

**HARDIN COUNTY EMERGENCY
SERVICE DISTRICT #2
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDING
DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hardin County Emergency Service District #2
P.O. Box 8566
Lumberton, Texas 77657

Opinions

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Hardin County Emergency Service District #2 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the District, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
April 25, 2024

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

This section of Hardin County Emergency Service District #2's annual financial report presents our discussion and analysis of the District's financial performance during the calendar year ended December 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$10,090,614 at December 31, 2023.
- During the year, the District's expenses were \$1,143,162 less than the \$4,670,779 generated in taxes, other revenues for governmental activities.
- The general fund reported a fund balance this year of \$6.64 million. Of this, \$2,460,439 is assigned by the District, \$74,367 is nonspendable, and the remaining \$4,102,013 is for unrestricted use by the District.

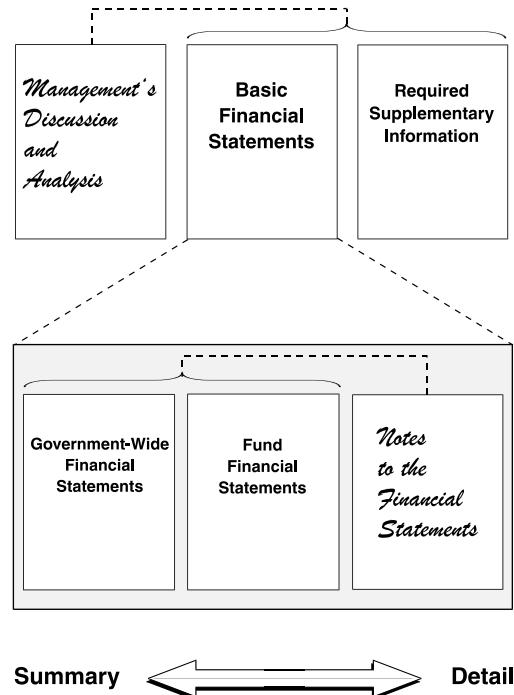
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds statements* tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of



Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as fire and emergency care. Property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioners can establish other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**MANAGEMENT DISCUSSION AND ANALYSIS****DECEMBER 31, 2023****FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net Position. The District's combined net position was \$10,090,614 at December 31, 2023. (See Table A-1).

Table A-1
Hardin County Emergency Service District #2
Net Position

	<u>2023</u>	<u>2022</u>
Current and Other Assets	\$ 6,817,819	\$ 5,570,299
Capital Assets	3,192,242	3,326,721
Total Assets	<u>10,010,061</u>	<u>8,897,020</u>
Deferred Outflows of Resources	196,859	155,806
Current Liabilities	16,527	14,863
Noncurrent Liabilities	74,026	21,424
Total Liabilities	<u>90,553</u>	<u>36,287</u>
Deferred Inflows of Resources	25,753	69,087
Net Position:		
Net Investment in Capital Assets	3,192,242	3,326,721
Unrestricted	6,898,372	5,620,731
Total Net Position	<u>\$ 10,090,614</u>	<u>\$ 8,947,452</u>

Approximately \$3.19 million of the District's net position represent investments in capital assets net of related debt. The \$6,898,372 of unrestricted net position represents resources available to fund the programs of the District next year.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**MANAGEMENT DISCUSSION AND ANALYSIS****DECEMBER 31, 2023**

Changes in Net Position. The District's total revenues were \$4,670,779. Property taxes make up 59 percent of total revenues.

The total cost of all programs and services was \$3,527,617; all costs are for fire and emergency medical services.

Table A-2
Hardin County Emergency Service District #2
Changes in Net Position

	<u>2023</u>	<u>2022</u>
General Revenues:		
Maintenance and Operations Taxes	\$ 2,736,420	\$ 1,707,970
Sales Tax Revenue	1,251,268	1,224,431
Grants and Contributions - Not Restricted	120,343	446,939
Investment Earnings	81,137	7,437
EMS Collections	360,048	720,068
Fire Inspection	89,926	30,615
Gain/(Loss) on Sale of Fixed Assets	-	(70,271)
Miscellaneous	31,637	67,352
Total Revenue	<u>4,670,779</u>	<u>4,134,541</u>
Expenses:		
General Government		
Buildings and Grounds	123,700	125,341
Insurance	500,317	482,572
Salaries and Payroll	2,301,234	2,024,420
Administrative	322,155	317,665
Fire Department Expense	106,409	120,332
Emergency Management Services	123,097	128,367
Hardin County Appraisal District Fee	50,705	45,581
Total Expenses	<u>3,527,617</u>	<u>3,244,278</u>
Increase (Decrease) in Net Assets	1,143,162	890,263
Net Position, Beginning	<u>8,947,452</u>	<u>8,057,189</u>
Net Position, Ending	<u>\$ 10,090,614</u>	<u>\$ 8,947,452</u>

Governmental Activities

- Property tax rates were set at \$.10 per \$100 valuation.
- For taxes due on January 31, 2023 the District has maintained the rate to \$.10 per \$100 due to the continued increase in population in the Hardin County Emergency Service District #2.
- The cost of all *governmental* activities this year was \$3,527,617.
- The amount that our taxpayers paid for these activities through property taxes was \$2,736,420.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**MANAGEMENT DISCUSSION AND ANALYSIS****DECEMBER 31, 2023**

Table A-3
Hardin County Emergency Service District #2
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Administrative	\$ 322,155	\$ 317,665	\$ 322,155	\$ 317,665

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District continues to operate from a very conservative viewpoint due to a variety of issues. This is done to meet the emergency needs of the community. The District continues its deliberate and steady rehabilitation of old facilities and equipment and the purchase of new facilities and equipment to meet emergency needs.

General Fund Budgetary Highlights

On occasion, the District amends the budget, primarily due to increased costs associated with facilities upgrades. The fund balance, however, remains strong and sound. Actual revenues exceeded budgeted revenues by \$745,335 mainly due to under budget of ad valorem taxes. Budgeted expenses exceeded actual expenses by \$631,777 mainly due to over budget of salaries and payroll.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

At the end of 2023, the District had invested \$3.19 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a slight decrease from last year mainly due to current year depreciation expense.

Table A-4
Hardin County Emergency Service District #2
Capital Assets

	2023	2022
Land	\$ 177,150	\$ 177,150
Vehicles	2,893,291	2,814,437
Equipment	1,437,045	1,384,791
Buildings and Improvements	<u>3,182,575</u>	<u>3,088,749</u>
Total Capital Assets	<u>7,690,061</u>	<u>7,465,127</u>
Less Accumulated Depreciation:		
Vehicles	(2,379,211)	(2,278,722)
Equipment	(840,464)	(672,447)
Buildings and Improvements	<u>(1,278,144)</u>	<u>(1,187,237)</u>
Total Accumulated Depreciation	<u>(4,497,819)</u>	<u>(4,138,406)</u>
Net Capital Assets	<u>\$ 3,192,242</u>	<u>\$ 3,326,721</u>

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Long Term Debt

At year-end the District had \$0 in capital leases outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District projects to stay the course on projects and revenue and expenditure projections at the current time.
- Continued growth in the surrounding communities has increased tax revenue projections.

These indicators were taken into account when adopting the general fund budget for 2023. Amounts available for appropriation in the general fund budget are up slightly due to increased revenues. Any expected increases in revenue from property taxes are allocated to increases in funding levels for facilities and equipment needs. Also, amounts are allocated for training of fire and EMS personnel expenditures continue to rise due the expanding community needs. Currently, the District is able to fill all of its financial obligations from personnel to facilities and equipment.

If all revenue and expenditure estimates are realized in 2023, the District's fund balance is expected to continue to stay the same by the close of 2024.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**STATEMENT OF NET POSITION****DECEMBER 31, 2023**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 4,663,433
Property Taxes Receivable (Net)	1,738,492
EMS Receivable (Net)	341,527
Prepaid Expenses	74,367
Capital Assets:	
Land	177,150
Buildings and improvements, Net	1,904,431
Equipment, Net	596,581
Vehicles, Net	514,080
Total Assets	<u>10,010,061</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pensions	<u>196,859</u>
Total Deferred Outflows of Resources	<u>196,859</u>
LIABILITIES	
Accrued Liabilities	16,527
Noncurrent Liabilities:	
Net Pension Liability	<u>74,026</u>
Total Liabilities	<u>90,553</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pensions	<u>25,753</u>
Total Deferred Outflows of Resources	<u>25,753</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	3,192,242
Unrestricted	6,898,372
Total Net Position	<u>\$ 10,090,614</u>

The accompanying notes are an integral part of this financial statement.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General Government					
Buildings and Grounds	\$ 123,700	\$ -	\$ -	\$ (123,700)	
Insurance	500,317	-	-	-	(500,317)
Salaries and Payroll	2,301,234	-	-	-	(2,301,234)
Administrative	322,155	-	-	-	(322,155)
Fire Department Expense	106,409	89,926	-	-	(16,483)
EMS Expense	123,097	360,048	-	-	236,951
Hardin County Appraisal District Fee	50,705	-	-	-	(50,705)
Total Governmental Activities	<u>\$ 3,527,617</u>	<u>\$ 449,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,077,643)</u>
General Revenues:					
Property Taxes, Levied for General Purposes					2,736,420
Sales Tax Revenue					1,251,268
Investment Earnings					81,137
Grants and Contributions Not Restricted to Specific Programs					120,343
Miscellaneous					<u>31,637</u>
Total General Revenues					<u>4,220,805</u>
Change in Net Position					1,143,162
Net Position - Beginning					<u>8,947,452</u>
Net Position - Ending					<u>\$ 10,090,614</u>

The accompanying notes are an integral part of this financial statement.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**BALANCE SHEET – GOVERNMENTAL FUNDS****DECEMBER 31, 2023**

	General Fund	Total Governmental Funds
Assets:		
Cash on Deposit	\$ 4,663,434	\$ 4,663,434
Taxes receivable	1,931,658	1,931,658
Less: Allowance for uncollectible taxes	(193,166)	(193,166)
EMS receivable	685,054	685,054
Less: Allowance for uncollectible accounts	(343,527)	(343,527)
Prepaid Expenses	74,367	74,367
Total assets	<u>\$ 6,817,820</u>	<u>\$ 6,817,820</u>
Liabilities and Fund Balance:		
Accrued liabilities	\$ 16,527	\$ 16,527
Total liabilities	<u>16,527</u>	<u>16,527</u>
Deferred Inflows		
Deferred Property Tax	<u>164,474</u>	<u>164,474</u>
Total Deferred Inflows	<u>164,474</u>	<u>164,474</u>
Fund Balance		
Assigned		
Capital Building	455,486	455,486
Emergency	984,407	984,407
Capital Equipment	859,638	859,638
Grant Funding	160,908	160,908
Total Assigned	<u>2,460,439</u>	<u>2,460,439</u>
Nonspendable	74,367	74,367
Unassigned	<u>4,102,013</u>	<u>4,102,013</u>
Total fund balance	<u>6,636,819</u>	<u>6,636,819</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 6,817,820</u>	<u>\$ 6,817,820</u>

The accompanying notes are an integral part of this financial statement.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Governmental fund balance as reported on the balance sheet for governmental fund \$ 6,636,819

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Capital Assets	7,690,061
Accumulated Depreciation	(4,497,819)
	3,192,242

Deferred outflows and deferred inflows related to pension activity are not current financial resources and, therefore, are not reported in the governmental fund.

Deferred outflows - pensions	196,859
Deferred inflows - pensions	(25,753)

Some liabilities, including compensated absences and net pension liability, are not reported as liabilities in the governmental fund.

Net Pension Liability	(74,026)
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Reclassifications for property tax revenues. 164,473

Total net position as reported on the Statement of Net Position for governmental activities.

\$ 10,090,614

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Total Governmental Fund Types
<u>Revenues:</u>		
Ad valorem taxes, penalties and interest	\$ 2,867,675	\$ 2,867,675
Sales Tax Revenue	1,251,268	1,251,268
Grant Income	120,343	120,343
Interest income	81,137	81,137
EMS Collections	302,680	302,680
Fire/EMS Education	114,736	114,736
Fire Inspection	32,558	32,558
Miscellaneous	31,637	31,637
Total revenues	4,802,034	4,802,034
<u>Deduct Expenditures:</u>		
Operations:		
Buildings and Grounds	111,209	111,209
Insurance	449,797	449,797
Salaries and Payroll	2,097,441	2,097,441
Administrative	289,625	289,625
Fire Dept Expense	95,664	95,664
EMS expense	110,667	110,667
Hardin County Appraisal District fee	45,585	45,585
Capital outlay	224,934	224,934
Total operations	3,424,922	3,424,922
Excess of revenues over (under) expenditures	1,377,112	1,377,112
<u>Fund Balances:</u>		
Beginning of year	5,259,707	5,259,707
End of year	\$ 6,636,819	\$ 6,636,819

The accompanying notes are an integral part of this financial statement.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Net change in fund balance for the governmental fund. \$ 1,377,112

Governmetnal funds reported capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 224,934

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (359,413)

Net pension liability and deferred outflows and deferred inflows related to the District's pension plan are not reported in the governemental fund.

Net pension liability	(52,602)
Deferred outflows - pension	41,053
Deferred inflows - pensions	43,334

Property taxes revenues in the Statement of Activites that do not provide current financial resources are not reported as revenues in the governmental funds. (131,256)

Change in Net Position of Governmental Activities \$ 1,143,162

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hardin County Emergency Service District #2 (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The most significant accounting and reporting policies of the District are described in the following notes to the financial statements.

A. Reporting Entity

The Hardin County Emergency Service District #2 was organized under the provisions of Section 48-e, Article III of the Constitution of the State of Texas for the protection of life and health as provided for under this Act.

Members of the Board have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The accounting policies of the Emergency Service District #2 conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

B. Basis of Presentation – Basis of Accounting

1. Basis of Presentation

- a. **Government-Wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

- b. **Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- (1) **General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation – Basis of Accounting Continued

2. Measurement Focus, Basis of Accounting

- a. **Government-Wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.
- b. **Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

C. Financial Statement Amounts

1. **Property Taxes:** Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS **DECEMBER 31, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts Continued

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

2. **Capital Assets:** Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

3. **Receivable and Payable Balances:** The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.
4. **Use of Estimates:** The preparation of financial statements in conformity with GAAP requires the use of management's estimates.
5. **Budgets:** The official District budget was prepared for adoption for all Governmental Fund Types by the Commissioners.
6. **Encumbrances:** Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year-end.
7. **Inventory:** The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS **DECEMBER 31, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance Disclosure

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- a. Non-Spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District has \$74,367 classified as Non-Spendable.
- b. Restricted – Amounts that can be spent only for specific purposes because of the District, state or federal laws, or externally imposed conditions by grantors or creditors. The District has \$0 classified as Restricted.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the District. This includes the budget reserve account. The District has \$0 classified as Committed.
- d. Assigned – Amounts that are designated by the District manager for a specific purpose but are not spendable until a budget ordinance is passed by the Board. The District has \$2,460,439 classified as Assigned.
- e. Unassigned All amounts not included in other spendable classifications. The District has \$4,102,013 classified as Unassigned.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 11). As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits: The District's cash deposits at December 31, 2023 and during the year ended December 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments: The District is required by Government Code Chapter 2256, the Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2023****NOTE 2 – DEPOSITS, SECURITIES AND INVESTMENTS (CONTINUED)**

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District's had no investments at December 31, 2023.

Investment Accounting Policy: The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 3 – EMS RECEIVABLES

The District recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as EMS expense. For the year ending December 31, 2023, the EMS receivable balance was as follows:

EMS Receivable	685,054
Allowance for uncollectible accounts	(343,527)
Net EMS Receivable	\$ 341,527

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4 – FIXED ASSETS

The following is a summary of changes in the fixed assets for the year ended December 31, 2023:

	Beginning Balances	Additions	Deletions	Ending Balances
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 177,150	\$ -	\$ -	\$ 177,150
Total Capital Assets Not Depreciated	<u>177,150</u>	<u>-</u>	<u>-</u>	<u>177,150</u>
<i>Capital Assets Being Depreciated:</i>				
Vehicles	2,814,437	78,854	-	2,893,291
Equipment	1,384,791	52,254	-	1,437,045
Buildings and Improvements	<u>3,088,749</u>	<u>93,826</u>	<u>-</u>	<u>3,182,575</u>
Total Capital Assets Being Depreciated	<u>7,287,977</u>	<u>224,934</u>	<u>-</u>	<u>7,512,911</u>
Less: Accumulated Depreciation For:				
Vehicles	(2,278,722)	(100,489)	-	(2,379,211)
Equipment	(672,447)	(168,017)	-	(840,464)
Buildings and Improvements	<u>(1,187,237)</u>	<u>(90,907)</u>	<u>-</u>	<u>(1,278,144)</u>
Total Accumulated Depreciation	<u>(4,138,406)</u>	<u>(359,413)</u>	<u>-</u>	<u>(4,497,819)</u>
Total Capital Assets Being Depreciated, Net	<u>3,149,571</u>	<u>(134,479)</u>	<u>-</u>	<u>3,015,092</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,326,721</u>	<u>\$(134,479)</u>	<u>\$ -</u>	<u>\$ 3,192,242</u>

Depreciation charged to expenses categories as follows:

Maintenance and repairs	\$ 12,491
Insurance	50,520
Salaries and Payroll	235,578
Administrative	32,530
Fire Dept Expense	10,745
EMS expense	12,430
Hardin County Appraisal District fee	<u>5,120</u>
Total	<u>\$ 359,413</u>

NOTE 5 – PENSION PLAN

Plan Description

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

A brief description of benefit terms:

- 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCDRS is a savings-based plan. For the district's plan, 5% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
- 4) There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS **DECEMBER 31, 2023**

NOTE 5 – PENSION PLAN (CONTINUED)

- 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Hardin County Emergency Services District # 2 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 5%. Contributions to the pension plan from the district for 2022 are shown in the Schedule of Employer Contributions.

The most recent annual comprehensive financial report (CAFR) for TCDRS can be found at the following website: TCDRS.org/Employer

Inactive employees entitled to but not yet receiving benefits	24
Active Employees	38
Total	<u>62</u>

The plan revisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with more than 8 years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more.

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 governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 4% for the year 2023. The contribution rate payable by the employee members for calendar year 2023 is the rate of 4% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2023****NOTE 5 – PENSION PLAN (CONTINUED)****Actuarial Assumptions**

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	18.0 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age of service. 4.7% average over career including inflation.
Investment Rate of Return	7.50% net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with a 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 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 Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: No changes in plan provisions were reflected in the Schedule. 2018: No changes in plan provisions were reflected in the Schedule. 2019: Employer contributions reflect that the member contribution rate was increased 7%. 2020: No changes in plan provisions were reflected in the Schedule. 2021: Employer contributions reflect that the member contribution rate was increased to 5% 2022: No changes in plan provisions were reflected in the Schedule.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2023****NOTE 5 – PENSION PLAN (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 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⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities - Developed Markets	MSCI World Ex USA (net)	5.00%	4.95%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

⁽¹⁾ Target asset allocation adopted at the March 2023 TCDRS Board meeting

⁽²⁾ Geometrical real rates of return equal the expected return for the asset class minus the assumed inflation of 2.3%, 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

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS **DECEMBER 31, 2023**

NOTE 5 – PENSION PLAN (CONTINUED)

Discount Rate Used

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:

1. 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.
2. 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 that 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 of 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 in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. 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 layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. 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.
4. 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.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2023****NOTE 5 – PENSION PLAN (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 the 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.

Sensitivity Analysis

The following represents the net pension liability of the authority, calculated using the discount rate of 7.60%, as well as what the District 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 Rate 7.60%	1% Increase 8.60%
Total pension liability	1,008,433	840,015	706,239
Fiduciary net position	765,989	765,989	765,989
Net pension liability (asset)	<u>\$ 242,444</u>	<u>\$ 74,026</u>	<u>\$ (59,750)</u>

Changes in Net Pension Liability

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance as of December 31, 2021	\$ 651,682	\$ 630,258	\$ 21,424
Changes for the year:			
Service Cost	162,519		162,519
Interest on total pension liability ⁽¹⁾	61,013		61,013
Effect of plan changes ⁽²⁾	-		-
Effect of economic/demographic gains/losses	(11,965)		(11,965)
Effect of assumptions changes or inputs	-		-
Refund of contributions	(21,087)	(21,087)	-
Benefit payments	(2,146)	(2,146)	-
Administrative expense		(449)	449
Member contributions		79,336	(79,336)
Net investment income		(50,892)	50,892
Employer contributions		107,421	(107,421)
Other Changes ⁽³⁾	-	23,549	(23,549)
Balance as of December 31, 2022	<u>\$ 840,016</u>	<u>\$ 765,990</u>	<u>\$ 74,026</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2023****NOTE 5 – PENSION PLAN (CONTINUED)****Pension Expense**

	January 1, 2022 to December 31, 2022
<u>Pension Expense/(Income)</u>	
Service cost	\$ 162,519
Interest on total pension liability ⁽¹⁾	61,012
Effect on plan changes	-
Administrative expenses	449
Member contributions	(79,336)
Expected investment return net of investment expenses	(54,861)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(805)
Recognition of assumption changes or inputs	4,550
Recognition of investment gains or losses	8,785
Other ⁽²⁾	<u>(23,549)</u>
Pension expense/(income)	<u>\$ 78,764</u>

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

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

Schedule of Deferred Inflows and Outflows

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences in expected and actual economic expense	\$ 24,498	\$ 17,059
Changes in actuarial assumptions	1,255	24,001
Differences in expected and actual investment earnings	-	46,137
Contributions subsequent to the measurement date	N/A	109,662
	<u>\$ 25,753</u>	<u>\$ 196,859</u>

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,	Deferred Outflows & Inflows	Balance
2023	12,197	49,247
2024	12,057	37,190
2025	11,969	25,221
2026	24,894	327
2027	3,739	(3,412)
Thereafter	(3,412)	-

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 6 – LITIGATION

None.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 25, 2024, the date at which the financial statements were available to issue, that no events exist that require disclosure.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>				
Ad valorem taxes, penalties and interest	\$ 1,781,700	\$ 1,781,700	2,867,675	\$ 1,085,975
Sales Tax Revenue	1,340,000	1,340,000	1,251,268	(88,732)
Grant Income	141,000	141,000	120,343	(20,657)
Interest income	15,000	15,000	81,137	66,137
EMS Collections	385,000	385,000	302,680	(82,320)
Fire/EMS Education	125,000	125,000	114,736	(10,264)
Fire Inspection	29,000	29,000	32,558	3,558
Miscellaneous	239,999	239,999	31,637	(208,362)
Total revenues	4,056,699	4,056,699	4,802,034	745,335
<u>Deduct Expenditures:</u>				
Operations:				
Buildings and Grounds	122,000	122,000	111,209	10,791
Insurance	505,532	505,532	449,797	55,735
Salaries and Payroll	2,439,449	2,439,449	2,097,441	342,008
Administrative	404,498	404,498	289,625	114,873
Fire Dept expense	106,850	106,850	95,664	11,186
EMS expense	148,750	148,750	110,667	38,083
Hardin County Appraisal District fee	42,500	42,500	45,585	(3,085)
Capital outlay	287,120	287,120	224,934	62,186
Total operations	4,056,699	4,056,699	3,424,922	631,777
Net Changes in Fund Balance	-	-	1,377,112	113,558
<u>Fund Balances:</u>				
Beginning of year	5,259,707	5,259,707	5,259,707	-
End of year	\$ 5,259,707	\$ 5,259,707	\$ 6,636,819	\$ 113,558

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2
**SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service cost	\$ 162,519	\$ 168,948	\$ 124,525	\$ 104,066	\$ 57,616	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	61,013	47,335	25,627	13,009	4,667	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	68,302	-	-	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	(1,757)	38,404	-	-	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) losses	(11,965)	(16,108)	8,062	21,637	(4,623)	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(23,234)	(1,224)	(4,506)	(2,298)	-	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	188,333	197,194	260,414	136,414	57,660	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	651,682	454,488	194,074	57,660	-	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 840,015	\$ 651,682	\$ 454,488	\$ 194,074	\$ 57,660	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	107,421	88,213	72,148	74,895	31,287	N/A	N/A	N/A	N/A	N/A
Member contributions	79,336	78,761	62,466	60,766	25,385	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(50,892)	98,473	21,577	9,545	633	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(23,234)	(1,225)	(4,506)	(2,298)	-	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(449)	(341)	(265)	(157)	(47)	N/A	N/A	N/A	N/A	N/A
Other	23,549	4,795	3,870	4,595	1,688	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	135,731	268,676	155,290	147,346	58,946	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	630,258	361,582	206,292	58,946	-	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$ 765,989	\$ 630,258	\$ 361,582	\$ 206,292	\$ 58,946	N/A	N/A	N/A	N/A	N/A
Net pension liability/(asset), ending = (a) - (b)	\$ 74,026	\$ 21,424	\$ 92,906	\$ (12,218)	\$ (1,286)	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	91.19%	96.71%	79.56%	106.30%	102.23%	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$ 1,586,716	\$ 1,575,212	\$ 1,561,649	\$ 1,519,160	\$ 634,627	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	4.67%	1.36%	5.95%	-0.80%	-0.20%	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirements 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 the years for which the new GASB statements have been implemented.

HARDIN COUNTY EMERGENCY SERVICE DISTRICT #2**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS****FOR THE YEAR ENDED DECEMBER 31, 2023**

Year Ending December 31,	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2013	-	-	-	-	0.0%
2014	-	-	-	-	0.0%
2015	-	-	-	-	0.0%
2016	-	-	-	-	0.0%
2017	-	-	-	-	0.0%
2018	31,287	31,287	-	634,627	0.0%
2019	74,895	74,895	-	1,519,160	4.9%
2020	72,148	72,148	-	1,561,649	4.6%
2021	88,212	88,212	-	1,575,212	5.6%
2022	107,421	107,421	-	1,586,716	6.8%

⁽¹⁾ TCDRS calculate actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

⁽²⁾ Payroll is calculated based on contributions reported to TCDRS.