

AUSTIN COUNTY EMERGENCY  
SERVICES DISTRICT NO. 2

Financial Statements  
with  
Report of Independent Auditor

September 30, 2025

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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, 2025, 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, 2025, 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**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 8, and 32 through 35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brenham, Texas  
May 13, 2026



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, 2025. 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, 2024 to the fiscal year ending September 30, 2025.

#### *Statement of Net Position*

	September 30, 2024	September 30, 2025
Current & Other Assets	\$ 1,700,988	\$ 2,020,026
Capital Assets	2,616,527	2,466,573
Total Assets	<u>4,317,515</u>	<u>4,486,599</u>
Deferred Outflows Related to Pensions	37,505	41,296
Current liabilities	275,902	311,222
Long term liabilities	1,089,986	890,044
Net Pension Liability	26,844	9,238
Total Liabilities	<u>1,392,732</u>	<u>1,210,504</u>
Deferred Inflows Related to Pensions	-	6,780
Unavailable revenue	-	987
Net investment in capital assets	1,302,913	1,348,066
Restricted Net Position	17,619	17,619
Unrestricted Net Position	1,641,756	1,943,939
Total Net Position	<u>\$ 2,962,288</u>	<u>\$ 3,309,624</u>

Statement of Activities

	For the Year Ending September 30, 2024	For the Year Ending September 30, 2025
Property Tax Revenue	\$ 1,590,586	\$ 1,828,623
Sales Tax Revenue	461,183	603,491
Operating Grants and Contributions	60,893	52,109
Capital contributions	122,415	-
Interest income	26,123	23,566
Miscellaneous	458	18,757
Total Revenue	<u>2,261,658</u>	<u>2,526,546</u>
Professional Fees	95,163	118,222
Other Administrative Expenses	40,131	53,142
Department Expenses	1,590,978	1,974,822
Interest Expense	37,868	33,024
Total Expenses	<u>1,764,140</u>	<u>2,179,210</u>
Change in Net Position	<u>\$ 497,518</u>	<u>\$ 347,336</u>

As of September 30, 2025, the District had net position of \$3,309,624. As of September 30, 2024 net position was \$2,962,288 for a net increase of \$347,336.

Total assets increased \$169,084 primarily due to an increase in cash as a result of operations. Capital assets decreased \$149,954 primarily due to depreciation of assets which was offset by the addition of a vehicle and skid unit. Long term liabilities decreased \$199,942 primarily due to paydowns of loans.

Total revenue increased \$264,888 in the current year primarily due to an increase in property tax and sales tax revenue. Total expenses increased \$415,070, primarily due to an increase in payroll and payroll taxes of \$289,467, firefighter supplies of \$29,735, depreciation and amortization expenses of \$21,070, insurance of \$38,297, and appraisal district fees of \$16,105.

General Fund Budget

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

- Income was \$202,647 more than budgeted in 2025 primarily due to receiving sales tax that was more than anticipated by \$123,491.
- Overall, expenses were \$133,255 less than budgeted in 2025 primarily due to less debt and capital outlay than anticipated offset by more employees hired than budgeted for.

## Capital Assets

The District owns the following capital assets:

<u>Governmental activities</u>	Balance at Sept. 30, 2024	Additions	Retirements	Balance at Sept. 30, 2025
Capital assets not being depreciated				
Construction in progress	\$ 17,100	\$ -	\$ -	\$ 17,100
Land	122,415	-	-	122,415
Total at historical cost	<u>139,515</u>	<u>-</u>	<u>-</u>	<u>139,515</u>
Capital assets being depreciated				
Buildings	2,150,767	-	-	2,150,767
Vehicles	1,227,614	-	-	1,227,614
Machinery and equipment	416,691	28,569	-	445,260
Software	5,000	-	-	5,000
Total at historical cost	<u>3,800,072</u>	<u>28,569</u>	<u>-</u>	<u>3,828,641</u>
Less: accumulated depreciation for:				
Buildings	649,648	53,769	-	703,417
Vehicles	469,250	117,202	-	586,452
Machinery and equipment	201,912	41,877	-	243,789
Software	2,250	1,000	-	3,250
Total accumulated depreciation	<u>1,323,060</u>	<u>213,848</u>	<u>-</u>	<u>1,536,908</u>
Total capital assets being depreciated, net	<u>2,477,012</u>	<u>(185,279)</u>	<u>-</u>	<u>2,291,733</u>
Lease right-to-use assets				
Vehicle	-	39,250	-	39,250
Less: accumulated amortization for:				
Vehicle	-	3,925	-	3,925
Lease right-to-use assets, net	<u>-</u>	<u>35,325</u>	<u>-</u>	<u>35,325</u>
Governmental activities capital assets, net	<u>\$ 2,616,527</u>	<u>\$ (149,954)</u>	<u>\$ -</u>	<u>\$ 2,466,573</u>

This year's major additions included:

2025 Ford Explorer	\$39,250
Skid Unit - Honda	28,569

## Long Term Liabilities

At the end of the 2025 fiscal year, the District owed \$1,083,305 on three loans, of which \$229,679 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 2026 budget reflects an increase in overall expenses of approximately \$175,000. 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, 2025

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 1,482,723	\$ -	\$ 1,482,723
Investments	343,678	-	343,678
Property tax receivable	42,414	-	42,414
Sales tax receivable	105,276	-	105,276
Net pension asset - TCDRS	-	7,765 (4)	7,765
Prepays	-	38,170 (2)	38,170
Capital assets:			
Depreciable and right-to-use, net	-	2,327,058 (2)	2,327,058
Non-depreciable	-	139,515 (2)	139,515
Total Assets	\$ 1,974,091	\$ 2,512,508	\$ 4,486,599
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - TESRS	-	3,091 (4)	3,091
Deferred outflows - TCDRS	-	38,205 (4)	38,205
Total deferred outflows of resources	-	41,296	41,296
<b>LIABILITIES</b>			
Accounts payable	\$ 19,617	\$ -	\$ 19,617
Accrued payroll	37,655	-	37,655
Accrued interest	-	17,026 (1)	17,026
Note payable, due within one year	-	229,679 (1)	229,679
Lease liability, due within one year	-	7,245 (1)	7,245
Noncurrent liabilities, due in more than one year:			
Note payable, due after one year	-	853,626 (1)	853,626
Lease liability, due after one year	-	27,957 (1)	27,957
Compensated absences, due after one year	-	8,461 (1)	8,461
Net pension liability - TESRS	-	9,238 (4)	9,238
Total Liabilities	\$ 57,272	\$ 1,153,232	\$ 1,210,504
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - TESRS	-	6,780 (4)	6,780
Unavailable revenue	40,693	(39,706) (3)	987
Total deferred inflows of resources	40,693	(32,926)	7,767
<b>FUND BALANCE / NET POSITION</b>			
Fund Balance:			
Restricted	17,619	(17,619)	-
Assigned	1,858,507	(1,858,507)	-
	1,876,126	(1,876,126)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,974,091		
Net Position:			
Net investment in capital assets		1,348,066	1,348,066
Restricted		17,619	17,619
Unrestricted		1,943,939	1,943,939
Total Net Position		\$ 3,309,624	\$ 3,309,624

- (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, 2025

	General Fund	Adjustments		Statement of Activities
Revenues:				
Property taxes	\$ 1,809,114	\$ 4,802	(3)	\$ 1,813,916
Penalty and interest	14,707	-		14,707
Sales tax revenue	603,491	-		603,491
Interest income	23,566	-		23,566
Operating grants and contributions	51,788	321	(4)	52,109
Miscellaneous	18,757	-		18,757
<b>Total revenues</b>	<b>2,521,423</b>	<b>5,123</b>		<b>2,526,546</b>
Expenditures:				
Public Safety				
Appraisal District fees	86,054	(3,891)	(5)	82,163
Professional fees	36,059	-		36,059
Board expenses	13,414	-		13,414
Office	48,921	-		48,921
Payroll expenses	1,201,028	1,681	(5)	1,202,709
Payroll taxes	91,485	-		91,485
Pension expense	30,358	(18,701)	(4)	11,657
Repairs and maintenance	128,423	(768)	(5)	127,655
Insurance expense	155,958	17	(5)	155,975
Firefighter supplies	118,647	-		118,647
Other expenses	41,201	(1,473)	(5)	39,728
Depreciation and amortization expense	-	217,773	(2)	217,773
Capital Outlay	67,819	(67,819)	(2)	-
Debt Service:				
Principal	227,507	(227,507)	(1)	-
Interest	36,523	(3,499)	(4)	33,024
<b>Total expenditures/expenses</b>	<b>2,283,397</b>	<b>(104,187)</b>		<b>2,179,210</b>
Excess/(deficiency) revenue over (under) expenditures/expenses	238,026	109,310		347,336

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, 2025

	General Fund	Adjustments		Statement of Activities
Other financing sources				
Proceeds from long-term debt	39,250	(39,250)	(6)	-
Total other financing sources	39,250	(39,250)		-
 Change in fund balance/ net position	 277,276	 70,060		 347,336
Fund balance / net position:				
Beginning of year	1,598,850	1,363,438		2,962,288
End of the year	\$ 1,876,126	\$ 1,433,498		\$ 3,309,624

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

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, 2025

	Original/ Final Budget	Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Variance Over (Under)
Revenues:					
Property taxes	\$ 1,800,776	\$ 1,809,114	\$ -	\$ 1,809,114	\$ 8,338
Penalty and interest	-	14,707	-	14,707	14,707
Sales tax revenue	480,000	603,491	-	603,491	123,491
Interest income	8,500	23,566	-	23,566	15,066
Operating grants and contributions	29,500	51,788	-	51,788	22,288
Miscellaneous	-	18,757	-	18,757	18,757
Total revenues	<u>2,318,776</u>	<u>2,521,423</u>	<u>-</u>	<u>2,521,423</u>	<u>202,647</u>
Expenditures:					
Current:					
Public Safety					
Appraisal District fees	92,500	86,054	-	86,054	(6,446)
Professional fees	31,500	36,059	-	36,059	4,559
Board expenses	32,880	13,414	-	13,414	(19,466)
Office	42,700	48,921	-	48,921	6,221
Payroll expenses	1,296,735	1,201,028	189,002	1,390,030	93,295
Payroll taxes	-	91,485	(91,485)	-	-
Pension expense	-	30,358	(30,358)	-	-
Repairs and maintenance	137,000	128,423	-	128,423	(8,577)
Insurance expense	70,300	155,958	(67,159)	88,799	18,499
Firefighter supplies	97,500	118,647	-	118,647	21,147
Other expenses	33,620	41,201	-	41,201	7,581
Capital Outlay	135,100	67,819	-	67,819	(67,281)
Debt Service					
Principal	446,817	227,507	36,523	264,030	(182,787)
Interest	-	36,523	(36,523)	-	-
Total expenditures	<u>2,416,652</u>	<u>2,283,397</u>	<u>-</u>	<u>2,283,397</u>	<u>(133,255)</u>
Excess/(deficiency) revenue over (under) expenditures	(97,876)	238,026	-	238,026	335,902
Other financing sources					
Proceeds from long-term debt	-	39,250	-	39,250	39,250
Total other financing sources	<u>-</u>	<u>39,250</u>	<u>-</u>	<u>39,250</u>	<u>39,250</u>
Net change in fund balance	(97,876)	277,276	-	277,276	375,152
Fund balance, beginning of year	<u>1,598,850</u>	<u>1,598,850</u>	<u>-</u>	<u>1,598,850</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 1,500,974</u>	<u>\$ 1,876,126</u>	<u>\$ -</u>	<u>\$ 1,876,126</u>	<u>\$ 375,152</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, 2025

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, 2025

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, 2025

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, 2025

*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.

*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.

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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.

O. Leases

Right-to-use assets and lease obligations are recognized upon lease commencement based on the present value of lease payments expected to be made during the remaining lease term. The incremental borrowing rate is used in determining the present value of lease payments unless an implicit rate is provided in the lease. Subsequent amortization of the right-to-use asset is recognized as lease expense on a straight-line basis over the lease term, and accretion of the lease liability is recognized as interest expense using the effective interest method.

Right-to-use assets and lease liabilities are not recognized for leases with an initial term of twelve months or less. For these leases, lease expense is recognized on a straight-line basis over the lease term.

P. Change in Accounting Principles

Effective October 1, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*, which required the recognition of liabilities for compensated absences that have not been used, but not paid or settled. The adoption of GASB No. 101 had no impact on the District's net position and no restatement of net position was made.

Effective October 1, 2024, the District implemented GASB Statement No. 102, *Certain Risk Disclosures*, which required the disclosure of essential information about risks related to vulnerabilities due to certain concentrations or constraints. The adoption of GASB No. 102 had no impact on the District's net position and no restatement of net position was made.

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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, 2025 were at the tax rate of \$0.0009578 per \$100 valuation. The tax for the 2025 fiscal year was levied in 2024 on property within the District having an assessed valuation of \$1,894,289,387.

3. Stewardship, compliance and accountability

The District adopted its 2025 budget on September 11, 2024. 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: professional fees by \$4,559, office expense by \$6,221, payroll expenses by \$93,295, insurance expense by \$18,499, firefighter supplies by \$21,147, and other expenses by \$7,581.

4. Cash and investments

At September 30, 2025, the District's cash and investments totaled \$1,826,401, 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 \$1,358,386. Certificates of deposit total \$124,337. 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 \$1,118,101 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 \$343,678 as of September 30, 2025. "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.

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5. Capital Assets

The following is a summary of capital asset activity during the year ended September 30, 2025.

<u>Governmental activities</u>	Balance at Sept. 30, 2024	Additions	Retirements	Balance at Sept. 30, 2025
Capital assets not being depreciated				
Construction in progress	\$ 17,100	\$ -	\$ -	\$ 17,100
Land	122,415	-	-	122,415
Total at historical cost	<u>139,515</u>	<u>-</u>	<u>-</u>	<u>139,515</u>
Capital assets being depreciated				
Buildings	2,150,767	-	-	2,150,767
Vehicles	1,227,614	-	-	1,227,614
Machinery and equipment	416,691	28,569	-	445,260
Software	5,000	-	-	5,000
Total at historical cost	<u>3,800,072</u>	<u>28,569</u>	<u>-</u>	<u>3,828,641</u>
Less: accumulated depreciation for:				
Buildings	649,648	53,769	-	703,417
Vehicles	469,250	117,202	-	586,452
Machinery and equipment	201,912	41,877	-	243,789
Software	2,250	1,000	-	3,250
Total accumulated depreciation	<u>1,323,060</u>	<u>213,848</u>	<u>-</u>	<u>1,536,908</u>
Total capital assets being depreciated, net	<u>2,477,012</u>	<u>(185,279)</u>	<u>-</u>	<u>2,291,733</u>
Lease right-to-use assets				
Vehicle	-	39,250	-	39,250
Less: accumulated amortization for:				
Vehicle	-	3,925	-	3,925
Lease right-to-use assets, net	<u>-</u>	<u>35,325</u>	<u>-</u>	<u>35,325</u>
Governmental activities capital assets, net	<u>\$ 2,616,527</u>	<u>\$ (149,954)</u>	<u>\$ -</u>	<u>\$ 2,466,573</u>

6. Long-term liabilities

The following is a summary of long-term liabilities transactions of the District for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Notes payable	\$ 1,306,764	\$ -	\$ 223,459	\$ 1,083,305	\$ 229,679
Compensated absences	6,780	1,681	-	8,461	-
Lease liability	-	39,250	4,048	35,202	7,245
	<u>\$ 1,313,544</u>	<u>\$ 40,931</u>	<u>\$ 227,507</u>	<u>\$ 1,126,968</u>	<u>\$ 236,924</u>

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Long-term liabilities outstanding at September 30, 2025 for the District is comprised of the following:

Debt outstanding

Payable to bank at 2.66%, secured by the fire station, maturing in 2031	\$	725,422
Payable to bank at 2.75%, secured by a fire truck, maturing in 2028		285,197
Payable to bank at 2.75%, secured by a 2020 truck, maturing in 2028		72,686

Other long-term liabilities

Compensated absences for accrued vacation		8,461
Lease liability for vehicle		35,202
	\$	1,126,968

The annual debt service requirement to maturity for all notes payable outstanding debt as of September 30, 2025 follows:

Year Ending September 30:		
	Principal	Interest
2026	\$ 229,679	29,108
2027	235,893	22,894
2028	240,746	16,511
2029	122,378	10,028
2030	125,633	6,773
2031 and thereafter	128,976	3,431
Total payments	\$ 1,083,305	\$ 88,745

7. Lease

The District recognizes a lease liability and an intangible right-to-use asset (lease asset) in the government-wide funds financial statements. Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the District is reasonably certain to exercise.

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The District monitors changes in circumstances that would require a re-measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Leased assets are reported on the government-wide Statement of Net Position and lease liabilities are reported as current and long-term liabilities on the Statement of Net Position.

During the fiscal year, the District entered into a lease agreement as lessee for the acquisition of a vehicle. The lease term ends in February 2030.

The future principal and interest payments as of September 30, 2025 were as follows:

Fiscal Year Ending September 30,	Principal	Interest
2026	\$ 7,245	\$ 1,742
2027	7,651	1,337
2028	8,079	908
2029	8,532	456
2030	3,695	51
	\$ 35,202	\$ 4,494

8. Retirement

The aggregate amount for all pension plans as of September 30, 2025 are as follows:

	TCDRS	TESRS	Total
Net Pension Asset	\$ (7,765)	\$ -	\$ (7,765)
Net Pension Liability	-	9,238	9,238
Deferred Outflows of Resources	(38,205)	(3,091)	(41,296)
Deferred Inflows of Resources	-	6,780	6,780
Current Year Pension (Benefit) Expense	11,282	(885)	10,397

**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, 2025, 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.

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On August 31, 2025, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	4,188
Terminated Members Entitled to benefits but Not Yet Receiving Them	1,764
Active Participants (Vested and Non-vested)	3,301

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

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

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

*Funding Policy*

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

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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, 2025, total contributions (dues, prior service, and interest on prior service financing) of \$1,044 were paid by the District. The State appropriated \$1,292,763 for the fiscal year ending August 31, 2025, to the plan as a whole.

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*Actuarial Assumptions*

The total pension liability in the August 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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%	5.73%
Small/mid Cap Domestic	10.00%	6.32%
Developed International	15.00%	6.77%
Emerging Markets	5.00%	6.85%
Global Infrastructure	5.00%	6.63%
Real Estate	10.00%	4.00%
Multi asset income	5.00%	3.50%
Fixed Income	30.00%	1.80%
Cash	0.00%	0.00%
	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 7%. No projection of cash flows was used to determine the discount rate because the August 31, 2025 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 28 years. Because of the 28-year

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amortization period of the UAAL, the System’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 of 7% was applied to all periods of projected benefit payments as the discount rate 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%, 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%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 14,660	\$ 9,238	\$ 4,852

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

At August 31, 2025, the District reported a liability of \$9,238 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	\$ 9,238
State's proportionate share that is associated with the District	2,170

*\*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, 2025 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 relative to the contributions of all employers to the plan for the period September 1, 2024 through August 31, 2025.

At August 31, 2025, the employer’s proportion of the collective net pension liability was 0.019%.

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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, 2025 the District recognized pension benefit of \$542. The District recognized on-behalf revenues of \$321 calculated by taking the State's total contributions to TESRS multiplied by the State's proportionate share.

At August 31, 2025, 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	\$ -	\$ 604
Changes in assumptions	2,782	5,626
Contributions made subsequent to measurement date	48	-
Differences between expected and actual experience	261	550
	\$ 3,091	\$ 6,780

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
2026	\$ (166)
2027	(2,747)
2028	(515)
2029	(309)
	\$ (3,737)

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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 2025. 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 contribution may be changed by the governing body of the employer within the options available in the TCDRS Act.

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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	9
Active employees	35

Net Pension Asset

The District's Net Pension Asset (NPA) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

	<u>December 31, 2024</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 2025 information for a 10-year time horizon.

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Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High- Yield Cash- Pay Capped Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.75%
	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	8.15%
Private Equity	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Hedge Funds	90-Day U.S. Treasury	2.00%	1.10%
Cash Equivalents		<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, 2023	\$ 101,012	\$ 104,371	\$ (3,359)
Changes for the year:			
Service cost	51,631	-	51,631
Interest on total pension liability	11,467	-	11,467
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	12,888	-	12,888
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(3,579)	(3,579)	-
Benefit payments	-	-	-
Administrative expenses	-	(99)	99
Member contributions	-	40,579	(40,579)
Net investment income	-	11,943	(11,943)
Employer contributions	-	24,550	(24,550)
Other	-	3,419	(3,419)
Net changes	<u>72,407</u>	<u>76,813</u>	<u>(4,406)</u>
Balances as of December 31, 2024	<u>\$ 173,419</u>	<u>\$ 181,184</u>	<u>\$ (7,765)</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:

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Notes to Basic Financial Statements  
September 30, 2025

	1% Decrease in Discount Rate (6.6%)	Current Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total pension liability	\$ 210,393	\$ 173,419	\$ 144,175
Fiduciary net position	181,184	181,184	181,184
Net pension liability (asset)	\$ 29,209	\$ (7,765)	\$ (37,009)

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

For the year ended September 30, 2025, the District recognized pension expense of approximately \$11,282.

At September 30, 2025, 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	\$ -	\$ 16,062
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	900
Contributions made subsequent to measurement date	-	21,243
	<u>\$ -</u>	<u>\$ 38,205</u>

\$21,243 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, 2026. 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:	
2025	\$ 2,433
2026	2,434
2027	1,326
2028	1,339
2029	1,658
Thereafter	7,772
	<u>\$ 16,962</u>

9. Net position/Fund balance

The District has restricted \$17,619 of its fund balance and net position for a memorial. As of September 30, 2025, 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, 2025

10. 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, 2025, \$10,900 is the remaining commitment.

11. Subsequent events

In April 2026, the District purchased a fire truck for \$490,758. The District expects to receive a grant to cover a portion of the cost.

Required Supplementary Information

Austin County Emergency Services District #2  
 Required Supplementary Information  
 September 30, 2025

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

Last 10 Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.019%	0.025%	0.028%	0.036%	0.036%	0.036%	0.050%	0.058%	0.045%	0.059%
District's proportionate share of the net pension liability	\$ 9,238	\$ 26,844	\$ 12,120	\$ 14,771	\$ 3,857	\$ 9,076	\$ 14,173	\$ 12,557	\$ 10,801	\$ 17,186
State's proportionate share of the net pension liability	2,170	6,723	3,212	3,834	1,068	2,587	4,204	3,485	3,537	5,941
Total	<u>\$ 11,408</u>	<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>
Number of Active Members*	4	4	4	4	4	4	4	7	7	5
District's Net Pension Liability per Active Member	\$ 2,310	\$ 6,711	\$ 3,030	\$ 3,693	\$ 964	\$ 2,269	\$ 3,543	\$ 1,794	\$ 1,543	\$ 3,437
Plan fiduciary net position as a percentage of the total pension liability	75.80%	56.30%	74.60%	75.20%	93.10%	83.20%	80.20%	84.30%	81.40%	76.30%

\*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, 2025

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

	<u>8/31/2025</u>	<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>
Contractually required contribution	\$ 1,044	\$ 1,296	\$ 1,332	\$ 1,728	\$ 1,728	\$ 1,692	\$ 2,252	\$ 2,788	\$ 2,160	\$ 2,700
Contributions in relation to the contractually required contribution	1,044	1,296	1,332	1,728	1,728	1,692	2,252	2,788	2,160	2,700
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	4	7	7	5
Contributions per Active Member	\$ 261	\$ 324	\$ 333	\$ 432	\$ 432	\$ 423	\$ 563	\$ 398	\$ 309	\$ 540

**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)*

	2024	2023	2022
Total Pension Liability			
Service Cost	\$ 51,631	\$ 44,884	\$ 41,162
Interest on total pension liability	11,467	6,779	3,118
Effect of plan changes	-	-	-
Effect of assump. Changes or inputs	-	-	-
Effect of economic/demographic (gains) or losses	12,888	5,029	318
Benefit payments/ refunds	(3,579)	-	(279)
Net change in total pension liability	72,407	56,692	44,319
Total pension liability - beginning	101,011	44,319	-
Total pension liability - ending (a)	<u>\$ 173,418</u>	<u>\$ 101,011</u>	<u>\$ 44,319</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 24,550	\$ 19,274	\$ 16,530
Member contributions	40,579	31,467	26,987
Net investment income	11,943	5,515	(3,687)
Benefit payments, including refunds of employee contributions	(3,579)	-	(279)
Administrative expense	(99)	(55)	(27)
Other	3,419	2,558	6,088
Net change in plan fiduciary net position	76,813	58,759	45,612
Plan fiduciary net position - beginning	104,371	45,612	-
Plan fiduciary net position - ending (b)	<u>\$ 181,184</u>	<u>\$ 104,371</u>	<u>\$ 45,612</u>
Net pension liability (asset) - ending (a) - (b)	(7,766)	(3,360)	(1,292)
Plan fiduciary net position as a percentage of total pension liability	104.48%	103.33%	102.92%
Covered employee payroll	1,014,475	786,675	674,676
Net pension liability as a percentage of covered employee payroll	-0.77%	-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)

	2025	2024	2023	2022
Actuarially Determined Contribution Contributions in relation to the actuarially determined contributions	\$ 28,397	\$ 22,009	\$ 19,274	\$ 16,530
	<u>28,397</u>	<u>22,009</u>	<u>19,274</u>	<u>16,530</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	1,173,420	907,140	786,675	674,676
Contributions as a percentage of covered employee payroll	2.4%	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	18.3 years (based on contribution rate calculated in 12/31/2024 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. 2023: No changes in plan provisions were reflected in the Schedule. 2024: No changes in plan provisions were reflected in the Schedule.