

**Travis County
Emergency Services District
No. 5**

**Financial Statements
as of and for the Year Ended
September 30, 2023 and
Independent Auditors' Report**

Travis County Emergency Services District No. 5

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MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Commissioners of
Travis County Emergency Services District No. 5:

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Travis County Emergency Services District No. 5 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the District as of September 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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 the District'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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability (asset) and related ratios, the schedule of district contributions, and the notes to required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maxwell Locke + Ritter LLP

Austin, Texas
December 13, 2023

Travis County Emergency Services District No. 5

Management's Discussion & Analysis

September 30, 2023

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 5 (the "District") offers the following narrative on the financial performance of the District as of and for the year ended September 30, 2023. Please read it in connection with the District's financial statements that follow.

Financial Highlights

- The District's net position at September 30, 2023 was \$15,474,209.
- The fund balance for the General Fund at September 30, 2023 was \$12,736,781, an increase of \$1,882,190 from the prior year. The General Fund had revenues of \$5,149,588, expenditures of \$3,302,898, and proceeds from the sale of capital assets of \$35,500 for the year ended September 30, 2023.
- The fund balance for the Debt Service Fund at September 30, 2023 was \$289,411, an increase of \$289,411 from the prior year. The Debt Service Fund had revenues of \$744,412 and remitted principal of \$383,281 and interest of \$72,020 on notes payable for the year ended September 30, 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1) government-wide financial statements 2) fund financial statements and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years, such as uncollected property taxes and earned, but unused, sick and vacation leave.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet provides a reconciliation to facilitate the comparison between total fund balances and net position of governmental activities. There is a reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities on page 14.

The District maintains a General Fund and Debt Service Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these funds as they are considered to be major funds.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison for the General Fund has been provided to demonstrate compliance with this budget.

The Debt Service Fund includes debt service taxes collected to retire principal and to pay interest due on notes payable.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information - Required supplementary information related to the District's participation in the Texas County and District Retirement System pension plan is presented immediately following the *Notes to Basic Financial Statements*.

The District as a Whole

The District's combined net position as of September 30, 2023 and 2022 are shown in the table below. Our analysis below focuses on the net position and changes in the net position of the District's governmental activities as reported on the accrual basis of accounting.

Statement of Net Position

| | Governmental Activities | |
|--------------------------------------------------|-------------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 |
| Current assets | \$ 13,203,276 | \$ 10,951,878 |
| Capital assets (net of accumulated depreciation) | 4,623,332 | 4,467,761 |
| Net pension asset | 19,120 | 133,988 |
| Total assets | \$ 17,845,728 | \$ 15,553,627 |
| Deferred outflows of resources | \$ 268,177 | \$ 207,526 |
| Current liabilities | \$ 625,685 | \$ 555,791 |
| Non-current liabilities | 1,938,805 | 2,332,398 |
| Total liabilities | \$ 2,564,490 | \$ 2,888,189 |
| Deferred inflows of resources | \$ 75,206 | \$ 182,350 |
| Net investment in capital assets | \$ 2,290,934 | \$ 1,752,082 |
| Restricted for debt service | 269,423 | - |
| Unrestricted | 12,913,852 | 10,938,532 |
| Total net position | \$ 15,474,209 | \$ 12,690,614 |

The District's total assets were \$17,845,728 as of September 30, 2023, of which \$4,623,332 is accounted for by capital assets. The District had outstanding liabilities of \$2,564,490 as of September 30, 2023, of which \$2,332,398 represents outstanding notes payable maturing through 2031. Net position increased from \$12,690,614 at September 30, 2022 to \$15,474,209 at September 30, 2023.

The changes in net position for the years ended September 30, 2023 and 2022 are shown in the table below.

Statement of Activities

| | September 30, 2023 | September 30, 2022 |
|-----------------------------|-----------------------|-----------------------|
| Expenses: | | |
| Fire and emergency services | \$ 2,503,004 | \$ 2,435,518 |
| General government | 604,879 | 645,617 |
| Debt service | 66,287 | 67,640 |
| Total Expenses | 3,174,170 | 3,148,775 |
| Revenues- | | |
| General revenues: | | |
| Property taxes | 2,612,079 | 2,016,089 |
| Sales taxes | 2,828,098 | 2,757,998 |
| Interest and other income | 517,588 | 400,026 |
| Total Revenues | 5,957,765 | 5,174,113 |
| Change in Net Position | 2,783,595 | 2,025,338 |
| Net Position, Beginning | 12,690,614 | 10,665,276 |
| Net Position, Ending | \$ 15,474,209 | \$ 12,690,614 |

Revenues totaled \$5,957,765 for the year ended September 30, 2023, of which \$2,828,098 (47%) was generated by sales tax revenue and \$2,612,079 (44%) was generated by property tax revenue. Expenses totaled \$3,174,170 for the year ended September 30, 2023. Net position increased by \$2,783,595 for the year ended September 30, 2023 compared to an increase of \$2,025,338 for the year ended September 30, 2022.

The District's Governmental Funds

At September 30, 2023, the District's General Fund reported total assets of \$13,192,270, total liabilities of \$397,405, and deferred inflows of resources related to uncollected property taxes of \$58,084, resulting in fund balance of \$12,736,781 which is an increase of \$1,882,190 over the prior year fund balance of \$10,854,591.

At September 30, 2023, the District's Debt Service Fund reported total assets of \$300,417 and deferred inflows of resources related to uncollected property taxes of \$11,006, resulting in fund balance of \$289,411. There was no fund balance at September 30, 2022.

General Fund Budgetary Highlights

Actual expenditures in the General Fund totaled \$3,302,898 for the year ended September 30, 2023, which was \$242,988 less than the final budget. The budget variance is primarily due to principal and interest payments on notes payable being recorded in the debt service fund in the current year. Resources available for appropriation (revenues) totaled \$5,149,588 for the year ended September 30, 2023, which was \$298,354 more than the final budget. The budget variance is primarily due to more sales tax revenue and interest income in the current year than budgeted.

Capital Assets and Long-Term Debt Administration

Capital Assets

At September 30, 2023 and 2022, the District had the following capital assets in operation:

Capital Assets at Year End

| | September 30, 2023 | September 30, 2022 |
|----------------------------|-----------------------|-----------------------|
| Land | \$ 530,170 | \$ 530,170 |
| Buildings and improvements | 3,736,073 | 3,617,887 |
| Fire trucks and vehicles | 2,241,257 | 2,210,078 |
| Equipment | 539,786 | 527,630 |
| Construction in progress | 318,483 | - |
| Total Capital Assets | 7,365,769 | 6,885,765 |
| Accumulated depreciation | (2,742,437) | (2,418,004) |
| Total Net Capital Assets | <u>\$ 4,623,332</u> | <u>\$ 4,467,761</u> |

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Long-Term Debt Administration

At September 30, 2023 and 2022, the District's long-term debt was comprised of the following:

Long-Term Debt at Year End

| | September 30, 2023 | September 30, 2022 |
|------------------------|-----------------------|-----------------------|
| 2015 Fire Station Note | \$ 1,103,862 | \$ 1,324,330 |
| 2018 Truck Note | 359,959 | 425,162 |
| 2021 Truck Note | 506,647 | 563,638 |
| 2021 Truck Note | 361,930 | 402,549 |
| Total Long-Term Debt | <u>\$ 2,332,398</u> | <u>\$ 2,715,679</u> |

More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the 2024 budget, tax rates, and necessary expenditures for the next year's activities. The District's budgetary growth has mirrored its residential growth and the economy. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap. For fiscal year 2024, the tax rate has been set at \$0.0748 per \$100 of assessed valuation for maintenance and operations and \$0.0252 per \$100 of assessed valuation for interest and sinking. The adopted budget for 2024 projects an increase in the fund balance of the General Fund of approximately \$2.1 million. When compared to the 2023 budget, revenues are expected to increase by approximately 30% in 2024. Expenditures are expected to increase by approximately 18% in 2024 when compared to the 2023 budget.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at Travis County Emergency Services District No. 5, Attn: Dennis Wright, Board Treasurer, P.O. Box 1239, Manchaca, Texas 78652.

Travis County Emergency Services District No. 5

Statement of Net Position September 30, 2023

| | Governmental Activities | Component Unit |
|------------------------------------------------------|----------------------------|-------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,378,086 | \$ 15,625 |
| Investments | 10,184,618 | - |
| Receivables: | | |
| Property taxes | 69,090 | - |
| Sales taxes | 500,002 | - |
| Prepaid items | 71,480 | - |
| Capital assets (net of accumulated depreciation): | | |
| Land | 530,170 | - |
| Buildings and improvements | 2,073,307 | - |
| Fire trucks and vehicles | 1,596,122 | - |
| Equipment | 105,250 | - |
| Construction in progress | 318,483 | - |
| Net pension asset | 19,120 | - |
| Total assets | 17,845,728 | 15,625 |
| Deferred Outflows of Resources: | | |
| Pension contributions after measurement date | 94,148 | - |
| Deferred outflows related to pension asset | 174,029 | - |
| Total deferred outflows of resources | 268,177 | - |
| Liabilities: | | |
| Accounts payable | \$ 74,170 | \$ - |
| Accrued liabilities | 33,824 | - |
| Accrued interest payable | 30,994 | - |
| Long-term liabilities: | | |
| Due within one year | 486,697 | - |
| Due after one year | 1,938,805 | - |
| Total liabilities | 2,564,490 | - |
| Deferred Inflows of Resources- | | |
| Deferred inflows related to pension asset | 75,206 | - |
| Total deferred inflows of resources | 75,206 | - |
| Net position: | | |
| Net investment in capital assets | 2,290,934 | - |
| Restricted for debt service | 269,423 | - |
| Unrestricted | 12,913,852 | 15,625 |
| Total net position | \$ 15,474,209 | \$ 15,625 |

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

Travis County Emergency Services District No. 5

Statement of Activities Year Ended September 30, 2023

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---------------------------------|---------------------|-------------------------|------------------------------------------|------------------------------------------------------|-------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Component Unit |
| Governmental activities: | | | | | |
| Fire and emergency services | \$ 2,503,004 | - | - | (2,503,004) | - |
| General government | 604,879 | - | - | (604,879) | - |
| Debt service | 66,287 | - | - | (66,287) | - |
| Total governmental activities | <u>\$ 3,174,170</u> | <u>-</u> | <u>-</u> | <u>(3,174,170)</u> | <u>-</u> |
| Manchaca Fire Auxiliary | <u>\$ 2,017</u> | <u>200</u> | <u>429</u> | <u>-</u> | <u>(1,388)</u> |
| General revenues: | | | | | |
| Property taxes | | | | \$ 2,612,079 | \$ - |
| Sales taxes | | | | 2,828,098 | - |
| Interest income | | | | 293,869 | - |
| Other income | | | | 223,719 | - |
| Total general revenues | | | | <u>5,957,765</u> | <u>-</u> |
| Change in net position | | | | 2,783,595 | (1,388) |
| Net position - beginning | | | | <u>12,690,614</u> | <u>17,013</u> |
| Net position - ending | | | | <u>\$ 15,474,209</u> | <u>\$ 15,625</u> |

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

Travis County Emergency Services District No. 5

Balance Sheet - Governmental Funds September 30, 2023

| | General Fund | Debt Service Fund | Total Governmental Funds |
|----------------------------------------------------------------------|----------------------|----------------------|--------------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 2,378,086 | - | 2,378,086 |
| Investments | 10,184,618 | - | 10,184,618 |
| Receivables: | | | |
| Property taxes | 58,084 | 11,006 | 69,090 |
| Sales taxes | 500,002 | - | 500,002 |
| Interfund | - | 289,411 | 289,411 |
| Prepaid items | 71,480 | - | 71,480 |
| Total assets | <u>\$ 13,192,270</u> | <u>300,417</u> | <u>13,492,687</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 74,170 | - | 74,170 |
| Interfund payable | 289,411 | - | 289,411 |
| Accrued liabilities | 33,824 | - | 33,824 |
| Total liabilities | <u>397,405</u> | <u>-</u> | <u>397,405</u> |
| Deferred inflows of resources- | | | |
| Deferred revenue - property taxes | 58,084 | 11,006 | 69,090 |
| Fund Balances: | | | |
| Nonspendable- | | | |
| Prepaid items | 71,480 | - | 71,480 |
| Restricted- | | | |
| Debt service | - | 289,411 | 289,411 |
| Committed- | | | |
| Development of new station and training building | 4,000,000 | - | 4,000,000 |
| Unassigned | 8,665,301 | - | 8,665,301 |
| Total fund balances | <u>12,736,781</u> | <u>289,411</u> | <u>13,026,192</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 13,192,270</u> | <u>300,417</u> | <u>13,492,687</u> |

Amounts reported for *governmental activities* in the statement of net position are different because:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | \$ 4,623,332 |
| Deferred tax revenue is not available to pay for current year expenditures and, therefore, is deferred in the funds | 69,090 |
| Net pension asset is not a current financial resource and is therefore not recorded in the governmental funds balance sheet | 19,120 |
| The following liabilities and deferred outflows and inflows of resources are not due and payable in the current year and therefore, are not reported in the funds: | |
| Notes payable | (2,332,398) |
| Pension contributions after measurement date | 94,148 |
| Deferred outflows related to pension asset | 174,029 |
| Deferred inflows related to pension asset | (75,206) |
| Accrued compensated absences | (93,104) |
| Accrued interest payable | (30,994) |
| Net position of governmental activities | <u>\$ 15,474,209</u> |

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

Travis County Emergency Services District No. 5

Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds Year Ended September 30, 2023

| | General Fund | Debt Service Fund | Total Governmental Funds |
|-----------------------------------------------------------------------------|----------------------|----------------------|--------------------------------|
| Expenditures: | | | |
| Service operations: | | | |
| Fire and emergency services | \$ 2,174,027 | - | 2,174,027 |
| General government operations | 604,879 | - | 604,879 |
| Debt service: | | | |
| Principal payments | - | 383,281 | 383,281 |
| Interest payments | - | 72,020 | 72,020 |
| Capital outlay | 523,992 | - | 523,992 |
| Total expenditures | <u>3,302,898</u> | <u>455,301</u> | <u>3,758,199</u> |
| Revenues- | | | |
| General revenues: | | | |
| Sales taxes | 2,828,098 | - | 2,828,098 |
| Property taxes, including penalties and interest | 1,839,402 | 744,712 | 2,584,114 |
| Interest income | 293,869 | - | 293,869 |
| Other | 188,219 | - | 188,219 |
| Total general revenues | <u>5,149,588</u> | <u>744,712</u> | <u>5,894,300</u> |
| Other Financing Sources- | | | |
| Proceeds from sale of capital assets | 35,500 | - | 35,500 |
| Total revenues and other financing sources | <u>5,185,088</u> | <u>744,712</u> | <u>5,929,800</u> |
| Excess of revenues and other financing sources over expenditures | 1,882,190 | 289,411 | 2,171,601 |
| Fund Balances: | | | |
| Beginning of year | 10,854,591 | - | 10,854,591 |
| End of year | <u>\$ 12,736,781</u> | <u>289,411</u> | <u>13,026,192</u> |

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

Travis County Emergency Services District No. 5

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2023

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Excess of revenues and other financing sources over expenditures | \$ 2,171,601 |
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. | |
| However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense: | |
| Capital outlay | 523,992 |
| Depreciation expense | (368,421) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds- | |
| Change in deferred tax revenue | 27,965 |
| Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position- | |
| Repayment of notes payable | 383,281 |
| 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 governmental funds: | |
| Change in accrued interest payable | 5,733 |
| Change in accrued compensated absences | (13,483) |
| Pension contributions made before the measurement date | 29,527 |
| Pension contributions made after the measurement date | 94,148 |
| Adjustments for ending deferred inflows and outflows related to net pension asset | (70,748) |
| Change in net position of governmental activities | <u>\$ 2,783,595</u> |

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

Travis County Emergency Services District No. 5

Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - General Fund Year Ended September 30, 2023

| | Original and Final Budget | Actual | Variance |
|------------------------------------------------------------------|------------------------------|-------------------|------------------|
| Revenues: | | | |
| Sales taxes | \$ 2,700,000 | 2,828,098 | 128,098 |
| Property taxes, including penalties and interest | 2,010,234 | 1,839,402 | (170,832) |
| Interest income | 141,000 | 293,869 | 152,869 |
| Other | - | 188,219 | 188,219 |
| Total revenues | <u>4,851,234</u> | <u>5,149,588</u> | <u>298,354</u> |
| Expenditures: | | | |
| Service operations: | | | |
| Fire and emergency services | 2,450,894 | 2,174,027 | 276,867 |
| General government operations | 509,691 | 604,879 | (95,188) |
| Debt service: | | | |
| Principal payments | 389,124 | - | 389,124 |
| Interest payments | 66,177 | - | 66,177 |
| Capital outlay | <u>130,000</u> | <u>523,992</u> | <u>(393,992)</u> |
| Total expenditures | <u>3,545,886</u> | <u>3,302,898</u> | <u>242,988</u> |
| Other Financing Sources- | | | |
| Proceeds from sale of capital assets | <u>-</u> | <u>35,500</u> | <u>35,500</u> |
| Excess of revenues and other financing sources over expenditures | 1,305,348 | 1,882,190 | 576,842 |
| Fund balance: | | | |
| Beginning of year | <u>10,854,591</u> | <u>10,854,591</u> | <u>-</u> |
| End of year | <u>\$ 12,159,939</u> | <u>12,736,781</u> | <u>576,842</u> |

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

Travis County Emergency Services District No. 5

Notes to Basic Financial Statements

Year Ended September 30, 2023

1. Summary of Significant Accounting Policies

Travis County Emergency Services District No. 5 (the “District”) was organized in the State of Texas under Article III, Section 48-e of the Texas Constitution for the protection of human life and health. The District is one of many emergency service districts located in Travis County, Texas. The District provides fire suppression, emergency medical and rescue first response, hazardous materials incident response, and other emergency incident response that may arise within its boundaries. The District serves a 15 square mile area just south of the City of Austin to the Travis County boundary line, and includes the subdivisions of Bear Creek, Onion Creek Meadows, the City of San Leanna, and Shady Hollow. The District is a 24 hour a day operation, providing service from one fire station and answering approximately 1,600 incidents a year.

The reporting entity of the District encompasses those activities and functions over which the District’s appointed officials exercise significant oversight or control. The District is governed by a five member Board of Commissioners (the “Board”) which has been appointed by the Travis County Commissioners’ Court, in accordance with state law. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) since Board members have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Manchaca Fire Auxiliary, Inc. (the “Auxiliary”) was formed in May 2019 to promote and provide community outreach including planning and execution of community events, education, and safety training. The Auxiliary is a legally separate entity from the District and is determined to be a non-major discretely presented component unit of the District as the Auxiliary was fiscally dependent on the District for funding during its first year of operations. The District has determined it is appropriate and in compliance with generally accepted accounting principles to present financial statement information for the Auxiliary as of and for the year ended December 31st, which is the Auxiliary’s fiscal year end. The Auxiliary is reported on the accrual basis of accounting, following accounting principles generally accepted in the United States of America, and is only reported in the Statement of Net Position and Statement of Activities located on pages 10 and 11.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. Governmental activities, which are supported by taxes and other revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted for meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized as revenues in the year in which the underlying exchange occurred. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income and sales taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

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

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes collected to retire principal and to pay interest due on notes payable.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Prior to the beginning of each year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board formally adopts the budget through passage of an ordinance. The District may amend the budget throughout the year, approving such additional expenditures as may be required. All annual appropriations for the General Fund lapse at the fiscal year-end.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents - The District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments - Temporary investments throughout the year consisted of investments in a money market fund and United States treasury securities. The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District is authorized to invest in obligations of, or guaranteed by, government entities other than the United States of America or one of its agencies or instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, and mutual funds to the extent authorized by Section 2256 of the Government Code ("Public Funds Investment Act") and only upon the Board's adoption of a separate resolution authorizing such investment. The District's investment policies and types of investments are governed by the Public Funds Investment Act. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Ad Valorem Property Taxes - Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2023, the District had no allowance for uncollectible accounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, equipment, and fire trucks and vehicles, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Capital assets (other than land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

| Asset | Years |
|----------------------------|-------|
| Buildings and improvements | 5-25 |
| Equipment | 5-10 |
| Fire trucks and vehicles | 5-15 |

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pensions - The fiduciary net position of the Texas County and District Retirement System (“TCDRS”) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 for additional information on deferred outflows and inflows of resources.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 7 for additional information on those fund balance classifications.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Cash, Cash Equivalents and Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2023, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District is entitled to invest in direct and other obligations of the United States or its agencies and instrumentalities, obligations of the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state, certificates of deposit of state or national banks or savings and loan associations within the State of Texas, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission, and eligible public funds investment pools.

Investments held at September 30, 2023 consisted of the following:

| Type | Fair Value | Weighted Average Maturity (Days) | Standard & Poor's Rating |
|----------------------------|----------------------|----------------------------------|--------------------------|
| U.S. Government Treasuries | \$ 9,897,762 | 157 | AA+ |
| Money Market Funds | 286,856 | 1 | N/A |
| Total | <u>\$ 10,184,618</u> | | |

U.S. government treasury securities and money market funds are valued using level 2 inputs that are based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2023, investments were included in U.S. government treasury securities with ratings from Standard & Poor's in compliance with the District's investment policy.

Interest Rate Risk - The District's holdings in U.S. government treasury securities are limited to a maximum stated maturity of two years in order to limit interest and market rate risk from changes in interest rates.

3. Property Taxes

The District is authorized to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred inflows of resources. Taxes receivable are due January 1, are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2022, the District levied a tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.0712 and \$0.0288, respectively. The total fiscal year 2023 tax levy was \$2,638,861 based on a taxable valuation of \$2,609,841,550.

4. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2023 was as follows:

| Receivable Fund | Payable Fund | Amount |
|-------------------|--------------|------------|
| Debt Service Fund | General Fund | \$ 289,411 |

5. Capital Assets

Capital assets activity for the year ended September 30, 2023 was as follows:

| | Balance September 30, 2022 | Additions | Disposals and Transfers | Balance September 30, 2023 |
|------------------------------------------------|----------------------------------|-----------|----------------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 530,170 | - | - | 530,170 |
| Construction in progress | - | 318,483 | - | 318,483 |
| Total capital assets not being depreciated | 530,170 | 318,483 | - | 848,653 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 3,617,887 | 118,186 | - | 3,736,073 |
| Fire trucks and vehicles | 2,210,078 | 75,167 | (43,988) | 2,241,257 |
| Equipment | 527,630 | 12,156 | - | 539,786 |
| Total capital assets being depreciated | 6,335,595 | 205,509 | (43,988) | 6,517,116 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,503,529) | (159,237) | - | (1,662,766) |
| Fire trucks and vehicles | (504,145) | (184,978) | 43,988 | (645,135) |
| Equipment | (410,330) | (24,206) | - | (434,536) |
| Total accumulated depreciation | (2,418,004) | (368,421) | 43,988 | (2,742,437) |
| Total capital assets being depreciated, net | 3,937,591 | (162,912) | - | 3,774,679 |
| Capital assets, net | \$ 4,467,761 | 155,571 | - | 4,623,332 |

6. Long-Term Liabilities

Long-term liabilities transactions for the year ended September 30, 2023 are summarized as follows:

| | Balance September 30, 2022 | Additions | Retirements | Balance September 30, 2023 | Due Within One Year |
|------------------------|----------------------------------|---------------|------------------|----------------------------------|---------------------------|
| Notes payable: | | | | | |
| 2015 Fire Station Note | \$ 1,324,330 | - | (220,468) | 1,103,862 | 226,311 |
| 2018 Truck Note | 425,162 | - | (65,203) | 359,959 | 67,368 |
| 2021 Truck Note | 563,638 | - | (56,991) | 506,647 | 58,323 |
| 2021 Truck Note | 402,549 | - | (40,619) | 361,930 | 41,591 |
| Compensated absences | 79,621 | 13,483 | - | 93,104 | 93,104 |
| Total | <u>\$ 2,795,300</u> | <u>13,483</u> | <u>(383,281)</u> | <u>2,425,502</u> | <u>486,697</u> |

Notes payable consisted of the following at September 30, 2023:

| Date of Issue | Amounts of Original Issue | Maturity Date | Interest Rate | Outstanding at September 30, 2023 |
|---------------|------------------------------|---------------|---------------|-----------------------------------------|
| July 2015 | \$ 2,450,760 | 2027 | 2.65% | \$ 1,103,862 |
| June 2018 | 665,685 | 2028 | 3.32% | 359,959 |
| June 2021 | 619,325 | 2031 | 2.34% | 506,647 |
| July 2021 | 442,220 | 2031 | 3.32% | 361,930 |
| | <u>\$ 4,177,990</u> | | | <u>\$ 2,332,398</u> |

The notes payable agreements were entered into by the District to finance the acquisition of land, building construction and improvements, and emergency response vehicles and are secured by ad valorem taxes, sales taxes, and the vehicles acquired.

Debt service requirements to maturity for the District's notes payable are summarized as follows:

| Fiscal Year | Principal | Interest | Total Requirement |
|-------------|---------------------|----------------|----------------------|
| 2024 | \$ 393,593 | 61,709 | 455,302 |
| 2025 | 404,186 | 51,116 | 455,302 |
| 2026 | 415,067 | 40,235 | 455,302 |
| 2027 | 426,246 | 29,056 | 455,302 |
| 2028 | 348,454 | 17,573 | 366,027 |
| 2029-2031 | 344,852 | 16,409 | 361,261 |
| Total | <u>\$ 2,332,398</u> | <u>216,098</u> | <u>2,548,496</u> |

Compensated Absences - Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund.

7. Fund Balance

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Funds Balance Sheet on page 12.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board maintains the authority to assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

8. Defined Benefit Pension Plan

Plan Description

The District provides retirement, disability, and death benefits for all of its non-temporary full-time employees through a nontraditional defined benefit pension plan administered by TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 850 active participating counties and districts throughout Texas. 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, Finance Division, at Barton Oaks Plaza IV, Suite 500, 901 S. Mopac Expressway, Austin, Texas 78746.

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 either at age 60 and above with 8 or more years of service, after 30 years of service, or when service time plus age equals 75 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.

Benefits Provided

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and the 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.

Employee membership data related to the Plan, as of the valuation date of December 31, 2022, was as follows:

| | |
|-----------------------------------------------------------------|------------------|
| Retirees and beneficiaries currently receiving benefits | - |
| Terminated employees entitled to but not yet receiving benefits | 16 |
| Active plan members | <u>22</u> |
| Total | <u><u>38</u></u> |

Contributions

The District has elected the annually determined contribution rate (“ADCR”) 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 District contributed using the actuarially determined rate of 8.56% for 2023 as adopted by the governing body of the District. The employee contribution rate was 7.00%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. The required contribution and actual contributions for the year ended September 30, 2023 equaled \$123,675.

Net Pension Asset

Actuarial Assumptions

The District's net pension asset was measured as of December 31, 2022 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Timing | Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported |
| Actuarial Cost Method | Entry Age (level percentage of pay) |
| Amortization method | Level percentage of payroll, closed |
| Amortization period | 18.1 years |
| 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% |
| Cost-of-Living Adjustments | Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age | Between ages 40 and 74 with various rates of service retirement by gender: low of 5.3% for age 40-49 to high of 27.5% for age 65-66 for males and females |
| Turnover | New employees are assumed to replace any terminated members and have similar entry ages. |
| Mortality: | |
| Depositing members | 135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |
| Service retirees, beneficiaries and non-depositing members | 135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |
| Disabled retirees | 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |

The actuarial assumptions that determined the total pension liability as of December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in March 2021.

| <u>Asset Class</u> | <u>Benchmark</u> | <u>Target Allocation (a)</u> | <u>Geometric Real Rate of Return (Expected minus Inflation) (b)</u> |
|------------------------------------|--------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------|
| US Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.95% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.95% |
| International Equities - Developed | MSCI World Ex USA (net) Index | 5.00% | 4.95% |
| International Equities - Emerging | MSCI Emerging Markets (net) Index | 6.00% | 4.95% |
| Investment-Grade Bonds | Bloomberg U.S. Aggregate Bond Index | 3.00% | 2.40% |
| Strategic Credit | FTSE High-Yield Cash-Pay Index | 9.00% | 3.39% |
| Direct Lending | Morningstar LSTA US Leveraged Loan Index | 16.00% | 6.95% |
| Distressed Debt | Cambridge Associates Distressed Securities Index (d) | 4.00% | 7.60% |
| REIT Equities | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 4.15% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 5.30% |

| <u>Asset Class</u> | <u>Benchmark</u> | <u>Target Allocation (a)</u> | <u>Geometric Real Rate of Return (Expected minus Inflation) (b)</u> |
|----------------------------------|------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------|
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index (e) | 6.00% | 5.70% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index (c) | 25.00% | 7.95% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 2.90% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | 0.20% |

- a) Target asset allocation adopted at the March 2023 TCDRS Board meeting.
- b) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.30%, per Cliffwater's 2023 capital market assumptions.
- c) Includes vintage years 2006-present of Quarter Pooled Horizon internal rates of return.
- d) Includes vintage years 2005-present of Quarter Pooled Horizon internal rates of return.
- e) Includes vintage years 2007-present of Quarter Pooled Horizon internal rates of return.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in Net Pension Asset

Changes in the District's net pension liability (asset) for the valuation year ended December 31, 2022 are as follows:

| | Total Pension Liability | Increase (Decrease) Fiduciary Net Position | Net Pension Liability (Asset) |
|---------------------------------------------------|----------------------------|-----------------------------------------------------|-------------------------------------|
| | (a) | (b) | (a) - (b) |
| Balance as of December 31, 2021 | \$ 853,913 | \$ 987,901 | \$ (133,988) |
| Changes for the year: | | | |
| Service cost | 180,510 | - | 180,510 |
| Interest on total pension liability (1) | 75,928 | - | 75,928 |
| Effect of plan changes (2) | - | - | - |
| Effect of economic/demographic gains or losses | 33,125 | - | 33,125 |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (72,062) | (72,062) | - |
| Benefit payments | - | - | - |
| Administrative expenses | - | (639) | 639 |
| Member contributions | - | 94,896 | (94,896) |
| Net investment income | - | (70,868) | 70,868 |
| Employer contributions | - | 129,091 | (129,091) |
| Other (3) | - | 22,215 | (22,215) |
| Balance as of December 31, 2022 | <u>\$ 1,071,414</u> | <u>\$ 1,090,534</u> | <u>\$ (19,120)</u> |

- 1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- 2) No plan changes valued.
- 3) Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension asset of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---------------------------------|-------------------|--------------------------|---------------------|
| | 6.60% | 7.60% | 8.60% |
| Total pension liability | \$ 1,335,766 | \$ 1,070,414 | \$ 863,332 |
| Fiduciary net position | 1,090,534 | 1,090,534 | 1,090,534 |
| Net pension liability / (asset) | <u>\$ 245,232</u> | <u>\$ (19,120)</u> | <u>\$ (227,202)</u> |

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2023, the District recognized pension expense of \$70,748. As of September 30, 2023, the deferred outflows and inflows of resources are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 74,730 | \$ 73,514 |
| Changes of assumptions | 47,086 | 1,692 |
| Net difference between projected and actual earnings | 52,213 | - |
| Contributions made subsequent to measurement date | 94,148 | - |
| Total | <u>\$ 268,177</u> | <u>\$ 75,206</u> |

The \$94,148 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended September 30, 2024. The remaining amounts currently reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | Pension Expense Amount |
|--------------------------|------------------------------|
| Year ended September 30: | |
| 2024 | \$ 9,249 |
| 2025 | 12,280 |
| 2026 | 13,177 |
| 2027 | 34,811 |
| 2028 | 4,325 |
| Thereafter | 24,981 |
| | <u>\$ 98,823</u> |

9. Commitments and Contingencies

The District entered into an interlocal agreement with Shady Hollow Municipal Utility District in February 2021 whereby the District agreed to pay fire services fees charged to Shady Hollow Municipal Utility District by the City of Austin. Payments are due by January 1 of each year. Payments due to Shady Hollow Municipal Utility District under the interlocal agreement are as follows:

| Year ended September 30: | |
|--------------------------|---------------------|
| 2024 | \$ 294,000 |
| 2025 | 299,400 |
| 2026 | 304,200 |
| 2027 | 308,400 |
| 2028 | 312,000 |
| Total | <u>\$ 1,518,000</u> |

10. Risk Management

The District is exposed to various risks of losses including property, casualty, automobile, comprehensive liability and workers' compensation. The District purchases its insurance from regular commercial companies. As of September 30, 2023, no claims or losses have been incurred that were not covered by insurance. The District also participates in a public entity risk pool, the TML Intergovernmental Risk Pool, for various risk areas, wherein member entities pool risks and funds and share in the costs of losses. Claims against the District are expected to be paid in full by the public entity risk pool, but the District may be responsible to pay for claims if the public entity risk pool becomes insolvent. There is no liability due to any claim or suit having been filed within the last three years.

Required Supplementary Information

Travis County Emergency Services District No. 5

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios September 30, 2023

| | Year Ended December 31, 2022* | Year Ended December 31, 2021* | Year Ended December 31, 2020* | Year Ended December 31, 2019* | Year Ended December 31, 2018* | Year Ended December 31, 2017* |
|-----------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 180,510 | \$ 177,035 | \$ 168,062 | \$ 116,226 | \$ 108,677 | \$ 119,848 |
| Interest on total pension liability | 75,928 | 65,964 | 51,077 | 30,213 | 19,050 | 9,708 |
| Effect of plan changes | - | - | - | - | - | - |
| Effect of assumption changes or inputs | - | 5,712 | 68,809 | - | - | (3,144) |
| Effect on economic/demographic (gains) or losses | 33,125 | (69,737) | (37,924) | 67,120 | 4,307 | 102 |
| Benefit payments/refunds of contributions | (72,062) | (31,379) | (12,204) | (3,609) | - | - |
| Net change in total pension liability | 217,501 | 147,595 | 237,820 | 209,950 | 132,034 | 126,514 |
| Total pension liability, beginning | 853,913 | 706,318 | 468,498 | 258,548 | 126,514 | - |
| Total pension liability, ending (a) | \$ 1,071,414 | \$ 853,913 | \$ 706,318 | \$ 468,498 | \$ 258,548 | \$ 126,514 |
| Fiduciary Net Position | | | | | | |
| Employer contributions | \$ 129,091 | \$ 89,960 | \$ 85,066 | \$ 84,275 | \$ 84,439 | \$ 61,598 |
| Member contributions | 94,896 | 83,518 | 81,459 | 78,657 | 63,284 | 46,165 |
| Investment income net of investment expenses | (70,868) | 165,052 | 48,847 | 42,925 | (416) | 1,733 |
| Benefit payments/refunds of contributions | (72,062) | (31,379) | (12,204) | (3,609) | - | - |
| Administrative expenses | (639) | (534) | (495) | (358) | (211) | (74) |
| Other | 22,215 | 4,212 | 4,614 | 5,520 | 4,413 | 1,444 |
| Net change in fiduciary net position | 102,633 | 310,829 | 207,287 | 207,410 | 151,509 | 110,866 |
| Fiduciary net position, beginning | 987,901 | 677,072 | 469,785 | 262,375 | 110,866 | - |
| Fiduciary net position, ending (b) | \$ 1,090,534 | \$ 987,901 | \$ 677,072 | \$ 469,785 | \$ 262,375 | \$ 110,866 |
| Net pension liability / (asset), ending = (a) - (b) | \$ (19,120) | \$ (133,988) | \$ 29,246 | \$ (1,287) | \$ (3,827) | \$ 15,648 |
| Fiduciary net position as a % of total pension liability | 101.78% | 115.69% | 95.86% | 100.27% | 101.48% | 87.63% |
| Pensionable covered payroll | \$ 1,355,662 | \$ 1,193,110 | \$ 1,163,699 | \$ 1,123,668 | \$ 904,060 | \$ 659,502 |
| Net pension liability / (asset) as a % of covered payroll | -1.41% | -11.23% | 2.51% | -0.11% | -0.42% | 2.37% |

* Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

Travis County Emergency Services District No. 5

Schedule of District Contributions September 30, 2023

| Year Ending September 30 ** | Actuarially Determined Contribution | Actual Employer Contributions | Contribution Deficiency (Excess) | Pensionable Covered Payroll * | Actual Contribution as a % of Covered Payroll |
|--------------------------------|-------------------------------------------|-------------------------------------|----------------------------------------|-------------------------------------|--------------------------------------------------------|
| 2017 | \$ 41,073 | 41,073 | - | 598,324 | 6.9% |
| 2018 | 80,379 | 80,379 | - | 862,343 | 9.3% |
| 2019 | 83,559 | 83,559 | - | 1,094,601 | 7.6% |
| 2020 | 87,712 | 87,712 | - | 1,202,581 | 7.3% |
| 2021 | 89,944 | 89,944 | - | 1,222,244 | 7.4% |
| 2022 | 122,235 | 122,235 | - | 1,491,418 | 8.2% |
| 2023 | 123,675 | 123,675 | - | 1,413,513 | 8.7% |

* Payroll is calculated based on contributions as reported to TCDRS.

** Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

Travis County Emergency Services District No. 5

Notes to Required Supplementary Information Year Ended September 30, 2023

1. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The following methods and assumptions were used to determine the contributions rates:

| | |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Timing | Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported |
| Actuarial Cost Method | Entry Age (level percentage of pay) |
| Amortization method | Level percentage of payroll, closed |
| Amortization period | 18.1 years |
| 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% |
| Cost-of-Living Adjustments | Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age | Between ages 40 and 74 with various rates of service retirement by gender: low of 5.3% for age 40-49 to high of 27.5% for age 65-66 for males and females |
| Turnover | New employees are assumed to replace any terminated members and have similar entry ages. |
| Mortality: | |
| Depositing members | 135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |
| Service retirees, beneficiaries and non-depositing members | 135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |

| | |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Disabled retirees | 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

2. Change in Assumptions

The following was a change to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period-

- Amortization period decreased from 18.6 years to 18.1 years