

AUSTIN COUNTY EMERGENCY
SERVICES DISTRICT NO. 2

Financial Statements
with
Report of Independent Auditor

September 30, 2023

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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, 2023, 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, 2023, 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 30 through 33, 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
June 12, 2024



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, 2023. 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, 2022 to the fiscal year ending September 30, 2023.

Statement of Net Position

	September 30, 2022	September 30, 2023
Current & Other Assets	\$ 1,399,619	\$ 1,673,174
Capital Assets	2,524,030	2,354,975
Total Assets	<u>3,923,649</u>	<u>4,028,149</u>
Deferred Outflows Related to Pensions	17,625	21,721
Outstanding Debt	1,783,766	1,524,133
Net Pension Liability	14,771	12,120
Other Liabilities	40,178	48,823
Total Liabilities	<u>1,838,715</u>	<u>1,585,076</u>
Deferred Inflows Related to Pensions	74	24
Net investment in capital assets	740,264	830,842
Restricted Net Position	17,619	17,619
Unrestricted Net Position	1,344,602	1,616,309
Total Net Position	<u>\$ 2,102,485</u>	<u>\$ 2,464,770</u>

Statement of Activities

	For the Year Ending September 30, 2022	For the Year Ending September 30, 2023
Property Tax Revenue	\$ 1,251,836	\$ 1,417,826
Sales Tax Revenue	319,273	382,836
Operating Grants and Contributions	58,571	57,961
Interest income	3,905	17,683
Miscellaneous	8,966	708
Total Revenue	<u>1,642,551</u>	<u>1,877,014</u>
Professional Fees	59,693	79,563
Other Administrative Expenses	41,873	32,391
Department Expenses	1,210,381	1,357,724
Interest Expense	93,929	45,051
Total Expenses	<u>1,405,876</u>	<u>1,514,729</u>
Change in Net Position	<u>\$ 236,675</u>	<u>\$ 362,285</u>

As of September 30, 2023, the District had net position of \$2,464,770. As of September 30, 2022 net position was \$2,102,485 for a net increase of \$362,285.

Current assets increased \$273,555 in the current year primarily due to an increase in cash and prepaid expenses. Capital assets decreased \$169,055 primarily due to depreciation expense. Outstanding debt decreased \$259,633 primarily due to paydowns of loans.

Total revenue increased \$234,463 in the current year primarily due to an increase in property tax and sales tax revenue. Total expenses increased \$108,853, primarily due to an increase in payroll expenses of \$147,343 and professional expenses of \$19,870.

General Fund Budget

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

- Income was \$147,561 more than budgeted in 2023 primarily due to receiving sales tax and operating grants that were more than anticipated by \$82,836 and \$41,981, respectively.
- Overall, expenses were \$98,909 less than budgeted in 2023 primarily due to payroll expenses being lower than the budget by \$61,606 from not hiring as many employees as anticipated and capital outlay being lower than the budget by \$42,650 due to less purchases being made.

Capital Assets

The District owns the following capital assets:

<u>Governmental activities</u>	<u>Balance at Sept. 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at Sept. 30, 2023</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 8,100	\$ -	\$ 8,100
Capital assets being depreciated				
Buildings	2,150,767	-	-	2,150,767
Vehicles	1,019,303	-	-	1,019,303
Machinery and equipment	290,412	7,750	-	298,162
Software	5,000	-	-	5,000
Total at historical cost	<u>3,465,482</u>	<u>7,750</u>	<u>-</u>	<u>3,473,232</u>
Less: accumulated depreciation for:				
Buildings	542,110	53,769	-	595,879
Vehicles	255,263	105,465	-	360,728
Machinery and equipment	143,829	24,671	-	168,500
Software	250	1,000	-	1,250
Total accumulated depreciation	<u>941,452</u>	<u>184,905</u>	<u>-</u>	<u>1,126,357</u>

This year's major additions included:

Brine Water Tank	\$7,750
New fire station plans	8,100

Long Term Debt

At the end of the 2023 fiscal year, the District owed \$1,524,063 on four loans, of which \$217,737 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 2024 budget reflects an increase in overall expenses of \$534,817, of which approximately \$294,000 is for capital expenditures. A portion of the increase is offset by a budgeted increase in property tax and sales tax revenue. The remaining increase will be offset by previous years excess of revenues over expenditures.

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, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 1,223,072	\$ -	\$ 1,223,072
Investments	311,789	-	311,789
Property tax receivable	40,076	-	40,076
Sales tax receivable	59,097	-	59,097
Net pension asset	-	1,292 (4)	1,292
Prepays	-	37,848 (2)	37,848
Capital assets	-	2,354,975 (2)	2,354,975
Total Assets	\$ 1,634,034	\$ 2,394,115	\$ 4,028,149
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - TESRS	-	3,911 (4)	3,911
Deferred outflows - TCERS	-	17,810 (4)	17,810
Total deferred outflows of resources	-	21,721	21,721
LIABILITIES			
Accounts payable	\$ 6,190	\$ -	\$ 6,190
Accrued payroll	18,488	-	18,488
Accrued interest	-	24,145 (1)	24,145
Note payable, due within one year	-	217,737 (1)	217,737
Noncurrent liabilities, due in more than one year			
Note payable, due after one year	-	1,306,396 (1)	1,306,396
Net pension liability	-	12,120 (4)	12,120
Total Liabilities	\$ 24,678	\$ 1,560,398	\$ 1,585,076
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - TESRS	-	24 (4)	24
Unavailable revenue	35,896	(35,896) (3)	-
Total deferred inflows of resources	35,896	(35,872)	24
FUND BALANCE / NET POSITION			
Fund Balance:			
Restricted	17,619	(17,619)	-
Assigned	1,555,841	(1,555,841)	-
	1,573,460	(1,573,460)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,634,034		
Net Position:			
Net investment in capital assets		830,842	830,842
Restricted		17,619	17,619
Unrestricted		1,616,309	1,616,309
Total Net Position		\$ 2,464,770	\$ 2,464,770

(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 assets and liabilities are not receivable or due and payable in the current period or 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, 2023

	General Fund	Adjustments		Statement of Activities
Revenues:				
Property taxes	\$ 1,403,211	\$ 5,090	(3)	\$ 1,408,301
Penalty and interest	9,525	-		9,525
Sales tax revenue	382,836	-		382,836
Interest income	17,683	-		17,683
Operating grants and contributions	57,481	480	(4)	57,961
Miscellaneous	708	-		708
Total revenues	<u>1,871,444</u>	<u>5,570</u>		<u>1,877,014</u>
Current:				
Public Safety				
Appraisal District fees	60,467	(2,640)	(5)	57,827
Professional fees	21,736	-		21,736
Board expenses	7,864	-		7,864
Office	36,575	-		36,575
Payroll expenses	775,691	-		775,691
Payroll taxes	58,951	-		58,951
Pension expense	20,693	(7,609)	(4)	13,084
Repairs and maintenance	144,610	-		144,610
Insurance expense	99,587	(2,668)	(5)	96,919
Firefighter supplies	46,989	-		46,989
Other expenses	27,874	(3,347)	(5)	24,527
Depreciation expense	-	184,905	(2)	184,905
Capital Outlay	15,850	(15,850)	(2)	-
Debt Service:				
Principal	259,633	(259,633)	(1)	-
Interest	48,454	(3,403)	(4)	45,051
Total expenditures/expenses	<u>1,624,974</u>	<u>(110,245)</u>		<u>1,514,729</u>
Excess/(deficiency) revenue over (under) expenditures	246,470	115,815		362,285

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, 2023

	General Fund	Adjustments	Statement of Activities
Fund balance / net position:			
Beginning of year	1,326,990	775,495	2,102,485
End of the year	\$ 1,573,460	\$ 891,310	\$ 2,464,770

- (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.

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, 2023

	Original/ Final Budget	Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance Over (Under)
Revenues:					
Property taxes	\$ 1,405,383	\$ 1,403,211	\$ -	\$ 1,403,211	\$ (2,172)
Penalty and interest	-	9,525	-	9,525	9,525
Sales tax revenue	300,000	382,836	-	382,836	82,836
Interest income	3,000	17,683	-	17,683	14,683
Operating grants and contributions	15,500	57,481	-	57,481	41,981
Miscellaneous	-	708	-	708	708
Total revenues	<u>1,723,883</u>	<u>1,871,444</u>	<u>-</u>	<u>1,871,444</u>	<u>147,561</u>
Expenditures:					
Current:					
Public Safety					
Appraisal District fees	64,976	60,467	-	60,467	(4,509)
Professional fees	24,800	21,736	-	21,736	(3,064)
Board expenses	9,290	7,864	-	7,864	(1,426)
Office	20,000	36,575	-	36,575	16,575
Payroll expenses	837,297	775,691	-	775,691	(61,606)
Payroll taxes	63,786	58,951	-	58,951	(4,835)
Pension expense	18,000	20,693	-	20,693	2,693
Repairs and maintenance	108,717	144,610	-	144,610	35,893
Insurance expense	97,296	99,587	-	99,587	2,291
Firefighter supplies	66,100	46,989	-	46,989	(19,111)
Other expenses	26,798	27,874	-	27,874	1,076
Capital Outlay	58,500	15,850	-	15,850	(42,650)
Debt Service					
Principal	328,323	259,633	48,454	308,087	(20,236)
Interest	-	48,454	(48,454)	-	-
Total expenditures	<u>1,723,883</u>	<u>1,624,974</u>	<u>-</u>	<u>1,624,974</u>	<u>(98,909)</u>
Excess/(deficiency) revenue over (under) expenditures	-	246,470	-	246,470	246,470
Fund balance, beginning of year	<u>1,326,990</u>	<u>1,326,990</u>	<u>-</u>	<u>1,326,990</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 1,326,990</u>	<u>\$ 1,573,460</u>	<u>\$ -</u>	<u>\$ 1,573,460</u>	<u>\$ 246,470</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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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 TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit 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, 2023 were at the tax rate of \$0.099558 per \$100 valuation. The tax for the 2023 fiscal year was levied in 2022 on property within the District having an assessed valuation of \$1,406,592,707.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
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3. Stewardship, compliance and accountability

The District adopted its 2023 budget on September 8, 2022. Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for interest on debt. 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: office expenses by \$16,575, pension expense by \$2,693, repairs and maintenance by \$35,893, insurance expense by \$2,291, and other expenses by \$1,076.

4. Cash and investments

At September 30, 2023, the District's cash and investments totaled \$1,534,861, and consisted of four demand deposit accounts, one certificate of deposit, and investments in an investment pool. The demand deposit accounts have a total balance of \$1,109,918. Certificates of deposit total \$113,154. 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, \$250,000 was covered by federal depository insurance at one financial institution and \$979,002 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 \$311,789 as of September 30, 2023. "TexPool" is a local government investment pool created and jointly managed by the Texas State Treasurer to invest funds on behalf of Texas political subdivisions. The District has elected the practical expedient to record these funds at net asset value. The pool seeks to maintain a \$1.00 value per share as required by the Texas Public Fund Investment Act. Its fair value approximates carrying value, and was \$1.00 per share at year-end. The weighted average maturities of pools cannot exceed 60 days, with the maximum maturity of any investments limited to 397 calendar days. TexPool was rated AAAM by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

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5. Capital Assets

The following is a summary of capital asset activity during the year ended September 30, 2023.

<u>Governmental activities</u>	<u>Balance at Sept. 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at Sept. 30, 2023</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 8,100	\$ -	\$ 8,100
Capital assets being depreciated				
Buildings	2,150,767	-	-	2,150,767
Vehicles	1,019,303	-	-	1,019,303
Machinery and equipment	290,412	7,750	-	298,162
Software	5,000	-	-	5,000
Total at historical cost	<u>3,465,482</u>	<u>7,750</u>	<u>-</u>	<u>3,473,232</u>
Less: accumulated depreciation for:				
Buildings	542,110	53,769	-	595,879
Vehicles	255,263	105,465	-	360,728
Machinery and equipment	143,829	24,671	-	168,500
Software	250	1,000	-	1,250
Total accumulated depreciation	<u>941,452</u>	<u>184,905</u>	<u>-</u>	<u>1,126,357</u>
Total capital assets being depreciated, net	<u>2,524,030</u>	<u>(177,155)</u>	<u>-</u>	<u>2,346,875</u>
Governmental activities capital assets, net	<u>\$ 2,524,030</u>	<u>\$ (169,055)</u>	<u>\$ -</u>	<u>\$ 2,354,975</u>

6. Long-term debt

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Notes payable	\$ 1,783,766	\$ -	\$ 259,633	\$ 1,524,133	\$ 217,737
	<u>\$ 1,783,766</u>	<u>\$ -</u>	<u>\$ 259,633</u>	<u>\$ 1,524,133</u>	<u>\$ 217,737</u>

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
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Debt outstanding at September 30, 2023 for the District is comprised of the following:

Payable to bank at 2.66%, secured by the fire station, maturing in 2031	\$ 942,996
Payable to bank at 2.75%, secured by a fire truck, maturing in 2028	463,164
Payable to bank at 2.75%, secured by a 2020 truck, maturing in 2028	117,973
	\$ 1,524,133

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2023 follows:

Year Ending September 30:		
	Principal	Interest
2024	\$ 217,737	\$ 41,050
2025	223,628	35,159
2026	229,679	29,108
2027	235,893	22,894
2028	240,138	16,511
2029-2032	377,058	20,232
Total payments	\$ 1,524,133	\$ 164,954

7. Retirement

The aggregate amount for all pension plans as of September 30, 2023 are as follows:

	TCDRS	TESRS	Total
Net Pension Asset	\$ (1,292)	\$ -	\$ (1,292)
Net Pension Liability	-	12,120	12,120
Deferred Outflows of Resources	(17,810)	(3,911)	(21,721)
Deferred Inflows of Resources	-	24	24
Current Year Pension Expense	11,730	1,354	13,084

Texas Emergency Services Retirement System

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

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
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serve without significant monetary remuneration. At August 31, 2023, there were 241 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.

On August 31, 2023, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,929
Terminated Members Entitled to benefits but Not Yet Receiving Them	1,689
Active Participants (Vested and Non-vested)	3,343

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.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2023

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 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, 2023, total contributions (dues, prior service, and interest on prior service financing) of \$1,332 were paid by the District. The State appropriated \$1,262,763 for the fiscal year ending August 31, 2023, to the plan as a whole.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
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Actuarial Assumptions

The total pension liability in the August 31, 2023 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, 2023

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, 2022 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	\$ 18,767	\$ 12,120	\$ 6,729

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

At August 31, 2023, the District reported a liability of \$12,120 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	\$ 12,120
State's proportionate share that is associated with the District	3,212

**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, 2023 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, 2023

relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.028%.

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, 2023 the District recognized pension expense of \$1,354. The District recognized on-behalf revenues of \$480 calculated by taking the State's total contributions to TESRS multiplied by the State's proportionate share.

At August 31, 2023, 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	\$ 3,626	\$ -
Contributions made subsequent to measurement date	108	-
Changes in assumptions	-	24
Differences between expected and actual experience	177	-
	\$ 3,911	\$ 24

\$108 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, 2024. 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
2024	\$ 951
2025	987
2026	1,718
2027	124
	\$ 3,780

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
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Texas County and District Retirement System

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.

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 2023. The deposit rate payable by the employee members is the rate of 4% as adopted by the governing body of the employer. The employee contribution rate and the employer

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2023

contribution may be changed by the governing body of the employer within the options available in the TCDRS Act.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	3
Active employees	30

Net Pension Asset

The District's Net Pension Asset (NPA) was measured as of December 31, 2022, and the Total Pension Asset (TPA) used to calculate the Net Position Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

	<u>December 31, 2022</u>
Discount rate	7.60%
Long-term expected rate of return, net of investment expense	7.60%

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 employment.

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 assumption and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2023

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High- Yield Cash- Pay Capped Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.95%
Private Equity	Hedge Fund Research, Inc. (HFRI) Fund of Funds		
Hedge Funds	Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%
		<u>100.00%</u>	

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2021	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	41,162		41,162
Interest on total pension liability	3,118		3,118
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	318		318
Effect of assumptions changes or inputs	-		-
Refund of contributions	(279)	(279)	-
Benefit payments	-	-	-
Administrative expenses		(27)	27
Member contributions		26,987	(26,987)
Net investment income		(3,687)	3,687
Employer contributions		16,530	(16,530)
Other	-	6,088	(6,088)
Net changes	<u>44,319</u>	<u>45,612</u>	<u>(1,292)</u>
Balances as of December 31, 2022	<u>\$ 44,319</u>	<u>\$ 45,612</u>	<u>\$ (1,292)</u>

Sensitivity of the net pension asset to changes in the discount rate

The following presents the pension asset of the District, calculated using the discount rate of 7.6%, as well as what the District's pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2023

	1% Decrease in Discount Rate (6.6%)	Current Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total pension liability	\$ 53,940	\$ 44,319	\$ 36,740
Fiduciary net position	45,612	45,612	45,612
Net pension liability (asset)	\$ 8,328	\$ (1,292)	\$ (8,872)

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

For the year ended September 30, 2023, the District recognized pension expense of approximately \$11,730

At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 289
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	4,421
Contributions made subsequent to measurement date	-	13,100
	<u>\$ -</u>	<u>\$ 17,810</u>

\$13,100 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2023	\$ 1,134
2024	1,134
2025	1,134
2026	1,135
2027	29
Thereafter	144
	<u>\$ 4,710</u>

8. Net position/Fund balance

The District has restricted \$17,619 of its fund balance and net position for a memorial. As of September 30, 2023, the remaining portion of its fund balance is assigned for future capital expenses and contingencies.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2023

9. Commitments

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 fire station on premises that 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.

The District has entered into an agreement with an engineering firm for plans for a second fire station totaling \$28,000. As of September 30, 2023, \$19,900 is the remaining commitment.

The District entered into an agreement to purchase and outfit a booster truck for approximately \$208,000 in November 2022. The truck was received in February 2024.

10. Subsequent events

The District received a donation of land in March of 2024 to build a second fire station.

Required Supplementary Information

Austin County Emergency Services District #2
 Required Supplementary Information
 September 30, 2023

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
 Last 10 Years (will ultimately be displayed)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.028%	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	\$ 12,120	\$ 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	3,212	3,834	1,068	2,587	4,204	3,485	3,537	5,941	7,865
Total	<u>\$ 15,332</u>	<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	4	7	7	5	9
District's Net Pension Liability per Active Member	\$ 3,030	\$ 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	74.60%	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, 2023

SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
 Last 10 Years (will ultimately be displayed)

	<u>8/31/2023</u>	<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	\$ 1,332	\$ 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>1,332</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of Active Members	4	4	4	4	4	7	7	5	9
Contributions per Active Member	\$ 333	\$ 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.

Austin County Emergency Services District #2
Texas County & District Retirement System

*Schedule of Changes in Net Pension Liability And Related Ratios
Last 10 Fiscal Years
(unaudited)*

	2022
Total Pension Liability	
Service Cost	\$ 41,162
Interest on total pension liability	3,118
Effect of plan changes	-
Effect of assump. Changes or inputs	-
Effect of economic/demographic (gains) or losses	318
Benefit payments/ refunds	(279)
Net change in total pension liability	44,319
Total pension liability - beginning	-
Total pension liability - ending (a)	\$ 44,319
 Plan Fiduciary Net Position	
Employer contributions	\$ 16,530
Member contributions	26,987
Net investment income	(3,687)
Benefit payments, including refunds of employee contributions	(279)
Administrative expense	(27)
Other	6,088
Net change in plan fiduciary net position	45,612
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ 45,612
 Net pension liability (asset) - ending (a) - (b)	(1,292)
Plan fiduciary net position as a percentage of total pension liability	102.92%
Covered employee payroll	674,676
Net pension liability as a percentage of covered employee payroll	-0.19%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule. As GASB 68 has been initially adopted for the 2022 plan year, historical data is not presented.

Austin County Emergency Services District #2
Texas County & District Retirement System

Schedule of Contributions
Last 10 Years
(unaudited)

	<u>2022</u>
Actuarially Determined Contribution	\$ 16,530
Contributions in relation to the actuarially determined contributions	<u>16,530</u>
Contribution deficiency (excess)	\$ -
Covered employee payroll	674,676
Contributions as a percentage of covered employee payroll	2.5%

Notes to Schedule of Contributions:

Valuation Date: Actuarially determined contribution rates are calculated as of 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	20.0 years (based on contribution rate calculated in 12/31/2022 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 administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	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	2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2022: No changes in plan provisions were reflected in the Schedule.