

AUSTIN COUNTY EMERGENCY
SERVICES DISTRICT NO. 2

Financial Statements
with
Report of Independent Auditor

September 30, 2024

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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, 2024, 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, 2024, 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, the Schedule of Contributions - Texas Emergency Services Retirement System (TESRS), the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions - Texas County and District Retirement System (TCDRS) 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 11, 2025



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, 2024. 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, 2023 to the fiscal year ending September 30, 2024.

Statement of Net Position

	September 30, 2023	September 30, 2024
Current & Other Assets	\$ 1,673,174	\$ 1,700,988
Capital Assets	2,354,975	2,616,527
Total Assets	<u>4,028,149</u>	<u>4,317,515</u>
Deferred Outflows Related to Pensions	21,721	37,505
Current liabilities	48,823	52,274
Long term liabilities	1,524,133	1,313,614
Net Pension Liability	12,120	26,844
Total Liabilities	<u>1,585,076</u>	<u>1,392,732</u>
Deferred Inflows Related to Pensions	24	-
Net investment in capital assets	830,842	1,302,913
Restricted Net Position	17,619	17,619
Unrestricted Net Position	1,616,309	1,641,756
Total Net Position	<u>\$ 2,464,770</u>	<u>\$ 2,962,288</u>

Statement of Activities

	For the Year Ending September 30, 2023	For the Year Ending September 30, 2024
Property Tax Revenue	\$ 1,417,826	\$ 1,590,586
Sales Tax Revenue	382,836	461,183
Operating Grants and Contributions	57,961	60,893
Capital contributions	-	122,415
Interest income	17,683	26,123
Miscellaneous	708	458
Total Revenue	<u>1,877,014</u>	<u>2,261,658</u>
Professional Fees	79,563	95,163
Other Administrative Expenses	32,391	40,131
Department Expenses	1,357,724	1,590,978
Interest Expense	45,051	37,868
Total Expenses	<u>1,514,729</u>	<u>1,764,140</u>
Change in Net Position	<u>\$ 362,285</u>	<u>\$ 497,518</u>

As of September 30, 2024, the District had net position of \$2,962,288. As of September 30, 2023 net position was \$2,464,770 for a net increase of \$497,518.

Capital assets increased \$261,552 primarily due to the purchase of a new truck, various equipment, and the donation of land for a new station. Long term liabilities decreased \$210,519 primarily due to paydowns of loans.

Total revenue increased \$384,644 in the current year primarily due to an increase in property tax and sales tax revenue. The District also received a contribution of land for \$122,415. Total expenses increased \$249,411, primarily due to an increase in payroll and payroll taxes of \$170,085, firefighter supplies of \$41,923, and appraisal district fees of \$14,008.

General Fund Budget

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

- Income was \$131,307 more than budgeted in 2024 primarily due to receiving sales tax that was more than anticipated by \$100,183.
- Overall, expenses were \$135,820 less than budgeted in 2024 primarily due to less debt than anticipated.

Capital Assets

The District owns the following capital assets:

<u>Governmental activities</u>	<u>Balance at Sept. 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at Sept. 30, 2024</u>
Capital assets not being depreciated				
Construction in progress	\$ 8,100	\$ 9,000	\$ -	\$ 17,100
Land	-	122,415	-	122,415
Total at historical cost	<u>8,100</u>	<u>131,415</u>	<u>-</u>	<u>139,515</u>
Capital assets being depreciated				
Buildings	2,150,767	-	-	2,150,767
Vehicles	1,019,303	208,311	-	1,227,614
Machinery and equipment	298,162	118,529	-	416,691
Software	5,000	-	-	5,000
Total at historical cost	<u>3,473,232</u>	<u>326,840</u>	<u>-</u>	<u>3,800,072</u>
Less: accumulated depreciation for:				
Buildings	595,879	53,769	-	649,648
Vehicles	360,728	108,522	-	469,250
Machinery and equipment	168,500	33,412	-	201,912
Software	1,250	1,000	-	2,250
Total accumulated depreciation	<u>1,126,357</u>	<u>196,703</u>	<u>-</u>	<u>1,323,060</u>
Total capital assets being depreciated, net	<u>2,346,875</u>	<u>130,137</u>	<u>-</u>	<u>2,477,012</u>
Governmental activities capital assets, net	<u>\$ 2,354,975</u>	<u>\$ 261,552</u>	<u>\$ -</u>	<u>\$ 2,616,527</u>

This year's major additions included:

2023 F450 Truck with equipment	\$208,311
Land received for second station	122,415
Hose compressor	62,147
HVAC condenser	19,230

Long Term Liabilities

At the end of the 2024 fiscal year, the District owed \$1,306,834 on three loans, of which \$223,628 is due within one year. The loans were for the fire station and the purchase of two trucks. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The 2025 budget reflects an increase in overall expenses of \$158,000. The increase is offset by a budgeted increase in property 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, 2024

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 1,213,002	\$ -	\$ 1,213,002
Investments	328,827	-	328,827
Property tax receivable	41,161	-	41,161
Sales tax receivable	82,513	-	82,513
Net pension asset - TCDRS	-	3,360 (4)	3,360
Prepays	-	32,125 (2)	32,125
Capital assets, depreciable	-	2,477,012 (2)	2,477,012
Capital assets, non-depreciable	-	139,515 (2)	139,515
Total Assets	<u>\$ 1,665,503</u>	<u>\$ 2,652,012</u>	<u>\$ 4,317,515</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - TESRS	-	12,010 (4)	12,010
Deferred outflows - TCDRS	-	25,495 (4)	25,495
Total deferred outflows of resources	<u>-</u>	<u>37,505</u>	<u>37,505</u>
LIABILITIES			
Accounts payable	\$ 2,441	\$ -	\$ 2,441
Accrued payroll	29,308	-	29,308
Accrued interest	-	20,525 (1)	20,525
Note payable, due within one year	-	223,628 (1)	223,628
Noncurrent liabilities, due in more than one year:			
Note payable, due after one year	-	1,083,206 (1)	1,083,206
Compensated absences, due after one year	-	6,780 (1)	6,780
Net pension liability - TESRS	-	26,844 (4)	26,844
Total Liabilities	<u>\$ 31,749</u>	<u>\$ 1,360,983</u>	<u>\$ 1,392,732</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	34,904	(34,904) (3)	-
Total deferred inflows of resources	<u>34,904</u>	<u>(34,904)</u>	<u>-</u>
FUND BALANCE / NET POSITION			
Fund Balance:			
Restricted	17,619	(17,619)	-
Assigned	1,581,231	(1,581,231)	-
	<u>1,598,850</u>	<u>(1,598,850)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,665,503</u>		
Net Position:			
Net investment in capital assets		1,309,693	1,309,693
Restricted		17,619	17,619
Unrestricted		1,634,976	1,634,976
Total Net Position		<u>\$ 2,962,288</u>	<u>\$ 2,962,288</u>

(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 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 Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended September 30, 2024

	General Fund	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 1,577,795	\$ (992) (3)	\$ 1,576,803
Penalty and interest	13,783	-	13,783
Sales tax revenue	461,183	-	461,183
Interest income	26,123	-	26,123
Operating grants and contributions	60,460	433 (4)	60,893
Capital contributions	-	122,415 (4)	122,415
Miscellaneous	458	-	458
Total revenues	<u>2,139,802</u>	<u>121,856</u>	<u>2,261,658</u>
Current:			
Public Safety			
Appraisal District fees	69,845	(3,787) (5)	66,058
Professional fees	29,105	-	29,105
Board expenses	17,139	-	17,139
Office	47,677	-	47,677
Payroll expenses	927,586	6,780 (5)	934,366
Payroll taxes	70,361	-	70,361
Pension expense	23,688	(2,719) (4)	20,969
Repairs and maintenance	108,247	6,062 (5)	114,309
Insurance expense	117,543	138 (5)	117,681
Firefighter supplies	88,912	-	88,912
Other expenses	19,682	3,310 (5)	22,992
Depreciation expense	-	196,703 (2)	196,703
Capital Outlay	335,840	(335,840) (2)	-
Debt Service:			
Principal	217,299	(217,299) (1)	-
Interest	41,488	(3,620) (4)	37,868
Total expenditures/expenses	<u>2,114,412</u>	<u>(350,272)</u>	<u>1,764,140</u>
Excess/(deficiency) revenue over (under) expenditures/expenses	25,390	472,128	497,518

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, 2024

	General Fund	Adjustments	Statement of Activities
Fund balance / net position:			
Beginning of year	1,573,460	891,310	2,464,770
End of the year	<u>\$ 1,598,850</u>	<u>\$ 1,363,438</u>	<u>\$ 2,962,288</u>

- (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, 2024

	Original/ Final Budget	Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance Over (Under)
Revenues:					
Property taxes	\$ 1,583,533	\$ 1,577,795	\$ -	\$ 1,577,795	\$ (5,738)
Penalty and interest	-	13,783	-	13,783	13,783
Sales tax revenue	361,000	461,183	-	461,183	100,183
Interest income	8,462	26,123	-	26,123	17,661
Operating grants and contributions	55,500	60,460	-	60,460	4,960
Miscellaneous	-	458	-	458	458
Total revenues	<u>2,008,495</u>	<u>2,139,802</u>	<u>-</u>	<u>2,139,802</u>	<u>131,307</u>
Expenditures:					
Current:					
Public Safety					
Appraisal District fees	81,913	69,845	-	69,845	(12,068)
Professional fees	29,787	29,105	-	29,105	(682)
Board expenses	33,700	17,139	-	17,139	(16,561)
Office	22,200	47,677	-	47,677	25,478
Payroll expenses	899,461	927,586	-	927,586	28,125
Payroll taxes	68,640	70,361	-	70,361	1,720
Pension expense	20,600	23,688	-	23,688	3,088
Repairs and maintenance	103,684	108,247	-	108,247	4,563
Insurance expense	154,296	117,543	-	117,543	(36,753)
Firefighter supplies	76,550	88,912	-	88,912	12,362
Other expenses	29,151	19,682	-	19,682	(9,469)
Capital Outlay	155,263	335,840	-	335,840	180,577
Debt Service					
Principal	574,987	217,299	41,488	258,787	(316,200)
Interest	-	41,488	(41,488)	-	-
Total expenditures	<u>2,250,232</u>	<u>2,114,412</u>	<u>-</u>	<u>2,114,412</u>	<u>(135,820)</u>
Excess/(deficiency) revenue over (under) expenditures	(241,737)	25,390	-	25,390	267,127
Fund balance, beginning of year	<u>1,573,460</u>	<u>1,573,460</u>	<u>-</u>	<u>1,573,460</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 1,331,723</u>	<u>\$ 1,598,850</u>	<u>\$ -</u>	<u>\$ 1,598,850</u>	<u>\$ 267,127</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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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 Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and 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.

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, 2024 were at the tax rate of \$0.000948 per \$100 valuation. The tax for the 2024 fiscal year was levied in 2023 on property within the District having an assessed valuation of \$1,659,093,258.

3. Stewardship, compliance and accountability

The District adopted its 2024 budget on August 30, 2023. 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 \$25,478, payroll expense by \$28,125, payroll tax by \$1,720, pension expense by \$3,088, repairs and maintenance by \$4,563, firefighter supplies by \$12,362, and capital outlay by \$180,577.

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Notes to Basic Financial Statements
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4. Cash and investments

At September 30, 2024, the District's cash and investments totaled \$1,541,829, 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 \$1,094,020. Certificates of deposit total \$118,983. 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 \$965,366 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 \$328,827 as of September 30, 2024. "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 AAA by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

5. Capital Assets

The following is a summary of capital asset activity during the year ended September 30, 2024.

	Balance at Sept. 30, 2023	Additions	Retirements	Balance at Sept. 30, 2024
<u>Governmental activities</u>				
Capital assets not being depreciated				
Construction in progress	\$ 8,100	\$ 9,000	\$ -	\$ 17,100
Land	-	122,415	-	122,415
Total at historical cost	<u>8,100</u>	<u>131,415</u>	<u>-</u>	<u>139,515</u>
Capital assets being depreciated				
Buildings	2,150,767	-	-	2,150,767
Vehicles	1,019,303	208,311	-	1,227,614
Machinery and equipment	298,162	118,529	-	416,691
Software	5,000	-	-	5,000
Total at historical cost	<u>3,473,232</u>	<u>326,840</u>	<u>-</u>	<u>3,800,072</u>
Less: accumulated depreciation for:				
Buildings	595,879	53,769	-	649,648
Vehicles	360,728	108,522	-	469,250
Machinery and equipment	168,500	33,412	-	201,912
Software	1,250	1,000	-	2,250
Total accumulated depreciation	<u>1,126,357</u>	<u>196,703</u>	<u>-</u>	<u>1,323,060</u>
Total capital assets being depreciated, net	<u>2,346,875</u>	<u>130,137</u>	<u>-</u>	<u>2,477,012</u>
Governmental activities capital assets, net	<u>\$ 2,354,975</u>	<u>\$ 261,552</u>	<u>\$ -</u>	<u>\$ 2,616,527</u>

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2024

6. Long-term liabilities

The following is a summary of long-term liabilities transactions of the District for the year ended September 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Notes payable	\$ 1,524,133	\$ -	\$ 217,299	\$ 1,306,834	\$ 223,628
Compensated absences	-	6,780	-	6,780	-
	<u>\$ 1,524,133</u>	<u>\$ 6,780</u>	<u>\$ 217,299</u>	<u>\$ 1,313,614</u>	<u>\$ 223,628</u>

Long-term liabilities outstanding at September 30, 2024 for the District is comprised of the following:

Debt outstanding

Payable to bank at 2.66%, secured by the fire station, maturing in 2031	\$ 835,600
Payable to bank at 2.75%, secured by a fire truck, maturing in 2028	375,594
Payable to bank at 2.75%, secured by a 2020 truck, maturing in 2028	95,640

Other long-term liabilities

Compensated absences for accrued vacation	6,780
	<u>\$ 1,313,614</u>

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2024 follows:

	Year Ending September 30:	
	Principal	Interest
2025	\$ 223,628	35,159
2026	229,679	29,108
2027	235,893	22,894
2028	240,577	16,511
2029	122,378	10,028
2029-2032	254,679	10,203
Total payments	<u>\$ 1,306,834</u>	<u>\$ 123,903</u>

7. Retirement

The aggregate amount for all pension plans as of September 30, 2024 are as follows:

	TCDRS	TESRS	Total
Net Pension Asset	\$ (3,360)	\$ -	\$ (3,360)
Net Pension Liability	-	26,844	26,844
Deferred Outflows of Resources	(25,495)	(12,010)	(37,505)
Deferred Inflows of Resources	-	-	-
Current Year Pension Expense	7,644	8,330	15,974

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2024

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 serve without significant monetary remuneration. At August 31, 2024, there were 244 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, 2024, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	4,122
Terminated Members Entitled to benefits but Not Yet Receiving Them	1,806
Active Participants (Vested and Non-vested)	3,394

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.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
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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 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

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2024

August 31, 2024, total contributions (dues, prior service, and interest on prior service financing) of \$1,296 were paid by the District. The State appropriated \$1,292,763 for the fiscal year ending August 31, 2024, to the plan as a whole.

Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Municipal bond rate	3.87%
Discount rate	5.38%

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 4.6%) and by adding expected inflation (2.75%). In addition, the final 7.25% 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%	5.71%
Small/mid Cap Domestic	10.00%	5.98%
Developed International	15.00%	6.19%
Emerging Markets	5.00%	7.38%
Global Infrastructure	5.00%	6.63%
Real Estate	10.00%	4.50%
Multi asset income	5.00%	3.75%
Fixed Income	30.00%	1.97%
Cash	0.00%	0.00%
	<u>100.00%</u>	

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
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Discount Rate

The discount rate used to measure the total pension liability was 5.38%. The projection of cash flows used to determine the discount rate assumed that contributions of the governing bodies will be made at the contribution rate as of August 31, 2024 and that state contributions will be made as assumed in the August 31, 2024 actuarial valuation. Based on those assumptions, the System's fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2051. Therefore, the discount rate of 5.38% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2051 discounted at the long- term expected rate of return of 7.25% and (b) the present value of benefits after 2051 discounted at the 3.87% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near August 31, 2024.

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 5.38%, 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 (4.38%) or 1 percentage point higher (6.38%) than the current rate:

	1% Decrease (4.38%)	Discount Rate (5.38%)	1% Increase (6.38%)
District's proportionate share of the net pension liability	\$ 37,047	\$ 26,844	\$ 18,789

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

At August 31, 2024, the District reported a liability of \$26,844 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	\$ 26,844
State's proportionate share that is associated with the District	6,723

**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, 2024 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

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2024

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 relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.025%.

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, 2024 the District recognized pension expense of \$8,330. The District recognized on-behalf revenues of \$433 calculated by taking the State's total contributions to TESRS multiplied by the State's proportionate share.

At August 31, 2024, 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	\$ 899	\$ -
Changes in assumptions	9,562	-
Contributions made subsequent to measurement date	108	-
Differences between expected and actual experience	1,442	-
	<u>\$ 12,011</u>	<u>\$ -</u>

\$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, 2025. 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
2025	\$ 7,068
2026	5,267
2027	(161)
2028	(271)
	<u>\$ 11,903</u>

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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 2.42% for the calendar year 2024. 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, 2024

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	7
Active employees	29

Net Pension Asset

The District's Net Pension Asset (NPA) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

	<u>December 31, 2023</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 2024 information for a 10-year time horizon.

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
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Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash- Pay Capped Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index Cambridge Associates Global Private Equity & Venture	6.00%	5.70%
Private Equity	Capital Index Hedge Fund Research, Inc. (HFRI) Fund of Funds	25.00%	7.75%
Hedge Funds	Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	60.00%
		<u>100.00%</u>	<u>0.60%</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, 2022	\$ 44,319	\$ 45,612	\$ (1,293)
Changes for the year:			
Service cost	44,884	-	44,884
Interest on total pension liability	6,779	-	6,779
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	5,029	-	5,029
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(55)	55
Member contributions	-	31,467	(31,467)
Net investment income	-	5,515	(5,515)
Employer contributions	-	19,274	(19,274)
Other	-	2,558	(2,558)
Net changes	<u>56,692</u>	<u>58,759</u>	<u>(2,067)</u>
Balances as of December 31, 2023	<u>\$ 101,011</u>	<u>\$ 104,371</u>	<u>\$ (3,360)</u>

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2024

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:

	1% Decrease in Discount Rate (6.6%)	Current Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total pension liability	\$ 123,019	\$ 101,011	\$ 83,645
Fiduciary net position	104,371	104,371	104,371
Net pension liability (asset)	\$ 18,648	\$ (3,360)	\$ (20,726)

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

For the year ended September 30, 2024, the District recognized pension expense of approximately \$7,644.

At September 30, 2024, 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	\$ -	\$ 4,832
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	3,266
Contributions made subsequent to measurement date	-	22,009
	<u>\$ -</u>	<u>\$ 30,107</u>

\$22,009 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:	
2024	\$ 1,579
2025	1,579
2026	1,580
2027	472
2028	486
Thereafter	2,402
	<u>\$ 8,098</u>

AUSTIN COUNTY EMERGENCY SERVICES DISTRICT NO. 2
Notes to Basic Financial Statements
September 30, 2024

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, 2024, the remaining portion of its fund balance is assigned for future capital expenses and contingencies.

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, 2024, \$10,900 is the remaining commitment.

Required Supplementary Information

Austin County Emergency Services District #2
Required Supplementary Information
September 30, 2024

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

Last 10 Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.025%	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	\$ 26,844	\$ 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	6,723	3,212	3,834	1,068	2,587	4,204	3,485	3,537	5,941	7,865
Total	<u>\$ 33,567</u>	<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	4	7	7	5	9
District's Net Pension Liability per Active Member	\$ 6,711	\$ 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	56.30%	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, 2024

SCHEDULE OF CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
Last 10 Years

	<u>8/31/2024</u>	<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	\$ 1,296	\$ 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>1,296</u>	<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>	<u>\$ -</u>
Number of Active Members	4	4	4	4	4	4	7	7	5	9
Contributions per Active Member	\$ 324	\$ 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)

	2023	2022
Total Pension Liability		
Service Cost	\$ 44,884	\$ 41,162
Interest on total pension liability	6,779	3,118
Effect of plan changes	-	-
Effect of assump. Changes or inputs	-	-
Effect of economic/demographic (gains) or losses	5,029	318
Benefit payments/ refunds	-	(279)
Net change in total pension liability	56,692	44,319
Total pension liability - beginning	44,319	-
Total pension liability - ending (a)	<u>\$ 101,011</u>	<u>\$ 44,319</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 19,274	\$ 16,530
Member contributions	31,467	26,987
Net investment income	5,515	(3,687)
Benefit payments, including refunds of employee contributions	-	(279)
Administrative expense	(55)	(27)
Other	2,558	6,088
Net change in plan fiduciary net position	58,759	45,612
Plan fiduciary net position - beginning	45,612	-
Plan fiduciary net position - ending (b)	<u>\$ 104,371</u>	<u>\$ 45,612</u>
Net pension liability (asset) - ending (a) - (b)	(3,360)	(1,292)
Plan fiduciary net position as a percentage of total pension liability	103.33%	102.92%
Covered employee payroll	786,675	674,676
Net pension liability as a percentage of covered employee payroll	-0.43%	-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)

	2024	2023	2022
Actuarially Determined Contribution	\$ 22,009	\$ 19,274	\$ 16,530
Contributions in relation to the actuarially determined contributions	22,009	19,274	16,530
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	907,140	786,675	674,676
Contributions as a percentage of covered employee payroll	2.4%	2.5%	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 (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19.4 years (based on contribution rate calculated in 12/31/2023 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	2023: No changes in plan provisions were reflected in the Schedule.