability/(asset)	\$60,396	\$(23,695)	\$(89,513)

As of September 30, 2022, 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	\$26,853	\$21,085
Changes of assumption	466	27,639
Net difference between projected and actual earnings	31,173	0
Contributions made subsequent to measurement date	<u>N/A</u>	<u>57,897</u>
Totals	\$58,492	\$106,621

The \$57,897 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, 2023. 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:

2022	\$(7,597)
2023	(9,033)
2024	(7,815)
2025	(7,704)
2026	(244)
Thereafter ⁽¹⁾	22,625

⁽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, 2022, the District reported a payable of \$9,696 for the outstanding amount of employer and employee contributions to the pension plan required for the year ended September 30, 2022.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 6: PENSION PLAN – continued

The District also has established a plan for the volunteers. Under this plan the District will contribute \$36 per volunteer per month. Volunteers must meet certain guidelines in order to be eligible. Volunteers begin partial vesting after 10 years of service and are fully vested after 15 years of service. The plan is administered by the Texas Emergency Services Retirement System. For the year ending September 30, 2022, the District contributed \$1,548 towards the volunteers' retirement program. Financial statements for the pension plan may be obtained from the Fire Fighter's Pension Commission, P.O. Box 12577, Austin, Texas 78701.

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:

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, 2022, the District has not adopted a minimum fund balance policy.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

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.

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	\$8,324,164
Accumulated Depreciation	<u>(2,376,225)</u>
	<u>\$5,947,939</u>

Net pension asset is not reported in the governmental funds, and therefore, shown as an adjustment for statement of net position.

Net pension asset	\$23,695
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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	\$106,621
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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	\$243
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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	\$89,009
Due after one year	634,312

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

Deferred revenue	\$(134,702)
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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	\$58,492
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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.

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

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

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	\$17,420
Adjustment for Pension Liability/Asset	(59,352)
Change in Deferred Inflows/Outflows related to Pension	<u>29,896</u>
Total adjustment	\$(12,036)

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	\$(117,357)
Depreciation Expense	460,014

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	\$(86,839)
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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	\$(29)
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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	\$(846)
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In the statement of activities, only the gain or loss on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

Gain/(Loss) from disposal of assets	\$(7,458)
Proceeds from sale of assets	(9,000)

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, 2022, no such annexation had taken place nor has the District been made aware of any annexation in the near future.

NOTE 10: DATE OF MANAGEMENT'S REVIEW

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

BASTROP COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2022

NOTE 11: COMMITMENTS

In June 2022, the District entered into an agreement with Deep South Fire Trucks, Inc. for the purchase of a 2022 International Mini Pumper at a cost of \$263,735. The District expects to receive the truck in the following fiscal year.

In July 2022, the District entered into an agreement with Vermeer for the purchase of a 2022 Vermeer BC1500 Chipper at a cost of \$96,763. The District expects to receive the equipment in the following fiscal year.

NOTE 12: SUBSEQUENT EVENT

In May 2021, the District held a sales tax election and it successfully passed. Therefore, starting in November 2022, the District will be receiving a portion of the sales tax collected on all purchases made within the District's boundaries.

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, 2022

	Budget		Actual Amounts Budgetary Basis	Variance Favorable/ (Unfavorable)
	Original	Final		
GENERAL REVENUES				
Ad Valorem Taxes	\$ 1,788,791	\$ 1,778,791	\$ 1,781,956	\$ 3,165
Penalties and Interest	-	-	35,876	35,876
Grants and Contributions	-	-	19,960	19,960
Fire Rescue	10,000	10,000	3,938	(6,062)
Interest Income	-	-	14,921	14,921
Miscellaneous	-	-	5,125	5,125
Total General Revenues	1,798,791	\$ 1,788,791	\$ 1,861,776	\$ 72,985
EXPENDITURES/EXPENSES				
Tax Collector/Appraisal District Fees	90,685	90,685	86,946	3,739
Insurance & Bonds	43,408	43,408	35,983	7,425
Professional Services	34,000	34,000	39,271	(5,271)
Fire Fighter Wellness Program	5,000	5,000	3,598	1,402
Miscellaneous	29,180	19,180	19,373	(193)
Communications	16,100	16,100	14,437	1,663
Utilities	21,000	21,000	20,118	882
Accounting/Bookkeeping	20,000	20,000	30,050	(10,050)
Dues, Subscriptions and Publications	16,000	16,000	32,228	(16,228)
Maintenance and Repairs	177,150	224,539	146,261	78,278
Supplies	130,400	130,400	135,376	(4,976)
Salaries and Related Benefits	1,057,336	1,057,336	1,074,128	(16,792)
Travel & Training	35,000	35,000	22,989	12,011
Uniforms	15,000	15,000	7,446	7,554
Pension - Volunteers	2,592	2,592	1,548	1,044
Capital Outlay	-	48,707	117,357	(68,650)
Debt Service:				
Principal	84,721	84,721	86,839	(2,118)
Interest	21,084	21,084	18,966	2,118
Total expenditures/expenses	\$ 1,798,656	\$ 1,884,752	\$ 1,892,914	\$ (8,162)
Excess (Deficiency) of revenues over expenditures	\$ 135	\$ (95,961)	\$ (31,138)	\$ 64,823
OTHER FINANCING SOURCES				
Proceeds from the Sale of Assets	-	-	9,000	
Total other financing proceeds	\$ -	\$ -	\$ 9,000	
Change in fund balance	\$ 135	\$ (95,961)	(22,138)	
Fund Balance Beginning of the year			1,296,658	
End of the year			\$ 1,274,520	

See Accompanying Notes to the Financial Statements

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service cost	\$ 80,357	\$ 48,943	\$ 26,749	\$ 25,705	\$ 14,836	\$ 18,323	\$ 7,023	\$ 5,822	N/A	N/A
Interest on total pension liability	25,205	16,683	9,093	6,451	3,505	1,766	740	231	N/A	N/A
Effect of plan changes	-	-	33,227	-	-	-	(791)	-	N/A	N/A
Effect of assumption changes or inputs	4,818	25,593	-	-	(571)	-	49	-	N/A	N/A
Effect of economic/demographic (gains) or losses	(26,988)	12,968	2,437	(583)	7,733	(3,028)	1,125	6	N/A	N/A
Benefit payments/refunds of contributions	(20,201)	-	-	-	-	(2,828)	-	-	N/A	N/A
Net change in total pension liability	63,191	104,187	71,506	31,573	25,503	14,233	8,146	6,059	N/A	N/A
Total pension liability, beginning	261,207	157,020	85,514	53,941	28,438	14,205	6,059	-	N/A	N/A
Total pension liability, ending (a)	\$ 324,398	\$ 261,207	\$ 157,020	\$ 85,514	\$ 53,941	\$ 28,438	\$ 14,205	\$ 6,059	N/A	N/A
Fiduciary Net Position										
Employer contributions	46,852	37,719	16,595	11,015	9,764	9,965	7,060	615	N/A	N/A
Member contributions	37,312	29,603	18,349	15,774	13,303	10,452	7,451	650	N/A	N/A
Investments income net of investment expenses	56,894	14,768	14,861	(896)	5,514	1,194	(132)	5	N/A	N/A
Benefit payments/refunds or contributions	(20,201)	-	-	-	-	(2,828)	-	-	N/A	N/A
Administrative expenses	(188)	(165)	(108)	(73)	(43)	(13)	(6)	(1)	N/A	N/A
Other	1,874	2,006	1,216	805	309	823	(1)	-	N/A	N/A
Net change in fiduciary net position	122,543	83,931	50,913	26,626	28,847	19,593	14,372	1,269	N/A	N/A
Fiduciary net position, beginning	225,551	141,620	90,707	64,081	35,234	15,641	1,269	-	N/A	N/A
Fiduciary net position, ending (b)	\$ 348,094	\$ 225,551	\$ 141,620	\$ 90,707	\$ 64,081	\$ 35,234	\$ 15,641	\$ 1,269	N/A	N/A
Net pension liability/(asset), ending = (a) - (b)	\$ (23,696)	\$ 35,656	\$ 15,400	\$ (5,193)	\$ (10,146)	\$ (6,802)	\$ (1,442)	\$ 4,784	N/A	N/A
Fiduciary net position as a % of total pension liability	107.30%	86.35%	90.19%	106.07%	118.81%	123.92%	110.16%	20.96%	N/A	N/A
Pensionable covered payroll	\$ 621,861	\$ 493,386	\$ 305,816	\$ 262,894	\$ 221,717	\$ 169,203	\$ 124,179	\$ 65,000	N/A	N/A
Net pension liability as a % of covered payroll	-3.81%	7.23%	5.04%	-1.98%	-4.58%	-4.02%	-1.16%	7.36%	N/A	N/A

See Accompanying Notes to the Financial Statements

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
2012	Not Available	Not Available	Not Available	Not Available	Not Available
2013	**	**	**	**	**
2014	**	**	**	**	**
2015	615	615	-	10,833	5.7%
2016	7,053	7,060	(7)	124,179	5.7%
2017	9,678	9,965	(287)	169,203	5.9%
2018	9,578	9,764	(186)	221,717	4.4%
2019	11,015	11,015	-	262,894	4.2%
2020	12,508	16,595	(4,087)	305,816	5.4%
2021	37,719	37,719	-	493,386	7.6%
2022	46,515	46,852	(337)	621,861	7.5%

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, 2022

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	19.4 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of Return	7.50%, 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2014: New inflation, mortality and other assumptions were reflected. 2016: New mortality assumptions were reflected. 2018: Net inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2014: No changes in plan provisions were reflected in the Schedule. 2015: No changes in plan provisions were reflected in the Schedule. 2016: New Annuity Purchase Rates were reflected for benefits earned after 2017 2017: No changes in plan provisions were reflected in the Schedule 2018: No changes in plan provisions were reflected in the Schedule. 2019: Employer contributions reflect that the current service matching rate was increased to 200% for future benefits. 2020: No changes in plan provisions were reflected in the Schedule.

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