

AUSTIN COUNTY EMERGENCY
SERVICES DISTRICT NO. 2

Financial Statements
with
Report of Independent Auditor

September 30, 2022

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Title Page

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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Austin County Emergency Services District No. 2

Opinions

We have audited the financial statements of the governmental activities and General fund of the Austin County Emergency Services District No. 2, (the "District") 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and General fund of the Austin County Emergency Services District No. 2 as of September 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Austin 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 of the Financial Statements

Austin County Emergency Services District No. 2's 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, 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 Austin 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 GAAS 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 GAAS, 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 Austin 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 Austin County Emergency Services District No. 2'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of Contributions on pages 4 through 7, and 27 through 28, respectively, 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.

Brenham, Texas
May 9, 2023

Seidel Schmeider

Austin County
Emergency Services District No. 2
P.O. Box 1485
Sealy, Texas 77474

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial activities of the Austin County Emergency Services District No. 2 for the year ended September 30, 2022. The information presented herein should be considered in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

The Statement of Net Position and the Statement of Activities are statements required under GASB 34 and provide information about the activities of the district as a whole and present a longer-term view of the District's finances.

Overview of the Financial Statements

The annual report consists of three parts - Independent Auditor's Report, Management's Discussion and Analysis, and Basic Financial Statements.

- The first statement shows Statements of Net Position and Governmental Funds Balance Sheet.
- The next statement presents the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The financial statements also include notes that explain some of the information in the financial statements and provide more details.

Reporting the District as a Whole

The accompanying **Government Wide Financial Statements** include two statements that present financial data for the district as a whole. The Statement of Activities reports information about the district as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All the current year revenues and expenses are taken into account regardless of when funds are received or paid.

These two statements report the District's net position and liabilities and changes in them. The difference between the District's assets and deferred outflows of resources and its liabilities and deferred inflows of resources are one way to measure the district's financial position.

Reporting the District's Most Significant Funds

The fund financial statements provide detailed information about the District's general fund which is the only fund.

- General fund is a governmental fund. This fund focuses on how much money flows into and out of the district and the balances left at year end that are available for spending. The governmental fund statements provided detailed short term view of the District's general government operations and the basic services it provides.

Government-Wide Financial Statements

The table below compares the fiscal year ending September 30, 2021 to the fiscal year ending September 30, 2022.

Statement of Net Position

| | September 30, 2021 | September 30, 2022 |
|---------------------------------------|-----------------------|-----------------------|
| Current & Other Assets | \$ 1,271,564 | \$ 1,399,619 |
| Capital Assets | 2,659,928 | 2,524,030 |
| Total Assets | <u>3,931,492</u> | <u>3,923,649</u> |
| | | |
| Deferred Outflows Related to Pensions | 144 | 17,625 |
| | | |
| Outstanding Debt | 1,997,513 | 1,783,766 |
| Net Pension Liability | 3,857 | 14,771 |
| Other Liabilities | 60,686 | 40,178 |
| Total Liabilities | <u>2,062,056</u> | <u>1,838,715</u> |
| | | |
| Deferred Inflows Related to Pensions | 3,770 | 74 |
| | | |
| Net investment in capital assets | 662,415 | 740,264 |
| Restricted Net Position | 17,569 | 17,619 |
| Unrestricted Net Position | 1,185,826 | 1,344,602 |
| Total Net Position | <u>\$ 1,865,810</u> | <u>\$ 2,102,485</u> |

Statement of Activities

| | For the Year Ending September 30, 2021 | For the Year Ending September 30, 2022 |
|------------------------------------|--|--|
| Property Tax Revenue | \$ 1,175,740 | \$ 1,251,836 |
| Sales Tax Revenue | 121,911 | 319,273 |
| Operating Grants and Contributions | 55,800 | 58,571 |
| Gain on sale of fixed assets | 190,630 | - |
| Miscellaneous | 2,781 | 12,871 |
| Total Revenue | 1,546,862 | 1,642,551 |
| Professional Fees | 70,859 | 59,693 |
| Other Administrative Expenses | 18,549 | 41,873 |
| Department Expenses | 1,145,727 | 1,210,381 |
| Interest Expense | 74,386 | 93,929 |
| Total Expenses | 1,309,521 | 1,405,876 |
| Change in Net Position | \$ 237,341 | \$ 236,675 |

As of September 30, 2022, the District had net position of \$2,102,485. As of September 30, 2021 net position was \$1,865,810 for a net increase of \$236,675.

Current assets increased \$128,055 in the current year primarily due to an increase in cash and prepaid expenses. Capital assets decreased \$135,898 primarily due to depreciation expense. Outstanding debt decreased \$213,747 primarily due to paydowns of loans.

Total revenue increased \$95,689 in the current year primarily due to an increase in property tax and sales tax revenue offset by the decrease in fixed asset gains. Total expenses increased \$96,355, primarily due to an increase in payroll expenses of \$78,142 and insurance expense of \$33,667. The District hired two full time firefighters in 2022 and provided them with insurance.

General Fund Budget

Differences between the budget and the actual income/expense are summarized as follows:

- Income was \$212,223 more than budgeted in 2022 primarily due to receiving sales tax and operating grants that were more than anticipated by \$139,273 and \$47,964, respectively.
- Overall, expenses were \$72,170 more than budgeted in 2022 primarily due to repairs and maintenance exceeding the budget by \$56,074 for additional repairs needed on multiple trucks in the current year and firefighter supplies exceeding the budget by \$24,839 for additional uniforms and supplies needed.

Capital Assets

The District owns the following capital assets:

| <u>Governmental activities</u> | <u>Balance at</u> <u>Sept. 30, 2021</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at</u> <u>Sept. 30, 2022</u> |
|---|--|---------------------|--------------------|--|
| Capital assets being depreciated | | | | |
| Buildings | \$ 2,150,767 | \$ - | \$ - | \$ 2,150,767 |
| Vehicles | 985,736 | 33,567 | - | 1,019,303 |
| Machinery and equipment | 285,353 | 8,603 | (3,544) | 290,412 |
| Software | - | 5,000 | - | 5,000 |
| Total at historical cost | <u>3,421,856</u> | <u>47,170</u> | <u>(3,544)</u> | <u>3,465,482</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings | 488,341 | 53,769 | - | 542,110 |
| Vehicles | 151,222 | 104,041 | - | 255,263 |
| Machinery and equipment | 122,366 | 23,609 | (2,146) | 143,829 |
| Software | - | 250 | - | 250 |
| Total accumulated depreciation | <u>761,929</u> | <u>181,669</u> | <u>(2,146)</u> | <u>941,452</u> |
| Total capital assets being depreciated, net | <u>2,659,928</u> | <u>(134,499)</u> | <u>(1,398)</u> | <u>2,524,030</u> |
| Governmental activities capital assets, net | <u>\$ 2,659,928</u> | <u>\$ (134,499)</u> | <u>\$ (1,398)</u> | <u>\$ 2,524,030</u> |

This year's major additions included:

| | |
|-------------------------------|----------|
| Outfitting of 2021 Chevy 1500 | \$15,089 |
| Polaris ATV Tracks | 14,464 |
| Radios | 8,603 |
| CAD software for vehicles | 5,000 |
| Trailer for Polaris | 4,014 |

Long Term Debt

At the end of the 2022 fiscal year, the District owed \$1,783,766 on four loans, of which \$259,921 is due within one year. The loans were for the fire station and the purchase of three trucks.

Economic Factors and Next Year's Budget

The 2023 budget reflects an increase in overall expenses of \$267,411. The increase is offset by a budgeted increase in property tax and sales tax revenue.

Contacting the District's Financial Management

This financial report is designed to provide our taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have a question about this report or need additional information, contact Austin County Emergency Services District No. 2, P.O. Box 1485, Sealy, Texas 77474.

Austin County Emergency Services District #2
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2022

| | General Fund | Adjustments | Statement of Net Position |
|--|-----------------|---------------|------------------------------|
| ASSETS | | | |
| Cash | \$ 983,156 | \$ - | \$ 983,156 |
| Investments | 297,979 | - | 297,979 |
| Property tax receivable | 33,343 | - | 33,343 |
| Sales tax receivable | 55,948 | - | 55,948 |
| Prepays | - | 29,193 (2) | 29,193 |
| Capital assets | - | 2,524,030 (2) | 2,524,030 |
| Total Assets | \$ 1,370,426 | \$ 2,553,223 | \$ 3,923,649 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - TESRS | - | 6,154 (4) | 6,154 |
| Deferred outflows - TCDRS | - | 11,471 (4) | 11,471 |
| Total deferred outflows of resources | - | 17,625 | 17,625 |
| LIABILITIES | | | |
| Accrued payroll | \$ 12,630 | \$ - | \$ 12,630 |
| Accrued interest | - | 27,548 (1) | 27,548 |
| Note payable, due within one year | - | 259,921 (1) | 259,921 |
| Noncurrent liabilities, due in more than one year | | | |
| Note payable, due after one year | - | 1,523,845 (1) | 1,523,845 |
| Net pension liability | - | 14,771 (4) | 14,771 |
| Total Liabilities | \$ 12,630 | \$ 1,826,085 | \$ 1,838,715 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - TESRS | \$ - | \$ 74 (4) | \$ 74 |
| Unavailable revenue | 30,806 | (30,806) (3) | - |
| Total deferred inflows of resources | 30,806 | (30,732) | 74 |
| FUND BALANCE / NET POSITION | | | |
| Fund Balance: | | | |
| Restricted | 17,619 | (17,619) | - |
| Assigned | 1,309,371 | (1,309,371) | - |
| | 1,326,990 | (1,326,990) | - |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 1,370,426 | | |
| Net Position: | | | |
| Net investment in capital assets | | 740,264 | 740,264 |
| Restricted | | 17,619 | 17,619 |
| Unrestricted | | 1,344,602 | 1,344,602 |
| Total Net Position | | \$ 2,102,485 | \$ 2,102,485 |

- (1) Long-term liabilities are not recorded until due in the fund financial statements.
(2) Capital assets and prepaids are not financial resources and are not reported in the general fund.
(3) Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.
(4) Pension deferred amounts and liabilities are not receivable or due and payable in the current period and, therefore, they are not reported in the funds.

The notes to the financial statements are an integral part of this statement.

Austin County Emergency Services District #2
Statement of Activities and
Governmental Fund Statements of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended September 30, 2022

| | General Fund | Adjustments | | Statement of Activities |
|--|------------------|------------------|-----|----------------------------|
| Revenues: | | | | |
| Property taxes | \$ 1,241,564 | \$ (450) | (3) | \$ 1,241,114 |
| Penalty and interest | 10,722 | - | | 10,722 |
| Sales tax revenue | 319,273 | - | | 319,273 |
| Interest income | 3,905 | - | | 3,905 |
| Operating grants and contributions | 57,964 | 607 | (4) | 58,571 |
| Miscellaneous | 8,966 | - | | 8,966 |
| Total revenues | <u>1,642,394</u> | <u>157</u> | | <u>1,642,551</u> |
| Current: | | | | |
| Public Safety | | | | |
| Appraisal District fees | 42,465 | (1,501) | (5) | 40,964 |
| Professional fees | 18,729 | - | | 18,729 |
| Board expenses | 22,409 | - | | 22,409 |
| Office | 27,643 | - | | 27,643 |
| Payroll expenses | 675,169 | - | | 675,169 |
| Payroll taxes | 52,374 | - | | 52,374 |
| Pension expense | 13,199 | (9,656) | (4) | 3,543 |
| Repairs and maintenance | 130,497 | (2,797) | (5) | 127,700 |
| Advertising expense | 82 | - | | 82 |
| Insurance expense | 89,252 | (4,620) | (5) | 84,632 |
| Firefighter supplies | 56,170 | - | | 56,170 |
| Loss on sale of fixed assets | - | 1,399 | (6) | 1,399 |
| Other expenses | 25,713 | (6,249) | (5) | 19,464 |
| Depreciation expense | - | 181,669 | (2) | 181,669 |
| Capital Outlay | 47,170 | (47,170) | (2) | - |
| Debt Service: | | | | |
| Principal | 213,748 | (213,748) | (1) | - |
| Interest | 114,022 | (20,093) | (4) | 93,929 |
| Total expenditures/expenses | <u>1,528,642</u> | <u>(122,766)</u> | | <u>1,405,876</u> |
| Excess/(deficiency) revenue over (under) expenditures | 113,752 | 122,923 | | 236,675 |

The notes to the financial statements are an integral part of this statement.

Austin County Emergency Services District #2
Statement of Activities and
Governmental Fund Statements of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended September 30, 2022

| | General Fund | Adjustments | Statement of Activities |
|------------------------------|-----------------|-------------|----------------------------|
| Fund balance / net position: | | | |
| Beginning of year | 1,213,238 | 652,572 | 1,865,810 |
| End of the year | \$ 1,326,990 | \$ 775,495 | \$ 2,102,485 |

- (1) Repayment of debt principal is an expenditure in general fund, but the repayment reduces long-term liabilities in the Statement of Net Position.
- (2) General fund reports capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated based upon their estimated useful lives and reported as depreciation expense.
- (3) In the governmental fund, property taxes that are receivable, but not available are not recognized as income and are deferred.
- (4) Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund.
- (5) Expenditures reported in the Statement of Activities are expensed once economic performance has occurred. In the Governmental funds expenditures are recognized when they are paid.
- (6) General fund reports proceeds of sales of fixed assets and insurance proceeds as revenues. However, in the statement of activities the sales and involuntary conversion of fixed assets result in a gain or loss.

The notes to the financial statements are an integral part of this statement.

Austin County Emergency Services District #2
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2022

| | Original Budget | Final Budget | Actual GAAP Basis | Adjustments to Budget Basis | Actual Budget Basis | Variance Over (Under) |
|--|---------------------|---------------------|-------------------------|-----------------------------------|---------------------------|-----------------------------|
| Revenues: | | | | | | |
| Property taxes | \$ 1,237,171 | \$ 1,237,171 | \$ 1,241,564 | \$ - | \$ 1,241,564 | \$ 4,393 |
| Penalty and interest | - | - | 10,722 | - | 10,722 | 10,722 |
| Sales tax revenue | 180,000 | 180,000 | 319,273 | - | 319,273 | 139,273 |
| Interest income | 3,000 | 3,000 | 3,905 | - | 3,905 | 905 |
| Operating grants and contributor | 10,000 | 10,000 | 57,964 | - | 57,964 | 47,964 |
| Miscellaneous | - | - | 8,966 | - | 8,966 | 8,966 |
| Total revenues | <u>1,430,171</u> | <u>1,430,171</u> | <u>1,642,394</u> | <u>-</u> | <u>1,642,394</u> | <u>212,223</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public Safety | | | | | | |
| Appraisal District fees | 47,000 | 47,000 | 42,465 | - | 42,465 | (4,535) |
| Professional fees | 23,050 | 23,050 | 18,729 | - | 18,729 | (4,321) |
| Board expenses | 14,250 | 14,250 | 22,409 | - | 22,409 | 8,159 |
| Office | 37,960 | 37,960 | 27,643 | - | 27,643 | (10,317) |
| Payroll expenses | 679,210 | 679,210 | 675,169 | - | 675,169 | (4,041) |
| Payroll taxes | 52,241 | 52,241 | 52,374 | - | 52,374 | 133 |
| Pension expense | 22,000 | 22,000 | 13,199 | - | 13,199 | (8,801) |
| Repairs and maintenance | 74,423 | 74,423 | 130,497 | - | 130,497 | 56,074 |
| Advertising expense | - | - | 82 | - | 82 | 82 |
| Insurance expense | 71,520 | 84,246 | 89,252 | - | 89,252 | 5,006 |
| Firefighter supplies | 31,331 | 31,331 | 56,170 | - | 56,170 | 24,839 |
| Other expenses | 23,272 | 23,272 | 25,713 | - | 25,713 | 2,441 |
| Capital Outlay | 38,788 | 38,788 | 47,170 | - | 47,170 | 8,382 |
| Debt Service | | | | | | |
| Principal | 328,701 | 328,701 | 213,748 | 114,022 | 327,770 | (931) |
| Interest | - | - | 114,022 | (114,022) | - | - |
| Total expenditures | <u>1,443,746</u> | <u>1,456,472</u> | <u>1,528,642</u> | <u>-</u> | <u>1,528,642</u> | <u>72,170</u> |
| Excess/(deficiency) revenue over (under) expenditures | (13,575) | (26,301) | 113,752 | - | 113,752 | 140,053 |
| Fund balance, beginning of year | <u>1,213,238</u> | <u>1,213,238</u> | <u>1,213,238</u> | <u>-</u> | <u>1,213,238</u> | <u>-</u> |
| Fund balance, end of the year | <u>\$ 1,199,663</u> | <u>\$ 1,186,937</u> | <u>\$ 1,326,990</u> | <u>\$ -</u> | <u>\$ 1,326,990</u> | <u>\$ 140,053</u> |

The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

1. Summary of significant accounting policies

The accompanying financial statements include all funds of Austin County Emergency Services District No. 2 (the District). The accounting policies of the District conform to generally accepted accounting principles. The following is a summary of the more significant policies:

A. Reporting entity

The District is a political subdivision created under Article III, Section 48-d, of the Texas Constitution by an affirmative vote of the Texas State Legislature. The District operates under Chapter 775 of the Health and Safety Code.

B. Basis of presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. Governmental activities consist of only the general fund, as the general fund is the only fund of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Fund Financial Statements

The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. This fund is a governmental fund which is the general operating fund of the District. It is used to account for all financial resources.

C. Measurement focus and basis of accounting

Measurement Focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on this balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The general fund uses fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the 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.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

D. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Risk management

The District is exposed to various risks of loss from torts: theft of, damage to, and destruction of District assets; business interruption; errors and omissions; injuries; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

F. Income taxes

The District is a political subdivision under the laws of the State of Texas and, therefore, is exempt from federal income tax.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

G. Capital assets

Capital assets which include equipment, buildings, and vehicles are reported in the governmental activities column of the government-wide financial statements. The district defines capital assets as assets with an estimated useful life greater than one year. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is unavailable. Donated capital assets are recorded at estimated fair values. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized over the remaining useful lives of the related capital assets.

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 is provided over the assets' estimated useful lives using the straight-line method of depreciation over the following estimated useful lives:

| | |
|-------------------------|------------|
| Machinery and equipment | 5-10 years |
| Buildings | 25 years |
| Other improvements | 10 years |

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition.

H. Fund equity

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 regulations of other governments; 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."

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

Fund statements

Governmental fund equity is classified as fund balance.

Classification of fund balances

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, and contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Board actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the Board or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Board actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the District budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the District's budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

I. Pensions

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

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

2. Property tax

Property taxes are levied by October 1 of each year for the following calendar year. Taxes are due on receipt of the tax statement and are delinquent if not paid before February 1 of the year following the year of assessment. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and the payment of any penalties and interest ultimately imposed.

Taxes levied for fiscal years ending September 30, 2022 were at the tax rate of \$0.10 per \$100 valuation. The tax for the 2022 fiscal year was levied in 2021 on property within the District having an assessed valuation of \$1,241,764,813.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

3. Stewardship, compliance and accountability

The District adopted its 2022 budget on September 8, 2021. Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for insurance proceeds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

The following expenditures exceeded budget: Repairs and maintenance by \$56,074, advertising expenses by \$82, insurance expense by \$5,006, firefighter supplies by \$24,839, payroll taxes by \$133, other expenses by \$2,441, capital outlay by \$8,382, and board fees by \$8,159.

4. Cash and investments

At September 30, 2022, the District's cash and investments totaled \$1,281,135, and consisted of four demand deposit accounts, two certificates of deposits, and investments in an investment pool. The demand deposit accounts have a total balance of \$868,468. Certificates of deposit total \$114,688. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District's deposits may not be returned to it. Of the bank and certificates of deposit balances, \$305,629 was covered by federal depository insurance at two financial institutions and \$681,148 was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

The investments in TexPool have a balance of \$297,979 as of September 30, 2022. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements, certificates of deposit, money market mutual funds and commercial paper. Fair value approximates carrying value. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2022, the District does not have any investments exposed to custodial credit risk.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

5. Capital Assets

The following is a summary of capital asset activity during the year ended September 30, 2022.

| <u>Governmental activities</u> | Balance at Sept. 30, 2021 | Additions | Retirements | Balance at Sept. 30, 2022 |
|---|------------------------------|---------------------|-------------------|------------------------------|
| Capital assets being depreciated | | | | |
| Buildings | \$ 2,150,767 | \$ - | \$ - | \$ 2,150,767 |
| Vehicles | 985,736 | 33,567 | - | 1,019,303 |
| Machinery and equipment | 285,353 | 8,603 | (3,544) | 290,412 |
| Software | - | 5,000 | - | 5,000 |
| Total at historical cost | <u>3,421,856</u> | <u>47,170</u> | <u>(3,544)</u> | <u>3,465,482</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings | 488,341 | 53,769 | - | 542,110 |
| Vehicles | 151,222 | 104,041 | - | 255,263 |
| Machinery and equipment | 122,366 | 23,609 | (2,146) | 143,829 |
| Software | - | 250 | - | 250 |
| Total accumulated depreciation | <u>761,929</u> | <u>181,669</u> | <u>(2,146)</u> | <u>941,452</u> |
| Total capital assets being depreciated, net | <u>2,659,928</u> | <u>(134,499)</u> | <u>(1,398)</u> | <u>2,524,030</u> |
| Governmental activities capital assets, net | <u>\$ 2,659,928</u> | <u>\$ (134,499)</u> | <u>\$ (1,398)</u> | <u>\$ 2,524,030</u> |

6. Long-term debt

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2022:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---------------|----------------------|-------------|-------------------|---------------------|------------------------|
| Notes payable | \$ 1,997,513 | \$ - | \$ 213,747 | \$ 1,783,766 | \$ 259,921 |
| | <u>\$ 1,997,513</u> | <u>\$ -</u> | <u>\$ 213,747</u> | <u>\$ 1,783,766</u> | <u>\$ 259,921</u> |

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

Debt outstanding at September 30, 2022 for the District is comprised of the following:

| | |
|--|--------------|
| Payable to bank at 2.85%, secured by a 2013 Ferrara pumper truck, maturing in 2023 | \$ 47,920 |
| Payable to bank at 2.66%, secured by the fire station, maturing in 2031 | 1,047,468 |
| Payable to bank at 2.75%, secured by a fire truck, maturing in 2028 | 548,675 |
| Payable to bank at 2.75%, secured by a 2020 truck, maturing in 2028 | 139,703 |
| | \$ 1,783,766 |

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2022 follows:

| Year Ending September 30: | | |
|---------------------------|--------------|------------|
| | Principal | Interest |
| 2023 | \$ 259,921 | \$ 48,073 |
| 2024 | 217,737 | 41,050 |
| 2025 | 223,628 | 35,159 |
| 2026 | 229,679 | 29,108 |
| 2027 | 235,893 | 22,894 |
| 2028-2032 | 616,908 | 36,742 |
| Total payments | \$ 1,783,766 | \$ 213,026 |

7. Pension plan - TESRS

Plan Description

The District participates in a cost-sharing multiple employer pension plan, the Texas Emergency Services Retirement System (TESRS). The plan is established and administered by the State of Texas to provide pension benefits for emergency service personnel who serve without significant monetary remuneration. At August 31, 2022, there were 239 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

On August 31, 2022, the pension system membership consisted of:

| | |
|--|-------|
| Retirees and Beneficiaries Currently Receiving Benefits | 3,991 |
| Terminated Members Entitled to benefits but Not Yet Receiving Them | 1,813 |
| Active Participants (Vested and Non-vested) | 3,379 |

Pension Plan Fiduciary Net Position

Detailed information about the TESRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuation which may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas and eligibility requirements by Board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching the age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of the duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

a higher contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to fifteen years of credit for prior service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by the local governing bodies on a pay-as-you-go basis for the members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefits paid by the System.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2022, total contributions (dues, prior service, and interest on prior service financing) of \$1,728 were paid by the District. The State appropriated \$1,267,763 for the fiscal year ending August 31, 2022, to the plan as a whole.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Actuarial Valuation Date | 8/31/2022 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Dollar, Open |
| Amortization Period | 30 years |
| Asset Valuation Method | Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value |
| Actuarial Assumptions: | |
| Investment Rate of Return* | 7.50% |
| Projected Salary Increase | N/A |
| *Includes Inflation At | 3.00% |
| Cost of Living Adjustments | None |

Mortality rates were based on the PubS2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.50%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Net Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Equities | | |
| Large Cap Domestic | 20.00% | 5.83% |
| Small/mid Cap Domestic | 10.00% | 5.94% |
| Developed International | 15.00% | 6.17% |
| Emerging Markets | 5.00% | 7.36% |
| Global Infrastructure | 5.00% | 6.61% |
| Real Estate | 10.00% | 4.48% |
| Multi asset income | 5.00% | 3.86% |
| Fixed Income | 30.00% | 1.95% |
| Cash | 0.00% | 0.00% |
| | <u>100.00%</u> | |

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2021 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.5%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|-----------------------|-------------------------|-----------------------|
| District's proportionate share of the net pension liability | \$ 23,171 | \$ 14,771 | \$ 7,968 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2022, the District reported a liability of \$14,771 for its proportionate share of the plan's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|-----------|
| District's proportionate share of the collective net pension liability | \$ 14,771 |
| State's proportionate share that is associated with the District | 3,834 |

**Calculated using the District's proportionate share of contributions multiplied by the State's share of the collective net pension liability.*

The net pension liability was measured as of August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. GASB Statement No. 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's prior fiscal year. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.036%.

There were changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period, including the mortality rate improvement projection. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2022 the District recognized pension expense of \$1,860. The District recognized on-behalf revenues of \$606 calculated by taking the State's total contributions to TESRS multiplied by the State's proportionate share.

At August 31, 2022, the District reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between projected and actual investment earnings | \$ 5,448 | \$ - |
| Contributions made subsequent to measurement date | 144 | - |
| Changes in assumptions | - | 74 |
| Differences between expected and actual experience | 562 | - |
| | \$ 6,154 | \$ 74 |

\$144 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

| Year Ended September 30 | Pension Expense |
|----------------------------|--------------------|
| 2023 | \$ 1,713 |
| 2024 | 1,063 |
| 2025 | 1,110 |
| 2026 | 2,050 |
| | \$ 5,936 |

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

8. Pension plan - TCDRS

Plan description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public retirement system consisting of non-traditional defined benefit plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer's contribution rate was 2.45% for the calendar year 2022. The deposit rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution may be changed by the governing body of the employer within the options available in the TCDRS Act.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2022

Net Pension Liability

There is no pension liability as December 31, 2021, as the District began participating in the plan after December 31, 2021, the measurement date.

Pension Expense/(Benefit) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the District recognized no pension expense.

At September 30, 2022, the District reported deferred outflows of resources related to pensions in the amount of \$11,471, related to contributions made subsequent to the measurement date.

A total of \$11,471 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023.

9. Net position/Fund balance

The District has restricted \$17,619 of its fund balance and net position for a memorial. As of September 30, 2022, the remaining portion of its fund balance is assigned for future capital expenses and contingencies.

10. Ground lease agreement

The District has entered into a ground lease agreement with the City of Sealy, Texas effective June 22, 2011. The agreement provides for the District to build a new fire station on premises that will be leased from the City. The lease is for a 30-year term, ending on June 30, 2041, however, the District can renew the lease for an additional 30-year term. As part of the agreement, the District agrees to pay one dollar per year to the City.

Required Supplementary Information

Austin County Emergency Services District #2
 Required Supplementary Information
 September 30, 2022

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)**

Last 10 Years (will ultimately be displayed)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| District's proportion of the net pension liability | 0.036% | 0.036% | 0.036% | 0.050% | 0.058% | 0.045% | 0.059% | 0.085% |
| District's proportionate share of the net pension liability | \$ 14,771 | \$ 3,857 | \$ 9,076 | \$ 14,173 | \$ 12,557 | \$ 10,801 | \$ 17,186 | \$ 22,689 |
| State's proportionate share of the net pension liability | 3,834 | 1,068 | 2,587 | 4,204 | 3,485 | 3,537 | 5,941 | 7,865 |
| Total | <u>\$ 18,605</u> | <u>\$ 4,925</u> | <u>\$ 11,663</u> | <u>\$ 18,377</u> | <u>\$ 16,042</u> | <u>\$ 14,338</u> | <u>\$ 23,127</u> | <u>\$ 30,554</u> |
| Number of Active Members* | 4 | 4 | 4 | 4 | 7 | 7 | 5 | 9 |
| District's Net Pension Liability per Active Member | \$ 3,693 | \$ 964 | \$ 2,269 | \$ 3,543 | \$ 1,794 | \$ 1,543 | \$ 3,437 | \$ 2,521 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.20% | 93.10% | 83.20% | 80.20% | 84.30% | 81.40% | 76.30% | 76.90% |

*There is no compensation for active members. Number of active members is used instead.

Notes to Schedule:

Changes in benefit terms - There were no changes in benefit terms that affected the measurement of the total pension liability during the measurement period.

Changes in assumptions - There were no changes of assumptions or other inputs that affected the measurement of the total pension liability during the measurement period.

Austin County Emergency Services District #2
 Required Supplementary Information
 September 30, 2022

SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)

Last 10 Years (will ultimately be displayed)

| | <u>8/31/2022</u> | <u>8/31/2021</u> | <u>8/31/2020</u> | <u>8/31/2019</u> | <u>8/31/2018</u> | <u>8/31/2017</u> | <u>8/31/2016</u> | <u>8/31/2015</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,728 | \$ 1,728 | \$ 1,692 | \$ 2,252 | \$ 2,788 | \$ 2,160 | \$ 2,700 | \$ 3,996 |
| Contributions in relation to the contractually required contribution | <u>1,728</u> | <u>1,728</u> | <u>1,692</u> | <u>2,252</u> | <u>2,788</u> | <u>2,160</u> | <u>2,700</u> | <u>3,996</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Number of Active Members | 4 | 4 | 4 | 4 | 7 | 7 | 5 | 9 |
| Contributions per Active Member | \$ 432 | \$ 432 | \$ 423 | \$ 563 | \$ 398 | \$ 309 | \$ 540 | \$ 444 |

Notes to Schedule of Contributions:

*There is no compensation for active members. Number of active members is used instead.