

**NUECES COUNTY EMERGENCY
SERVICES DISTRICT NO. 2**

**Annual Financial Report
FOR THE YEAR ENDED AUGUST 31, 2024**

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NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commissioners – Nueces County Emergency Services District No. 2
Corpus Christi, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nueces County Emergency Services District No. 2 as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nueces County Emergency Services District No. 2, as of August 31, 2024 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Nueces County Emergency Services District No. 2 and to meet my ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Nueces 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 Responsibility for the Audit of the Financial Statements

My 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 my 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

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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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Nueces 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 my judgement, there are conditions, or events, considered in the aggregate, that raise substantial doubt about Nueces County Emergency Services District No. 2's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

The supplemental information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



S. Noel Snedeker, II
Certified Public Accountant
February 11, 2025

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
337 YORKTOWN BLVD.
CORPUS CHRISTI, TEXAS 78418-3161
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February 11, 2025

The Honorable Commissioners
Nueces County Emergency Services District No. 2
Corpus Christi, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Nueces County Emergency Services District No. 2, discuss and analyze the District's financial performance for the year ended August 31, 2024. Please read it in conjunction with my independent auditors' report on page 1, and the District's Basic Financial Statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$268,396 as a result of current year operations.
- During the year, the District had expenses that were \$192,923 less than the \$1,786,662 generated in tax, loan proceeds and other revenues for governmental programs. This compares to last year when the expenditures were less than revenues by \$82,857.
- Total cost of all of the District's programs was \$1,670,965, which is \$263,215 more than in the prior year.
- The General Fund ended the year with a fund balance of \$784,420, which is an increase of \$192,923 from the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 10) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 16) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we report the District as:

- Governmental activities—Most of the District's basic services are reported here.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds—not the District as a whole. The District's governmental funds account as follows:

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$991,145 to \$1,259,541. This increase in governmental net position was the result of current year's operations of \$268,396. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$1,005,859 at August 31, 2024.

Table I
NUECES COUNTY EMERGENCY
SERVICES DISTRICT NO. 2
CHANGES IN NET POSITION

| | Governmental Activities 2024 | Governmental Activities 2023 |
|-----------------------------|------------------------------------|------------------------------------|
| Current and other assets | 887,558 | 658,078 |
| Net Pension Asset | 185,309 | 121,447 |
| Capital assets | 814,097 | 745,834 |
| Total assets | 1,886,964 | 1,525,359 |
| Deferred Outflow Pension | 87,916 | 103,743 |
| Other liabilities | 56,905 | 94,881 |
| Long Term Liabilities | 437,080 | 370,748 |
| Total liabilities | 581,901 | 569,372 |
| Deferred Inflow Pension | 133,426 | 172,328 |
| Net Position: | | |
| Invested in capital assets | 253,682 | 300,295 |
| Restricted for Debt Service | - | - |
| Unrestricted | 1,005,859 | 690,850 |
| Total net position | 1,259,541 | 991,145 |

Table II
NUECES COUNTY EMERGENCY
SERVICES DISTRICT NO. 2
CHANGES IN NET POSITION

| | Governmental Activities 2024 | Governmental Activities 2023 |
|--|------------------------------------|------------------------------------|
| General Revenues: | | |
| Maintenance and operations taxes | 1,705,428 | 1,321,399 |
| Charges for Services | 140,810 | 100,479 |
| Grants and Contributions not restricted to specific functions | | |
| Investment Earnings | 20,861 | 4,415 |
| Miscellaneous | 72,262 | 15,564 |
| Total Revenue | 1,939,361 | 1,441,858 |
| Expenses: | | |
| Fire Protection | 1,654,133 | 1,393,932 |
| Interest on Debt | 16,832 | 13,818 |
| Total Expenses | 1,670,965 | 1,407,750 |
| Increase (decrease) in net position transfers and special items | 268,396 | 34,108 |
| Prior Period Adjustment | | |
| Net position, beginning | 991,145 | 957,037 |
| Net position, ending | 1,259,541 | 991,145 |

The assessed valuation before exemptions at January 1, 2023 totaled \$6,868,918,784 million. The current tax rate is \$0.03 per \$100 valuation with a current tax levy of \$1,643,226. The current tax rate is used to finance direct operations.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a fund balance of \$784,420, which is more than last year's total of \$591,497. Included in the year's total change in fund balance is an increase of \$192,923.

The District's General Fund balance of \$784,420 reported on pages 10 and 12 differs from the General Fund's budgetary fund balance of \$949,625 reported in the budgetary comparison schedule on page 14 and 41. This is principally due to revenues being more than budgeted and loan proceeds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the District had \$2,786,106 invested in a broad range of capital assets, including fire facilities, fire trucks, ambulances and equipment.

Debt

At year-end, the District had \$560,415 in loans versus \$445,539 last year which is an increase of 25.78 percent in loans payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Nueces County is currently 4.5 percent, which is a (4.26%) decrease from the prior year. The decrease is due in large part to growth within the industrial sector within the County. The County's unemployment rate is higher than the State's unemployment rate which was 3.9% at September 2023. The State of Texas is slightly higher than the national rate of 3.8% for the same time period; however, the County was .7% higher than the national rate.

- As compared to last year:

School enrollment decreased by 534 students.

Retail sales increased this year by 2.17% compared to prior year for an increase of \$149,573,236.

County net property taxable value (NTV) increased by 13.76 percent, last year it was up 4.31 percent.

Port tonnage increased by 9.36 percent from the prior year to \$151,286,412 in 2023.

The total population of the County during the last census was 351,674 an increase of 11,451 from the prior census in 2010.

None of these factors were considered in preparing the District's budget for the 2023/2024 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 questions about this report or need additional financial information, contact the Nueces County Emergency Services District #2, 337 Yorktown Blvd., Corpus Christi, TX 78418.

BASIC FINANCIAL STATEMENTS

NUECES COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT A-1

| | Primary | Government |
|--|---------|----------------------------|
| | | Governmental Activities |
| <hr/> | | |
| ASSETS | | |
| Cash and Cash Equivalents | \$ | 35,771 |
| Investments - Current | | 770,147 |
| Taxes Receivable, Net | | 81,640 |
| Capital Assets: | | |
| Land Purchase and Improvements | | 21,742 |
| Buildings, Net | | 560,554 |
| Furniture and Equipment, Net | | 231,801 |
| Net Pension Asset | | 185,309 |
| Total Assets | | <u>1,886,964</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflow Related to Pension Plan | | 87,916 |
| Total Deferred Outflows of Resources | | <u>87,916</u> |
| LIABILITIES | | |
| Accounts Payable | | 11,082 |
| Payroll Tax Payable | | 6,591 |
| Notes Payable - Current | | 123,335 |
| Other Current Liabilities | | 3,813 |
| Noncurrent Liabilities: | | |
| Bonds Payable - Noncurrent | | 437,080 |
| Total Liabilities | | <u>581,901</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflow Related to Pension Plan | | 133,426 |
| Total Deferred Inflows of Resources | | <u>133,426</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | | 253,682 |
| Unrestricted | | 1,005,859 |
| Total Net Position | \$ | <u><u>1,259,541</u></u> |

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

EXHIBIT B-1

General Revenues:

| | |
|---|--------------|
| Property Taxes, Levied for General Purposes | 1,705,428 |
| Interest Revenue | 20,861 |
| Loan Proceeds | 72,262 |
| Total General Revenues and Transfers | 1,798,551 |
| Change in Net Position | 268,396 |
| Net Position-- Beginning | 991,145 |
| Net Position - Ending | \$ 1,259,541 |

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NUECES COUNTY EMERGENCY SERVICES DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

EXHIBIT C-1

| | General Fund |
|--|-----------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 35,771 |
| Investments - Current | 770,147 |
| Taxes Receivable | 96,047 |
| Allowance for Uncollectible Taxes (credit) | (14,407) |
| | <hr/> |
| Total Assets | \$ 887,558 |
| | <hr/> |
| LIABILITIES | |
| Accounts Payable | \$ 11,082 |
| Payroll Tax Payable | 6,591 |
| Other Current Liabilities | 3,813 |
| | <hr/> |
| Total Liabilities | 21,486 |
| | <hr/> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable Revenue - Property Taxes | 81,640 |
| | <hr/> |
| Total Deferred Inflows of Resources | 81,640 |
| | <hr/> |
| FUND BALANCE | |
| Unassigned Fund Balance | 784,420 |
| | <hr/> |
| Total Fund Balance | 784,420 |
| | <hr/> |
| Total Liabilities, Deferred Inflows & Fund Balance | \$ 887,546 |
| | <hr/> |

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2024

| | |
|---|--------------|
| Total Fund Balances - Governmental Funds | \$ 784,420 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. | 300,295 |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2024 capital outlays and debt principal payments is to increase (decrease) net position. | 115,511 |
| Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$87,916, a deferred resource inflow in the amount of (\$133,4216), a net pension asset in the amount of \$185,309. This resulted in an increase (decrease) in net position. | 139,799 |
| The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | (162,124) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. | 81,640 |
| Net Position of Governmental Activities | \$ 1,259,541 |

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT C-3

| | General Fund |
|---|------------------------------|
| <hr/> | |
| REVENUES: | |
| Property Taxes | \$ 1,624,991 |
| Charges for Services | 140,810 |
| Investment Earnings | 20,861 |
| Total Revenues | <u>1,786,662</u> |
| EXPENDITURES: | |
| Public Safety: | |
| Fire Protection | 1,546,696 |
| Debt Service: | |
| Principal on Debt | 119,305 |
| Total Expenditures | <u>1,666,001</u> |
| Excess of Revenues Over Expenditures | <u>120,661</u> |
| OTHER FINANCING SOURCES (USES): | |
| Noncurrent Loans | 72,262 |
| Total Other Financing Sources (Uses) | <u>72,262</u> |
| Net Change in Fund Balance | 192,923 |
| Fund Balance - September 1 (Beginning) | <u>591,497</u> |
| Fund Balance - August 31 (Ending) | <u><u>\$ 784,420</u></u> |

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #2
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

| | |
|--|-------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 192,923 |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2024 capital outlays and debt principal payments is to increase (decrease) the change in net position. | 115,511 |
| GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. This contribution made after the measurement date of the plan caused the change in ending net position to increase by \$48,665. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling (\$39,896). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net pension by \$32,880. The net result is an increase (decrease) in the change in net position. | 41,649 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position. | (162,124) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position. | 80,437 |
| Change in Net Position of Governmental Activities | <u>\$ 268,396</u> |

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

NUECES COUNTY EMERGENCY SERVICES DISTRICT #2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2024

| | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|--------------|-----------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property Taxes | \$ 1,600,000 | \$ 1,600,000 | \$ 1,624,991 | \$ 24,991 |
| Charges for Services | 50,000 | 50,000 | 140,810 | 90,810 |
| Investment Earnings | 900 | 900 | 20,861 | 19,961 |
| Total Revenues | 1,650,900 | 1,650,900 | 1,786,662 | 135,762 |
| EXPENDITURES: | | | | |
| Public Safety: | | | | |
| Fire Protection | 1,292,772 | 1,292,772 | 1,546,696 | (253,924) |
| Debt Service: | | | | |
| Principal on Debt | - | - | 119,305 | (119,305) |
| Total Expenditures | 1,292,772 | 1,292,772 | 1,666,001 | (373,229) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 358,128 | 358,128 | 120,661 | (237,467) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Noncurrent Loans | - | - | 72,262 | 72,262 |
| Total Other Financing Sources (Uses) | - | - | 72,262 | 72,262 |
| Net Change | 358,128 | 358,128 | 192,923 | (165,205) |
| Fund Balance - September 1 (Beginning) | 591,497 | 591,497 | 591,497 | - |
| Fund Balance - August 31 (Ending) | \$ 949,625 | \$ 949,625 | \$ 784,420 | \$ (165,205) |

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

NOTES TO FINANCIAL STATEMENTS

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Nueces County Emergency Services District No. 2 (the district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. REPORTING ENTITY

The District was originally created in 1959 as a Rural Fire Prevention District in compliance with the Texas Health Code. In 2003, an election was held to change its name to Nueces County Emergency Services District #2. It is organized to operate as a volunteer fire department serving Flour Bluff and Padre Island. The District is governed by the Nueces County Commissioners but is administered locally by a five-member board, which establishes the budget and approves all expenditures.

The tax roll is prepared by the Nueces County Appraisal District and property taxes collected by the Nueces County Tax Assessor-Collector.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all the Nueces County Emergency Services District No. 2 non-fiduciary with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets. GASB 63 is effective for current fiscal year. The District is reflecting the applicable deferred outflows or inflows as required, net assets have been renamed as net position.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)

The Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Reporting for Postemployment Benefits Other Than OPEBs* by State and Local Government Employers, which became effective for fiscal years beginning after June 15, 2017, requires that certain disclosures regarding postemployment benefits other than OPEBs for employees of the District be included in their financial statements. The Nueces County Emergency Services District No. 2 has no postemployment Benefits or OPEBs at August 31, 2024.

The District implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as another financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements. The right-to-use lease asset capitalization level is determined by the Board of Directors. The term of the lease must be the noncancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. This statement had no significant impact to the District.

D. FUND ACCOUNTING

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate accounting entity with a self – balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

The District reports the following major governmental funds:

The General Fund – The general fund is the District’s primary operating fund. It accounts for all financial resources except those that are required to be accounted for in another fund.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets.

All governmental fund types use the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one – year availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

E. OTHER ACCOUNTING POLICIES

1. The District reports inventories of supplies at cost including consumable maintenance. Supplies are recorded as expenditures when they are consumed. The District had no reportable inventory at August 31, 2024.
2. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District had \$560,415 in debt at August 31, 2024.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

3. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.
4. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|------------------|--------------|
| Buildings | 50 |
| Building | 20 |
| Improvements | |
| Infrastructure | 50 |
| Vehicles | 15 |
| Office Equipment | 7 |
| Computer | 7 |
| Equipment | |

5. The District has no self-insurance plans.
6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 (page 11) provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

| <u>Capital Assets</u> <u>at the Beginning of the year</u> | <u>Historic Cost</u> | <u>Accumulated</u> <u>Depreciation</u> | <u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u> | <u>Change in Net</u> <u>Position</u> |
|---|----------------------|---|---|---|
| Land | 21,742 | | 21,742 | |
| Buildings/infrastructure | 560,554 | | 560,554 | |
| Equipment, trucks | 1,973,423 | 1,809,885 | 163,538 | |
| Vehicles | | | | |
| Construction in Progress | | | | |
| Leases | | | | |
| Change in Net Position | | | | <u>745,834</u> |
| <u>Long-term Liabilities</u> <u>at the Beginning of the year</u> | | | | |
| Bonds Payable | | | | |
| Loans Payable | 445,539 | | | |
| Capital Leases Payable | | | | |
| Compensated Absences | | | | |
| Other | | | | |
| Change in Net Position | | | | <u>445,539</u> |
| Net Adjustment to Net Position | | | | <u>\$300,295</u> |

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 (page 13) provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

| | <u>Amount</u> | <u>Adjustments to Changes in Net Position</u> | <u>Adjustments to Net Position</u> |
|-------------------------------------|----------------|---|--|
| <u>Current Year Capital Outlay</u> | | | |
| Land | | | |
| Buildings & Improvements | | | |
| Other Improvements | | | |
| Furniture & Equipment | | | |
| Equipment | 230,387 | 230,387 | 230,387 |
| Construction in Progress | | | |
| Total Capital Outlay | 230,387 | | |
| <u>Debt Principal Payments</u> | | | |
| Bond Principal | | | |
| Loan Principal | 114,876 | 114,876 | 114,876 |
| Capital Lease Payments | | | |
| Other | | | |
| Total Principal | | | |
| Payments | <u>114,876</u> | | |
| Total Adjustment to Net Position | | <u>115,511</u> | <u>115,511</u> |

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

| | <u>Amount</u> | <u>Adjustments to</u> <u>Change in Net</u> <u>Position</u> | <u>Adjustments</u> <u>to Net</u> <u>Position</u> |
|---|---------------|--|--|
| <u>Adjustments to Revenue and Deferred Revenue</u> | | | |
| Taxes Collected from Prior Year Levies | 81,640 | 81,640 | 81,640 |
| Uncollected taxes (assumed collectible) from Current Year Levy | | | |
| Uncollected Taxes (assumed collectible) from Prior Year Levy | | | |
| Other | (1,203) | (1,203) | |
| <u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u> | | | |
| New Bond Issue | | | |
| Discount (Premium) on Issuance of Bonds | | | |
| Other | | | |
| Prepaid Insurance Premiums | | | |
| Total | | <u>80,437</u> | <u>81,640</u> |

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The District is required to adopt a legal budget; the District prepares and adopts a budget every fiscal year prior to its October 1 beginning fiscal year. The Commissioners may increase or decrease each line item of the budget; however, the total expenditures cannot exceed the District's estimate of revenues and available cash unless allowed by special resolution. After the Commissioners have properly adopted the budget, the District's administration and designees have the responsibility to monitor the expenditures to prevent expenditures from exceeding appropriations and to advise the Commissioners as to the conditions of the various expenditure accounts. The District does not use Encumbrance Accounting. The budget for the General Fund is adopted on a basis consistent with Generally Accepted Accounting principles (GAAP) in all material respects.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Various line items were over budget.

C. DEFICIT FUND EQUITY

None

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District's deposits, held at financial institutions at year – end, were covered by federal depository insurance up to \$250,000. Balances in excess of the FDIC limits are collateralized up to the required deposit balance. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is (is not) in substantial compliance with the requirements of the Act and with local policies.

Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 Investments that are insured registered or held by the entity or by its agent in the entity's name.
- Category 2 Investments that are uninsured and unregistered held by the counter-parties trust department or agent in the entity's name.
- Category 3 Uninsured and unregistered investments held by the counter-party, its trust department or its agent, but not in the entity's name.

The Nueces County Emergency Services District No. 2 had the following investments at 8/31/2024.

| | <u>Risk Categories</u> | | | <u>Carrying Amount</u> | <u>Market Value</u> |
|--------------------------|------------------------|------------|------------|----------------------------|-------------------------|
| | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | | |
| District Accounts | <u>770,147</u> | <u>0</u> | <u>-</u> | <u>770,147</u> | <u>770,147</u> |
| | <u>770,147</u> | <u>0</u> | <u>0</u> | <u>770,147</u> | <u>770,147</u> |

Interest accrues to investments at the end of each month.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

B. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

None

C. PROERTY TAXES

The current tax levy, reduced by an allowance for uncollectible taxes receivable, is recognized in the accounts when levied October 1, and is recorded as unavailable revenue at that time. Such unavailable revenues are recognized as revenue in the fiscal year they become available. The allowance is adjusted at the end of each fiscal year to equal one – half percent of the current property tax levy for the ten most recent years plus 100% of its appraised value.

Tax billings and collections are handled via the Nueces County Tax Assessor Collectors office.

Property taxes are measurable but not available and hence are not susceptible to accrual. They are not available because the district has decreed that the taxes levied on October 1 will not be available for expenditures or appropriation until the next year (the year to which they apply.)

The allowance for uncollectible taxes is equal to one – half percent of the property tax levy for the eleven most recent fiscal years plus 100% of the balance of delinquent taxes due remaining more than eleven years.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

D. INTERFUND BALANCES AND TRANSFERS

None

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2024, were as follows:

| | <u>Property Taxes</u> | <u>Other Governments</u> | <u>Due From Other Funds</u> | <u>Other</u> | <u>Total Receivables</u> |
|---------------------------------|---------------------------|------------------------------|---------------------------------|--------------|------------------------------|
| Governmental Activities: | | | | | |
| General Fund | 96,047 | 0 | 0 | 0 | 96,047 |
| Major Fund – Debt Service | | 0 | 0 | 0 | |
| Total - Governmental Activities | <u>96,047</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>96,047</u> |

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Payables at August 31, 2024, were as follows:

| | <u>Loans, Leases and Bonds Payable – Current Year</u> | <u>Accounts</u> | <u>Wages Payable</u> | <u>Due to Other Governments</u> | <u>Other</u> | <u>Total Payables</u> |
|---------------------------------|---|-----------------|--------------------------|---|--------------|---------------------------|
| Governmental Activities: | | | | | | |
| General Fund | 123,335 | 11,082 | 6,591 | 0 | 3,813 | 144,821 |
| Major Fund – Debt Service | 0 | 0 | 0 | 0 | 0 | 0 |
| Total - Gov. Activities | <u>123,335</u> | <u>11,082</u> | <u>6,591</u> | <u>0</u> | <u>3,813</u> | <u>144,821</u> |

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2024, was as follows:

| | <u>Primary Government</u> | | |
|--|------------------------------|------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Ending Balance</u> |
| Governmental Activities: | | | |
| Land | 21,742 | - | 21,742 |
| Buildings/infrastructure | 560,554 | - | 560,554 |
| Fire Trucks – Vehicles | 1,973,423 | 230,387 | 2,203,810 |
| Equipment | - | - | - |
| Construction in Progress | - | - | - |
| Totals at Historic Cost | <u>2,555,719</u> | <u>230,387</u> | <u>2,786,106</u> |
| Less Accumulated Depreciation for: | | | |
| Buildings and Improvements | - | - | - |
| Fire Trucks | 1,809,885 | 162,124 | 1,972,009 |
| Equipment | - | - | - |
| Total Accumulated Depreciation | - | 162,124 | - |
| Governmental Activities Capital Assets, Net | <u>745,834</u> | | <u>814,097</u> |

Depreciation expense was charged to governmental functions
as follows:

| | |
|----------------------------|----------------|
| Fire Protection | 162,124 |
| Total Depreciation Expense | <u>162,124</u> |

G. CAPITAL LEASES PAYABLE

The District has a capital lease with Oshkosh Capital for pumper truck. The lease is a fifteen year lease beginning October 2014 and ending October 2028. The original lease amount was \$485,728 and is \$189,675 at August 31, 2024.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

H. LOAN OBLIGATIONS PAYABLE

A summary of changes in general long-term debt for the year ended August 31, 2024 is as follows:

| DESCRIPTION | Interest Rate Payable | Amounts Original Issue | Interest Current Year | Amounts Outstanding 8/30/2023 | Issued | Retired | Outstanding 8/31/2024 |
|-------------------------|-----------------------------|------------------------------|-----------------------------|-------------------------------------|-------------------|-------------------|--------------------------|
| Pumper Truck/Cap. Lease | 2.80% | \$ 498,795 | \$ 6,288 | \$ 224,569 | \$ - | \$ 34,892 | \$ 189,678 |
| Rescue Boat | 3.28% | 135,000 | 2,386 | 72,852 | | 13,646 | 59,206 |
| 2020 Ford Pickup | 4.25% | 44,665 | 726 | 21,271 | | 9,207 | 12,064 |
| 2012 F450 Ambulance | 6.00% | 75,000 | 4,500 | 75,000 | | 13,305 | 61,695 |
| 2024 Silverado | 6.49% | 72,262 | | - | 72,262 | | 72,262 |
| EMS Equipment - Stryker | | 161,919 | 877 | | 161,919 | 36,033 | 125,886 |
| Air-Pac x3 Pro SCBA | 3.94% | 63,461 | 2,043 | 51,849 | | 12,220 | 39,629 |
| TOTAL | | | 16,820 | <u>\$ 445,541</u> | <u>\$ 234,181</u> | <u>\$ 119,303</u> | <u>\$ 560,419</u> |

I. DEBT SERVICE REQUIREMENTS – LOANS

Debt service requirements are as follows:

| Year Ended August 31 | General Obligations | | Total Requirements |
|-------------------------|---------------------|---------------|-----------------------|
| | Principal | Interest | |
| 2025 | 123,335 | 25,962 | 149,297 |
| 2026 | 121,459 | 20,378 | 141,837 |
| 2027 | 124,548 | 14,816 | 139,364 |
| 2028 | 116,125 | 21,991 | 138,116 |
| 2029 | 50,965 | 3,386 | 54,351 |
| Thereafter | <u>23,983</u> | <u>2,359</u> | <u>26,342</u> |
| Total | <u>560,415</u> | <u>88,892</u> | <u>649,307</u> |

J. COMMITMENTS UNDER OPERATING LEASES

None

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2024, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds and Notes Payable: | 0 | 0 | 0 | 0 | 0 |
| Loans | 445,539 | 234,181 | 119,305 | 560,415 | 123,335 |
| Total Governmental Activities Long-term Liabilities | <u>445,539</u> | <u>234,181</u> | <u>119,305</u> | <u>560,415</u> | <u>123,335</u> |

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

L. UNAVAILABLE REVENUE

Unavailable revenue at year end consisted of the following:

| | <u>General</u> <u>Fund</u> | <u>Debt</u> <u>Service</u> <u>Fund</u> | <u>Total</u> |
|-----------------------------|-------------------------------|--|-----------------|
| Net Tax Revenue | \$81,640 | \$0 | \$81,640 |
| State & Federal Governments | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Unavailable Revenue | <u>\$81,640</u> | <u>\$0</u> | <u>\$81,640</u> |

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

| | <u>General</u> <u>Fund</u> | <u>Debt</u> <u>Service</u> <u>Fund</u> | <u>Total</u> |
|----------------------|-------------------------------|--|--------------------|
| Property Taxes | \$1,624,991 | \$0 | \$1,624,991 |
| Charges for Services | 140,810 | 0 | 140,810 |
| Investment Income | 20,861 | 0 | 20,861 |
| Other | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>\$1,786,662</u> | <u>\$0</u> | <u>\$1,786,662</u> |

N. FUND EQUITY - GASB 54 NOTE

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Commissioners. Those committed amounts cannot be used for any other purpose unless the Commissioners removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Commissioners or state statute. Commissioners or a District official delegated that authority by the Commissioners.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

O. OTHER INFORMATION

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 pension plan in the statewide Texas District and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis.

The CAFR 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 board within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

Members are vested after 10 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 board within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the District'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 District 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 District contributed using the actuarially determined rate of 7.80% for the months of the accounting year in 2018.

The deposit rate payable by the employee members for calendar year 2019 was the rate of 7.0% as adopted by the board. The employee deposit rate and the employer contribution rate may be changed by the board within the options available in the TCDRS Act.

Annual Pension Cost

The required contribution was determined as part of the December 31, 2023, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2020, included (a) 8.1% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed period. The remaining amortization period at December 31, 2020, was 20 years. For the employer's accounting year ended December 31, 2023, the annual pension cost for the TCDRS plan for its employees was \$43,900 and the actual contributions were \$75,367.

Contributions

Employees for the District were required to contribute 7.60% of their annual gross income and at August 31, 2024, the total required contributions were \$43,900.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

| Actuarial Valuation Information | | |
|---------------------------------|--|--|
| Actuarial valuation date | 12/31/2022 | 12/31/2023 |
| Actuarial cost method | entry age | entry age |
| Amortization method | level percentage of payroll, closed | level percentage of payroll, closed |
| Amortization period in years | 16.8 | 20 |
| Asset valuation method | 5 year | 5 year |
| | smoothed value | smoothed value |
| | ESF: Fund Value | ESF: Fund Value |
| Actuarial assumptions: | | |
| Investment return* | 7.50% | 7.50% |
| Projected salary increases* | 4.90% | 4.60% |
| Inflation | 2.50% | 2.50% |
| Cost of living adjustments | 0.00% | 0.00% |

*Includes inflation at the stated rate

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

Net Pension Liability / (Asset)

| Net Pension Liability / (Asset) | 12/31/2022 | 12/31/2023 |
|--|----------------|---------------|
| Total pension liability | \$ 841,189 | \$942,849 |
| Fiduciary net position | 962,626 | 1,128,158 |
| Net pension liability / (asset) | (121,437) | (185,309) |
| Fiduciary net position as a % of total pension liability | 114.44% | 119.65% |
| Pensionable covered payroll (1) | \$ 489,914 | \$627,144 |
| Net pension liability as a % of covered payroll | -24.79% | -29.55% |

The total pension liability was determined by an actual valuation as of the valuation date, calculated based on the discount rate actuarial assumptions below.

Note: Rounding differences may exist above or in other tables in this report.

(1) Payroll is calculated based on contributions as reported to TCDRS.

Discount Rate

| | | |
|--|----------------|----------------|
| Discount Rate (2) | 7.60% | 7.60% |
| Long-term expected rate of return, net of investment expense (2) | 7.60% | 7.60% |
| Municipal bond rate (3) | Does not apply | Does not apply |

(2) This rate reflects the long-term rate of return funding valuation assumptions of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

(3) The plan's fiduciary net position is 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. See page 6 of this report for further details.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2023, were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 68.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

See Appendix C (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

| | | |
|------------------|-------------------|-------------------|
| Valuation date | December 31, 2022 | December 31, 2023 |
| Measurement date | December 31, 2022 | December 31, 2023 |
| Employer FYE | September 1, 2023 | August 31, 2024 |

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

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 at a minimum of every four years and is set based on a long-term time horizon; The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance, with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

| Asset Class | Benchmark | Target Allocation (1) | Geometric Real Rate of Return (Expected minus Inflation) (2) |
|------------------------------------|--|------------------------------|---|
| U.S. Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.75% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index (3) | 25.00% | 7.75% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.75% |
| International Equities - Developed | 50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index | 5.00% | 4.75% |
| International Equities - Emerging | 50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index | 6.00% | 4.75% |
| Investment-Grade Bonds | Barclays Capital Aggregate Bond Index | 3.00% | 2.35% |
| Strategic Credit | FTSE High-Yield Cash-Pay Capped Index | 9.00% | 3.65% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 16.00% | 7.25% |
| Distressed Debt | Citigroup High-Yield Cash-Pay Capped Index | 4.00% | 6.90% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index | 2.00% | 4.10% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 5.20% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index (4) | 6.00% | 5.70% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 3.25% |

(1) Target asset allocation adopted at the March 2024 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 2.30%, per Cliffwater's 2023 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in the year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency on the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position on all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layer periods.

Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in Net Pension Liability / (Asset)

| Changes in Net Pension Liability / (Asset) | Increase (Decrease) | | |
|--|----------------------------|---------------------------|------------------------------------|
| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability / (Asset) |
| | (a) | (b) | (a) - (b) |
| Balances as of December 31, 2022 | \$841,189 | \$ 962,626 | \$ (121,437) |
| Changes for the year: | | | |
| Service cost | 98,370 | - | 98,370 |
| Interest on total pension liability (1) | 69,487 | - | 69,487 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | (14,755) | - | (14,755) |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (21,082) | (21,082) | - |
| Benefit payments | (30,361) | (30,361) | - |
| Administrative expenses | - | (589) | 589 |
| Member contributions | - | 43,900 | (43,900) |
| Net investment income | - | 106,353 | (106,353) |
| Employer contributions | - | 64,094 | (64,094) |
| Other (2) | - | 3,217 | (3,217) |
| Balances as of December 31, 2023 | \$ 942,848 | \$ 1,128,158 | \$ (185,310) |

(1) Reflects the changes in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

Sensitivity Analysis

The following presents the net pension liability of the District/district, calculated using the count rate of 7.60%, as well as what the Nueces County Emergency Services District No. 2 net pension liability 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 6.60% | Current Discount Rate 7.60% | 1% Increase 8.60% |
|---------------------------------|----------------------------------|--|----------------------------------|
| Total pension liability | \$ 1,125,809 | \$ 942,849 | \$ 798,025 |
| Fiduciary net position | 1,128,158 | 1,128,158 | 1,128,158 |
| Net pension liability / (asset) | \$ 46,400 | \$ (185,309) | \$ (330,133) |

Pension Expense / (Income)

| Pension Expense / (Income) | January 1, 2023 to December 31, 2023 |
|---|---|
| Service cost | \$ 98,370 |
| Interest on total pension liability (1) | 69,487 |
| Effect of plan changes | - |
| Administrative changes | 589 |
| Member contributions | (43,900) |
| Expected investment return net of investment expenses | (75,367) |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | (20,720) |
| Recognition of assumption changes or inputs | 6,743 |
| Recognition of investment gains or losses | (9,148) |
| Other (2) | (3,217) |
| | - |
| Pension expense / (income) | <u>\$ 22,837</u> |

(1) Reflects the change in the liability due to the time value of money. TCDRS does not xcharge fees or interest.

(2) Relates to allocation of system-wide items.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

As of December 31, 2023 the deferred inflows and outflows of resources are as follows:

| Deferred Inflows / Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ 201,439 | \$ 1,854 |
| Changes of assumptions | 1,668 | 34,469 |
| Net difference between projected and actual earnings | - | 11,881 |
| Contributions made subsequent to measurement date (3) | NA | Employer Determined |
| Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows: | | |

| | | |
|---|------------------------|-------------|
| | Year ended December 31 | |
| | 2024 | \$ (16,440) |
| | 2025 | (14,484) |
| | 2026 | 7,072 |
| (3) If eligible employer contributions were made subsequent to the measurement date | 2027 | (20,175) |
| | 2028 | (13,984) |
| | Thereafter (4) | (96,892) |
| through the employer's fiscal year end, the employer should reflect these contributions, adjusted as outlined in Appendix D of this report. | | |

(4) Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

O. OTHER INFORMATION (continued)

| Schedule of Deferred Inflows and Outflows of Resources | | | | | | |
|--|--------------------|---------------------|---------------------------------------|---|---|--|
| | Original Amount | Date Established | Original Recognition Period (1) | Amount Recognized in 12/31/2023 Expense(1) | Balance of Deferred Inflows 12/31/2023 | Balance of Deferred Outflows 12/31/2022 |
| | -30986 | 12/31/2023 | \$ 5.00 | (\$6,197) | \$24,789 | |
| | 136,234 | 12/31/2022 | \$ 5.00 | \$27,247 | \$0 | 108,987 |
| Investment | (\$107,793) | 12/31/2021 | \$ 5.00 | (\$21,559) | \$86,234 | 0 |
| (gains) or losses | \$ (9,766) | 12/31/2020 | 5.0 | (\$1,953) | 5,860 | \$ - |
| | \$ (33,430) | 12/31/2019 | 5.0 | (6,686) | 13,372 | \$ - |
| | (\$14,755) | 12/31/2023 | 17.0 | (868) | 13,887 | |
| | (\$65,588) | 12/31/2022 | 18.0 | (3,644) | 61,944 | |
| | (27,240) | 12/31/2021 | 8.0 | (3,401) | 23,809 | \$ - |
| Economic/ | \$ (30,914) | 12/31/2020 | 9.0 | (3,435) | 24,044 | |
| demographic | (\$69,619) | 12/31/2019 | 17.0 | (4,095) | 57,334 | 0 |
| (gains) or losses | \$ (31,046) | 12/31/2018 | 19.0 | (1,634) | 24,510 | \$ - |
| | \$ - | 12/31/2023 | 17.0 | | | |

(1) Investment (gains)/losses are recognized in pension expense over a period of five years, economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

(2) Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as deferred outflows as outlined in Appendix D of this report.

GASB 75

The Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Reporting for Postemployment Benefits Other Than OPEBs* by State and Local Government Employers, which became effective for fiscal years beginning after June 15, 2017, requires that certain disclosures regarding postemployment benefits other than OPEBs for employees of the District be included in their financial statements. The Nueces County Emergency Services District No. 2 has no postemployment Benefits or OPEBs at August 31, 2024.

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024**

P. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 11, 2025, the date on which the financial statements were available to be issued and noted the following.

P. PRIOR PERIOD ADJUSTMENT

None

Required Supplemental Information

Nueces County Emergency Services District No. 2
General Fund
Budgetary Comparison Schedule
Budget (GAAP Basis) and Actual
Year Ended August 31, 2024

| Revenues: | Budget | | Actual | Variance |
|-------------------------------------|-------------------|-------------------|-------------------|----------------------------|
| | Original | Revised | | Favorable (Unfavorable) |
| Income from NCAD | \$ 1,600,000 | \$ 1,600,000 | \$ 1,624,991 | \$ 24,991 |
| Ambulance Services | 50,000 | 50,000 | 140,810 | 90,810 |
| Noncurrent Loan Proceeds | | | 72,262 | 72,262 |
| Interest Revenue | 900 | 900 | 20,862 | 19,962 |
| Miscellaneous | | - | | 0 |
| Total Revenues | <u>1,650,900</u> | <u>1,650,900</u> | <u>1,858,925</u> | <u>208,025</u> |
| Expenditures: | | | | |
| Fuel & Oil | 18,000 | 18,000 | 16,458 | 1,542 |
| Fire Prevention Work | 1,500 | 1,500 | 1,454 | 46 |
| Training, Certificates, Dues | 19,890 | 19,890 | 14,261 | 5,629 |
| Legal/ Accounting | 16,500 | 16,500 | 24,622 | (8,122) |
| Utilities | 13,800 | 13,800 | 13,346 | 454 |
| Repairs & Maintenance | 0 | 0 | 0 | 0 |
| Office Supplies | 2,100 | 2,100 | 2,557 | (457) |
| Service Awards | 8,000 | 8,000 | 2,474 | 5,526 |
| Licenses | 4,690 | 4,690 | 690 | 4,000 |
| Miscellaneous | 12,051 | 12,051 | 7,056 | 4,995 |
| Advertising | 3,000 | 3,000 | 133 | 2,867 |
| Truck Maintenance & Repairs | 60,000 | 60,000 | 61,509 | (1,509) |
| Maintenance Equipment | 35,425 | 35,425 | 43,265 | (7,840) |
| Appraisal District Fees | 15,000 | 15,000 | 23,185 | (8,185) |
| Insurance | 170,900 | 170,900 | 181,641 | (10,741) |
| Internet | 3,000 | 3,000 | 3,204 | (204) |
| Bank Charges and Post Office | 900 | 900 | 1,238 | (338) |
| Communication & Software | 22,735 | 22,735 | 48,951 | (26,216) |
| Tax Collection Fees | 32,400 | 32,400 | 29,919 | 2,481 |
| Boat Lift Lease | 4,300 | 4,300 | 0 | 4,300 |
| Equipment | 0 | 0 | 9,642 | (9,642) |
| Debt Payments | 0 | 0 | 119,305 | (119,305) |
| Interest Expense | 0 | 0 | 16,833 | (16,833) |
| Building Maintenance | 17,720 | 17,720 | 12,305 | 5,415 |
| Capital Expenses | 0 | 0 | 71,580 | (71,580) |
| Payroll Expenses | 830,861 | 830,861 | 960,373 | (129,512) |
| Total Expenditures | <u>1,292,772</u> | <u>1,292,772</u> | <u>1,666,001</u> | <u>(373,229)</u> |
| Excess of Revenues over (under) Exp | <u>358,128</u> | <u>358,128</u> | <u>192,923</u> | |
| Fund Balance August 31, 2023 | <u>591,497</u> | <u>591,497</u> | <u>591,497</u> | |
| Prior Period Adjustment | | | 0 | |
| Fund Balance August 31, 2024 | <u>\$ 949,625</u> | <u>\$ 949,625</u> | <u>\$ 784,420</u> | |

See accompanying auditor's report

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED AUGUST 31, 2024

Schedule of Changes in Net Pension Liability and Related Ratios

| | Year Ended AUGUST 31 | | | | |
|--|----------------------|---------------------|---------------------|--------------------|---------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total Pension Liability | | | | | |
| Service cost | \$ 98,370 | \$ 105,402 | \$ 102,963 | \$ 97,981 | \$ 116,573 |
| Interest on total pension liability | 69,487 | 64,899 | 55,382 | 45,184 | 40,621 |
| Effect of plan changes | - | - | - | - | - |
| Effect of assumption changes or inputs | - | - | 3,289 | 57,738 | - |
| Effect of economic/demographic (gains) or losses | (14,755) | (65,588) | (27,210) | (30,914) | (69,619) |
| Benefit payments/refunds of contributions | (51,443) | (23,691) | - | (8,017) | (17,107) |
| Net change in total pension liability | 101,660 | 81,022 | 134,424 | 161,972 | 70,467 |
| Total pension liability, beginning | 841,189 | 760,167 | 625,743 | 463,771 | 393,303 |
| Total pension liability, ending (a) | <u>\$ 942,849</u> | <u>\$ 841,189</u> | <u>\$ 760,167</u> | <u>\$ 625,743</u> | <u>\$ 463,771</u> |
| Fiduciary Net Position | | | | | |
| Employer contributions | \$ 64,094 | \$ 50,020 | \$ 41,926 | \$ 45,438 | \$ 43,842 |
| Member contributions | 43,900 | 34,294 | 38,314 | 39,075 | 36,797 |
| Investment income net of investment expenses | 106,353 | (61,115) | 164,632 | 59,059 | 71,152 |
| Benefit payments/refunds of contributions | (51,443) | (23,691) | - | (8,017) | (17,107) |
| Administrative expenses | (589) | (564) | (516) | (519) | (434) |
| Other | 3,217 | 9,333 | 2,468 | 2,320 | 2,255 |
| Net change in fiduciary net position | 165,532 | 8,276 | 246,823 | 137,357 | 136,504 |
| Fiduciary net position, beginning | 962,626 | 954,350 | 707,527 | 570,170 | 433,666 |
| Fiduciary net position, ending (b) | <u>\$ 1,128,158</u> | <u>\$ 962,626</u> | <u>\$ 954,350</u> | <u>\$ 707,527</u> | <u>\$ 570,170</u> |
| Net pension liability/ (asset), ending = (a) - (b) | <u>\$ (185,309)</u> | <u>\$ (121,437)</u> | <u>\$ (194,183)</u> | <u>\$ (81,784)</u> | <u>\$ (106,399)</u> |
| Fiduciary net position as a % of total pension liability | 119.65% | 114.44% | 125.54% | 113.07% | 122.94% |
| Pensionable covered payroll | \$ 627,144 | \$ 489,914 | \$ 547,337 | \$ 558,213 | \$ 525,674 |
| Net pension liability as a % of covered payroll | -29.55% | -24.79% | -35.48% | -14.65% | -20.24% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED AUGUST 31, 2024

| | Year Ended December 31 | | | | |
|--------------------|------------------------|----------------|----------------|---------------|--|
| 2018 | 2017 | 2016 | 2015 | 2014 | |
| \$ 71,733 | \$67,756 | 70,859 | 61,826 | 42461 | |
| 29,503 | 24,005 | 7,849 | 13,732 | 8877 | |
| 47,129 | 0 | 0 | -6834 | 0 | |
| - | -2725 | 0 | 945 | 0 | |
| (31,046) | -8,036 | -34,532 | -13,922 | 4496 | |
| | -2,391 | -19,656 | -5103 | 0 | |
| (32,403) | 78,609 | 34,521 | 50,645 | 55834 | |
| <u>84,915</u> | <u>229,779</u> | <u>195,258</u> | <u>144,613</u> | <u>88780</u> | |
| <u>308,388</u> | <u>308,388</u> | <u>229,779</u> | <u>195,258</u> | <u>144613</u> | |
| <u>\$ 393,303</u> | | | | | |
| | | | | | |
| \$ 39,220 | \$39,703 | 39,101 | 40,631 | 32066 | |
| 35,243 | 32,253 | 30,144 | 30,387 | 21835 | |
| (6,937) | 42,747 | 16,141 | -4,585 | 6374 | |
| (32,403) | -2,391 | -19,656 | -5103 | 0 | |
| (348) | -264 | -176 | -134 | -95 | |
| 1,293 | 921 | 6208 | -16 | -7 | |
| <u>38,066</u> | <u>112,339</u> | <u>71,763</u> | <u>61,179</u> | <u>60173</u> | |
| <u>397,599</u> | <u>285,260</u> | <u>213,498</u> | <u>152,319</u> | <u>92146</u> | |
| <u>\$ 433,666</u> | <u>\$397,599</u> | <u>285,260</u> | <u>213,498</u> | <u>152319</u> | |
| | | | | | |
| <u>\$ (40,362)</u> | <u>(\$89,211)</u> | <u>-55,481</u> | <u>-18,239</u> | <u>-7705</u> | |
| | | | | | |
| 110.26% | 128.93% | 109.34% | 105.33% | N/A | |
| \$503,466 | \$460,764 | 434,097 | 311,926 | N/A | |
| -8.02% | -19.36% | -4.20% | -2.47% | N/A | |

**NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED AUGUST 31, 2024**

Schedule of Employer Contributions

| Year Ending December 31 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll (1) | Actual Contribution as a % of Covered Payroll |
|--|--|---|---|--|--|
| 2014 | 32,066 | 32,066 | 0 | 311,926 | 10.30% |
| 2015 | 40,631 | 40,631 | 0 | 434,097 | 9.40% |
| 2016 | 39,101 | 39,101 | 0 | 430,628 | 9.10% |
| 2017 | 39,073 | 39,073 | 0 | 460,764 | 8.50% |
| 2018 | 39,220 | 39,220 | 0 | 503,466 | 7.80% |
| 2019 | 43,842 | 43,842 | 0 | 525,674 | 8.30% |
| 2020 | 45,438 | 45,438 | 0 | 558,213 | 8.10% |
| 2021 | 41,926 | 41,926 | 0 | 547,337 | 7.70% |
| 2022 | 50,020 | 50,020 | 0 | 489,914 | 10.20% |
| 2023 | 64,094 | 64,094 | 0 | 627,144 | 10.20% |

(1) Payroll is calculated based on contributions as reported to TCDRS.

NUECES COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED AUGUST 31, 2024

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 0.0 years (based on contribution rate calculated in 12/31/2023 valuation) |
| Asset Valuation Method | 5-yr 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 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-2021 General Retirees Table for females Both projected with 100% of the MP-2021 Ultimate Scale after 2010. |
| Other Information: | 2015: New inflation, mortality and other assumptions were reflected. |
| Changes in Plan Provisions | 2017: New Mortality assumptions were reflected |
| | 2019: New inflation, mortality and other assumptions were reflected |
| | 2022 New investment return and inflation assumptions were reflected |
| Changes in Plan Provisions | 2015: No changes in plan provisions |
| Reflected in the Schedule of | 2016: No changes in plan provisions were reflected in the schedule |
| Employer Contributions | 2017: New Annuity Purchase Rates were reflected for benefits. |
| | 2018 : No changes in plan provisions were reflected |
| | 2019: Employer contributions reflect that the prior service matching rate Was increased to 10%. |
| | 2020-2023 No changes in plan provisions were reflected in the Schedule. |

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