

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2023

**MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. NOPAL STREET • UVALDE, TEXAS 78801-5305

www.colemanhortoncpa.com

DEBORAH V. McDONALD, CPA
DEREK L. WALKER, CPA
DUSTY R. ROUTH, CPA
MELINDA D. KORCZYNSKI, CPA

TEL (830) 278-6276
FAX (830) 278-6868
chc@colemanhortoncpa.com

INDEPENDENT AUDITOR'S REPORT

To The Board of Commissioners
Medina County Emergency Service District #1
P.O. Box 1037
Castroville, Texas 78009

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina County Emergency Service District #1, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Medina County Emergency Service District #1'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, each major fund, and the aggregate remaining fund information of the Medina County Emergency Service District #1, as of September 30, 2023, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Medina County Emergency Service District #1 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 Medina County Emergency Service District #1'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 (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- * Exercise professional judgement and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatements 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 Medina County Emergency Service District #1's internal controls. 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medina County Emergency Service District #1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Changes in Net Pension Liability and Related Ratios - Texas County and District Retirement System, the Schedule of Contributions - Texas County and District Retirement System, and the Schedule of Changes in the Total OPEB Liability and Related Ratios - Texas County and District Retirement System on pages 4-8 and 33-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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.

Coleman, Horton and Company, LLP

Uvalde, Texas
May 10, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the Medina County Emergency Service District #1 (the District) is presented in three sections, Management's Discussion and Analysis (this part), Basic Financial Statements, and Required Supplementary Information. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending September 30, 2023. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

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* statement tells 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.

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* the government's assets and liabilities. All 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 it has changed. Net position, the difference between the District's assets and deferred outflows less the liabilities and deferred inflows, is one way to measure the District's financial health or *position*.

- * Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- * To assess the overall health of the District, you need 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 protection and general administration. Property and sales 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 law or regulatory covenants.
- * The District establishes 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 one type of fund:

- * *Governmental funds* – 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 government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.

Financial Highlights

- * The District’s combined net position was \$14,387,227 at September 30, 2023, an increase of \$1,830,195 from the prior year.
- * During the year, the District’s revenues were \$5,291,153 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Property Taxes	\$ 2,100,778	\$ 1,773,232	\$ 327,546
b) Sales Taxes	2,661,326	2,351,493	309,833
c) Grants and Contributions	156,926	168,500	(11,574)
d) Investment Earnings	158,671	24,398	134,273
e) Charges for Services	29,755	-	29,755
f) Other Income	183,697	1,968	181,729
Total Revenue	\$ 5,291,153	\$ 4,319,591	\$ 971,562

During the year, the District's expenses were \$3,460,958 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) General Government	\$ 2,530,223	\$ 1,608,747	\$ 921,476
b) Other Debt Interest	118,068	87,978	30,090
c) Allegiance Mobile Health	780,000	762,917	17,083
d) Bandera County Emergency Medical Services	-	40,840	(40,840)
e) Medina Lake Volunteer Fire Department	12,310	40,840	(28,530)
f) Castroville Volunteer Fire Department	(38,155)	44,891	(83,046)
g) La Coste Lions Volunteer Fire Company	(27,662)	24,341	(52,003)
h) Mico Volunteer Fire Department	-	20,069	(20,069)
h) Bexar County ESD #7	86,174	-	86,174
Total Expenses	<u>\$ 3,460,958</u>	<u>\$ 2,630,623</u>	<u>\$ 830,335</u>

- * The General Fund reported a fund balance this year of \$11,881,246, an increase of \$4,528,540 from the prior year.
- * The Debt Service Fund reported a fund balance this year of \$10,925, an increase of \$782 from the prior year.
- * Revenues were \$582,343 above budget and expenditures were \$603,562 above budget.

The District's combined net position was \$14,387,227 at September 30, 2023, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 12,360,618	\$ 7,428,639	\$ 4,931,979
Capital and non-current assets	9,451,883	8,327,026	1,124,857
Total Assets	\$ 21,812,501	\$ 15,755,665	\$ 6,056,836
Deferred outflow related to pension plan	\$ 99,576	\$ -	\$ 99,576
Deferred outflow related to OPEB	1,712	-	1,712
Total Deferred Outflows of Resources	\$ 101,288	\$ -	\$ 101,288
Current liabilities	\$ 462,987	\$ 56,741	\$ 406,246
Non-current Liabilities	7,063,373	3,141,892	3,921,481
Total Liabilities	\$ 7,526,360	\$ 3,198,633	\$ 4,327,727
Deferred inflow related to OPEB	\$ 202	\$ -	\$ 202
Total Deferred Inflows of Resources	\$ 202	\$ -	\$ 202
Net position:			
Net investment in capital assets	\$ 2,403,463	\$ 5,185,134	\$ (2,781,671)
Restricted for debt service	10,925	10,143	782
Unrestricted	11,972,839	7,361,755	4,611,084
Total Net Position	\$ 14,387,227	\$ 12,557,032	\$ 1,830,195

Capital Assets and Debt Administration

Capital Assets

Net capital assets for the District at fiscal year ended September 30, 2023, amounted to \$9,451,883. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment, and vehicles as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Land	\$ 98,724	\$ 98,724	\$ -
Buildings	4,926,509	4,926,509	-
Equipment	4,825,772	3,546,872	1,278,900
Construction in progress	2,310,522	2,049,678	260,844
Total at historical cost	12,161,527	10,621,783	1,539,744
Total accumulated depreciation	(2,709,644)	(2,294,757)	(414,887)
Net capital assets	\$ 9,451,883	\$ 8,327,026	\$ 1,124,857

Long-Term Debt

	Governmental Activities		
	Current Year	Prior Year	Change
Bank notes payable	\$ 7,048,420	\$ 3,141,892	\$ 3,906,528

Contacting the District's Financial Management

The financial report is designed for customers, 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, please contact:

Medina County Emergency Service District #1
P.O. Box 1037
Castroville, Texas 78009

BASIC FINANCIAL STATEMENTS

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 11,791,186
Taxes Receivable, Net	550,771
Due from Other Governments	3,056
Due from Others	438
Prepaid Items	15,167
Capital Assets:	
Land Purchase and Improvements	98,724
Buildings, Net	4,334,038
Furniture and Equipment, Net	2,708,599
Construction in Progress	2,310,522
Total Assets	21,812,501
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	99,576
Deferred Outflow Related to OPEB	1,712
Total Deferred Outflows of Resources	101,288
LIABILITIES	
Accounts Payable	405,100
Accrued Interest Payable	57,887
Noncurrent Liabilities:	
Due Within One Year	406,981
Due in More Than One Year:	
Loans Payable - Noncurrent	6,641,439
Net Pension Liability	14,551
Net OPEB Liability	402
Total Liabilities	7,526,360
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to OPEB	202
Total Deferred Inflows of Resources	202
NET POSITION	
Net Investment in Capital Assets	2,403,463
Restricted for Debt Service	10,925
Unrestricted	11,972,839
Total Net Position	\$ 14,387,227

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

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Primary Gov.
Governmental
Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
General Government	\$ 2,530,223	\$ 29,755	\$ -	\$ (2,500,468)
Allegiance Mobile Health	780,000	-	-	(780,000)
Medina Lake Volunteer Fire Department	12,310	-	-	(12,310)
Castroville Volunteer Fire Department	(38,155)	-	-	38,155
La Coste Lions Volunteer Fire Company	(27,662)	-	-	27,662
Bexar County ESD #7	86,174	-	-	(86,174)
Interest on Debt	118,068	-	-	(118,068)
TOTAL PRIMARY GOVERNMENT	\$ 3,460,958	\$ 29,755	\$ -	(3,431,203)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	2,081,833
Property Taxes, Levied for Debt Service	200
General Sales and Use Taxes	2,661,326
Penalty and Interest on Taxes	18,745
Grants and Contributions	156,926
Miscellaneous Revenue	183,697
Investment Earnings	158,671

Total General Revenues 5,261,398

Change in Net Position 1,830,195

Net Position - Beginning 12,557,032

Net Position - Ending \$ 14,387,227

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

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 11,780,264	\$ 10,922	\$ 11,791,186
Taxes Receivable	556,408	1,401	557,809
Allowance for Uncollectible Taxes (credit)	(6,898)	(140)	(7,038)
Due from Other Governments	3,053	3	3,056
Due from Others	438	-	438
Prepaid Items	15,167	-	15,167
Total Assets	<u>\$ 12,348,432</u>	<u>\$ 12,186</u>	<u>\$ 12,360,618</u>
LIABILITIES			
Accounts Payable	\$ 405,100	\$ -	\$ 405,100
Total Liabilities	<u>405,100</u>	<u>-</u>	<u>405,100</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	62,086	1,261	63,347
Total Deferred Inflows of Resources	<u>62,086</u>	<u>1,261</u>	<u>63,347</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted for Debt Service	-	10,925	10,925
Unassigned Fund Balance	11,881,246	-	11,881,246
Total Fund Balances	<u>11,881,246</u>	<u>10,925</u>	<u>11,892,171</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,348,432</u>	<u>\$ 12,186</u>	<u>\$ 12,360,618</u>

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

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	\$	11,892,171
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets were \$10,621,783 and the accumulated depreciation was \$(2,294,757). In addition, long-term liabilities \$(3,141,892) 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 net position.		5,185,134
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 2023 capital outlays of \$1,539,744 and debt principal payments of \$565,313 is to increase net position.		2,105,057
This is the first year of the implementation of GASB 68 for the TCDRS pension plan. The items reported as a result of this implementation included a net pension liability of \$(14,551) and a deferred resource outflow of \$99,576. The net effect of these was to increase the ending net position by \$85,025.		85,025
This is the first year of the implementation of GASB 75 for the TCDRS OPEB plan. The items reported as a result of this implementation included a net OPEB liability of \$(402) a deferred resource inflow of \$(202) and a deferred resource outflow of \$1,712. The net effect of these was to increase the ending net position by \$1,108.		1,108
The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(414,887)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable tax revenue of \$63,347 as revenue, reclassifying the proceeds of loans of \$(4,471,841) as an increase in loans payable and recognizing the liabilities associated with maturing long-term debt and interest of \$(57,887). The net effect of these reclassifications and recognitions is to decrease net position.		(4,466,381)
Net Position of Governmental Activities	<u>\$</u>	<u>14,387,227</u>

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

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	\$ 2,074,323	\$ 439	\$ 2,074,762
General Sales and Use Taxes	2,661,326	-	2,661,326
Penalty and Interest on Taxes	18,583	162	18,745
Intergovernmental Revenue and Grants	155,750	-	155,750
Charges for Services	29,755	-	29,755
Investment Earnings	158,483	188	158,671
Contributions & Donations from Private Sources	1,176	-	1,176
Other Revenue	183,697	-	183,697
Total Revenues	5,283,093	789	5,283,882
EXPENDITURES:			
Current:			
General Government	2,201,462	7	2,201,469
Contract Providers:			
Allegiance Mobile Health	780,000	-	780,000
Medina Lake Volunteer Fire Department	12,310	-	12,310
Castroville Volunteer Fire Department	(38,155)	-	(38,155)
La Coste Lions Volunteer Fire Company	(27,662)	-	(27,662)
Bexar County ESD #7	86,174	-	86,174
Debt Service:			
Principal on Debt	565,313	-	565,313
Interest on Debt	107,208	-	107,208
Capital Outlay:			
Equipment	1,278,900	-	1,278,900
Construction in Progress	260,844	-	260,844
Total Expenditures	5,226,394	7	5,226,401
Excess of Revenues Over Expenditures	56,699	782	57,481
OTHER FINANCING SOURCES (USES):			
Noncurrent Loans	4,471,841	-	4,471,841
Total Other Financing Sources (Uses)	4,471,841	-	4,471,841
Net Change in Fund Balances	4,528,540	782	4,529,322
Fund Balance - October 1 (Beginning)	7,352,706	10,143	7,362,849
Fund Balance - September 30 (Ending)	\$ 11,881,246	\$ 10,925	\$ 11,892,171

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

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	4,529,322
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 2023 capital outlays of \$1,539,744 and debt principal payments of \$565,313 is to increase the change in net position.		2,105,057
The implementation of the requirements of GASB 68 for this fiscal year did require that some expenses on B-1 be adjusted. Total credits to expenses were \$136,627 and total debits to expenses were \$(51,602). The net effect on the change in net position on Exhibit B-1 is an increase of \$85,025.		85,025
The implementation of the requirements of GASB 75 for this fiscal year did require that some expenses on B-1 be adjusted. Total credits to expenses were \$2,537 and total debits to expenses were \$(1,429). The net effect on the change in net position on Exhibit B-1 is an increase of \$1,108.		1,108
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.		(414,887)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$7,271 as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of loans of \$(4,471,841), and recognizing the change in liabilities associated with maturing long-term debt and interest of \$(10,860). The net effect of these reclassifications and recognitions is to decrease the change in net position.		(4,475,430)
Change in Net Position of Governmental Activities	\$	1,830,195

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

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medina County Emergency Service District #1 (the District) is a Political Subdivision operating under the applicable laws and regulations of the State of Texas. The District was created by the voters of the District in a special election conducted on May 1, 1993, as authorized by the Texas Health and Safety Code Chapter 775. The purpose of the District is to provide fire protection and emergency medical services for the lives and health of the people within the District. It is governed by a five-member Board of Commissioners (the Board) appointed by the Medina County Commissioners Court. The District prepares its general-purpose financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 76* of the American Institute of Certified Public Accountants (AICPA); and it complies with the requirements of contracts and grants of agencies from which it receives funds.

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

Other Post-Employment Benefits. The fiduciary net position of the Texas County & District Retirement System Supplemental Death Benefit Funds (SDBF) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from SDBF net position. Payments are recognized when due and payable in accordance with the benefit terms.

Fair Value. The District applies GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board of Commissioners has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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 District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, 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. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. The "Grants and Contributions" column indicates amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all 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. There was no interfund activity during the year.

The fund financial statements provide reports on the financial condition and results of operations for governmental funds. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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 or Federal Government 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.

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 unavailable 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.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **General Fund** – The General Fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

E. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments, if any, at cost, which approximates fair value.
3. Unavailable revenue accounted for on the Balance Sheet relates to uncollected property taxes less doubtful accounts of \$7,038.
4. The District provides risk management obligations by carrying commercial insurance. General liability insurance is obtained from a commercial insurance carrier.
5. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.
7. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District’s deferred outflows of resources consist of differences between expected and actual actuarial experience (pension), differences between projected and actual investment earnings (pension), and contributions paid to TCDRS subsequent to the measurement date (pension and OPEB).
8. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports a deferred inflow of resources for changes in actuarial assumptions (OPEB).
9. Capital assets, which consist primarily of equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. 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.

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:

Assets	Years
Buildings	5-50
Improvements, other than buildings	2-50
Furniture, machinery, and equipment	3-30

F. FUND BALANCE POLICY

The District reports fund balance for governmental funds in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or “must be maintained intact” and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board. However, the District has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the Board may commit fund balances by a majority vote in a scheduled meeting. The District’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. District commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions, and other purposes determined by the District.

The Board may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The District may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the District by majority vote in a schedule meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned, then unassigned.

By a majority vote in a scheduled meeting the Board may commit fund balances and it may modify or rescind commitments. The District may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an “appropriated budget” for the General Fund. The District is required to present adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit D-1.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Thirty to sixty days prior to the beginning of each fiscal year, a proposed budget is submitted and prepared on the modified accrual basis of accounting which is consistent with GAAP at the department level for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons’ comments concerning the budget are heard.
3. The budget is legally enacted by the Board through passage of an ordinance not later than 15 days prior to the beginning of the fiscal year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATION

As noted in Exhibit D-1, the General Fund had over-expended four functions in the amount of \$1,233,028.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

The District had funds on deposit at year-end of \$11,526,347 in excess of FDIC coverage, secured by pledged securities of the depository bank and a line of credit.

As of September 30, 2023, the following are the District’s cash and cash equivalents with respective maturities:

Type of Deposit	Fair Value	Maturity in Less than 1 Year	Maturity in 1-10 Years	Maturity in Over 10 Yes	Credit Rating	Amounts Due within One Year
Cash and Cash						
Equivalents	\$ 11,791,186	\$ 11,791,186	\$ -	\$ -	-	\$ -
Total Cash and Cash						
Equivalents	\$ 11,791,186	\$ 11,791,186	\$ -	\$ -	-	\$ -

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act**, Government Code Chapter 2256 (the Act) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, districts, and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies, OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated no lower than “AA-“ or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing deposits and investments of the District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments to those allowed by Government Code 2256. As of September 30, 2022, the District has zero investments.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District’s custodian and hand them over to the District or its designated agent. All the securities are held by the District’s agent.

Concentration of Credit Risk: The District has no investments.

Interest Rate Risk: The District has no investments.

Foreign Currency Risk for Investment: The District has no foreign currency investments.

B. 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 located in the District in conformity with the applicable 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 31 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 when they are expected to be collected during a 60-day period after the close of the fiscal year. The District considers all delinquent taxes as unavailable revenue.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2023 were as follows:

	Property Taxes	Sales Taxes	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 68,984	\$ 487,424	\$ 3,491	\$ 559,899
Debt Service Fund	1,401	-	3	1,404
Total Governmental Activities	<u>70,385</u>	<u>487,424</u>	<u>3,494</u>	<u>561,303</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 7,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,038</u>

Payables at September 30, 2023 were as follows:

	Accounts Payable	Accrued Liabilities	Total Payables
Governmental Activities:			
General Fund	\$ 405,100	\$ -	\$ 405,100
Debt Service Fund	-	-	-
Total Governmental Activities	<u>405,100</u>	<u>-</u>	<u>405,100</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. CAPITAL ASSETS ACTIVITIES

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

	Primary Government				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Land	\$ 98,724	\$ -	\$ -	\$ -	\$ 98,724
Buildings	4,926,509	-	-	-	4,926,509
Equipment	3,546,872	1,278,900	-	-	4,825,772
Construction in Progress	2,049,678	260,844	-	-	2,310,522
Total at historical cost	<u>10,621,783</u>	<u>1,539,744</u>	<u>-</u>	<u>-</u>	<u>12,161,527</u>
Less accumulated depreciation					
Buildings	(487,358)	(105,113)	-	-	(592,471)
Equipment	(1,807,399)	(309,774)	-	-	(2,117,173)
Total accumulated depreciation	<u>(2,294,757)</u>	<u>(414,887)</u>	<u>-</u>	<u>-</u>	<u>(2,709,644)</u>
Governmental activities capital assets, net	<u>\$ 8,327,026</u>	<u>\$ 1,124,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,451,883</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

General and Administrative	<u>\$ 414,887</u>
Total Depreciation Expense	<u>\$ 414,887</u>

E. LONG-TERM DEBT

Long-term debt payable at September 30, 2023 is comprised of the following:

Notes Payable:

Castroville State Bank Note: Dated November 11, 2020 to finance the construction and equipping of a new Rio Medina Fire Station No.15; Interest Rate 2.75%; Matures March 1, 2036; Original Amount: \$3,290,000; Amount Funded \$3,290,000; Amount Outstanding \$2,887,378.

Broadway Bank Note: Dated December 29, 2020 to purchase a Pierce-Custom Enforcer PUC, a Skeeter Ford F550, and a Pierce-Commercial Freightliner FL 106 Tanker, FX; Interest Rate 2.125%; Matures December 29, 2025; Original Amount: \$1,024,157; Amount Outstanding: \$661,042.

Security State Bank Note: Dated September 9, 2019 to finance operations; Interest Rate 3.20%; Matures September 9, 2024; Original Amount \$400,000; Amount Outstanding \$0. Loan was paid off early.

Government Capital: Dated September 14, 2023, to finance the construction of a new La Coste Station No. 11; Interest Rate 4.82%; Matures October 1, 2038; Original Amount \$3,500,000; Amount Outstanding \$3,500,000.

	Primary Government				Amounts Due within One Year
	Beginning Balance	Additions	Retirements	Ending Balance	
Notes Payable					
Castroville State Bank	2,102,168	971,841	186,631	2,887,378	191,314
Broadway Bank	872,161	-	211,119	661,042	215,667
Security State Bank	167,563	-	167,563	-	-
Government Capital	-	3,500,000	-	3,500,000	-
Total	<u>\$ 3,141,892</u>	<u>\$ 4,471,841</u>	<u>\$ 565,313</u>	<u>\$ 7,048,420</u>	<u>\$ 406,981</u>

Annual debt service requirements as of September 30, 2023 are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 406,981	\$ 93,863	\$ 500,844
2025	573,896	260,814	834,710
2026	600,016	234,721	834,737
2027	388,815	215,986	604,801
2028	403,098	201,703	604,801
2029-2033	2,253,867	770,135	3,024,002
2034-2038	2,103,234	321,726	2,424,960
2039	318,513	15,353	333,866
Total	<u>\$ 7,048,420</u>	<u>\$ 2,114,301</u>	<u>\$ 9,162,721</u>

Interest expense for the year was \$107,208.

F. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates as one of more than 850 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas County & District Retirement System (TCDRS). TCDRS is an agency created by the State of Texas and administered in accordance with the TCDRS Act, as an agent multiple-employer retirement system for employees of counties and districts in the State of Texas. The TCDRS Act places the general administration and management of the System with a nine-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TCDRS is not fiscally dependent on the State of Texas. TCDRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

All eligible employees of the District are required to participate in TCDRS.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution.

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to, but not yet receiving, benefits	0
Active employees	<u>16</u>
	16

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, and the District matching percentages are 100%, both as adopted by the governing body of the District. Under the state law governing TCDRS, the contribution rate for each district is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the District were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the District were 10.81% and 10.81% in calendar years 2022 and 2023, respectively. The District's contributions to TCDRS for the year ended September 30, 2023, were \$112,841 and were equal to the required contributions.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability (NPL) in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	Varies by age and service. 4.7% average over career, including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members were based on the gender-distinct RP2000 Active Employee Mortality Table for males with a two-year set forward and a four year setback for females, both with the projection scale AA. For retirees, beneficiaries, and non-depositing members, the gender-distinct RP2000 Combined Mortality Table with the projection scale AA, with a one-year set forward for males and no age adjustment for females is used. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (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) Index	5.00%	4.95%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index +33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	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) Geometric real rates of return equal the expected return for the asset class minus the 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.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specific in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Increase (Decrease)	
		Fiduciary Net Position (b)	Net Position Liability / (Asset) (a) - (b)
Balance at 12/31/2021	\$ -	\$ -	\$ -
Changes for the year:			
Service Cost	80,733	-	80,733
Interest on total pension liability (1)	6,136	-	6,136
Effect of plan changes (2)	-	-	-
Effect of economic / demographic gains or loses	58	-	58
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expense	-	(42)	42
Member contributions	-	24,489	(24,489)
Net investment income	-	(5,851)	5,851
Employer contributions	-	44,121	(44,121)
Other (3)	-	9,659	(9,659)
Balance at 12/31/2022	\$ 86,927	\$ 72,376	\$ 14,551

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

(2) Reflects plan changes adopted effective in 2023. Also reflects increase in substantively automatic COLA valued.

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

Sensitivity Analysis

The following presents the net pension liability of the employer, 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 Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 103,261	\$ 86,927	\$ 73,504
Fiduciary net position	72,376	72,376	72,376
Net pension liability / (asset)	<u>\$ 30,885</u>	<u>\$ 14,551</u>	<u>\$ 1,128</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

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

For the year ended September 30, 2023, the District recognized pension expense of \$51,601.

At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 55	\$ -
Changes in actuarial assumptions	-	-
Net difference between projected and actual investment earnings	7,015	-
Contributions subsequent to the measurement date	<u>92,506</u>	<u>-</u>
Total	<u>\$ 99,576</u>	<u>\$ -</u>

\$92,506 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2024	\$ 1,756
2025	1,756
2026	1,756
2027	1,755
2028	2
Thereafter	45

G. DEFINED BENEFIT OPEB PLAN

Plan Description

Texas County & District Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member districts may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit (OPEB) and is a fixed amount of \$5,000. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). As such the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The member District contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Benefits Provided

The District elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The District may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Employees Covered by Benefit Terms.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>16</u>
	<u><u>16</u></u>

Total OPEB Liability

The District's total OPEB liability of \$402 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Timing	Actuarially determined contribution rates are calculated in a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method	
Recognition of economic/demographic gains or losses	Staight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Staight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Infaltion	Does not apply
Salary Increases	Noe that salary increases do not affect benefits but are used in the allocation of costs undedr the actuarial cost method.
Discount rate*	3.72%
Cost-of-Living Adjustment	Does not apply
Mortality rates - depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality rates - service retirees	135% of Pub-2010 General Healthy Reitees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality rates - disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

* The discount rate was based on the bondbuyer.com's "20-Year Bond GO Index" rate as of December 31, 2022.

Note: The actuarial assumptions used in the December 31, 2022 valuation 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 75.

Changes in The Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	\$ -
Changes for the year:	
Service Cost	591
Interest on total OPEB liability (1)	22
Change of benefit terms (2)	-
Effect of economic/demographic experience	-
Effect of assumptions changes or inputs (3)	(211)
Benefit payments**	-
Other	-
Net Changes	\$ 402
Balance at 12/31/2022	\$ 402

(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) Reflects change in discount rate.

** Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Sensitivity of the Total OPEB liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, calculated using the discount rate of 3.72%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.72%) or 1-percentage-point higher (4.72%) than the current discount rate:

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB liability	\$517	\$402	\$316

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the District recognized OPEB expense of \$604.

At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes in assumptions and other inputs	-	202
Contributions made subsequent to the measurement date	1,712	-
Total	\$ 1,712	\$ 202

\$1,712 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:	
2023	\$ (9)
2024	(9)
2025	(9)
2026	(9)
2027	(9)
Thereafter	(157)
Total	\$ (202)

H. ECONOMIC DEPENDENCY

The District has significant economic dependency upon the citizens of the District for tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 2,100,000	\$ 2,100,000	\$ 2,074,323	\$ (25,677)
General Sales and Use Taxes	2,425,000	2,425,000	2,661,326	236,326
Penalty and Interest on Taxes	20,000	20,000	18,583	(1,417)
Intergovernmental Revenue and Grants	135,750	135,750	155,750	20,000
Charges for Services	-	-	29,755	29,755
Investment Earnings	20,000	20,000	158,483	138,483
Contributions & Donations from Private Sources	-	-	1,176	1,176
Other Revenue	-	-	183,697	183,697
Total Revenues	4,700,750	4,700,750	5,283,093	582,343
EXPENDITURES:				
Current:				
General Government	2,418,938	2,418,938	2,201,462	217,476
Contract Providers:				
Allegiance Mobile Health	780,000	780,000	780,000	-
Medina Lake Volunteer Fire Department	-	-	12,310	(12,310)
Castroville Volunteer Fire Department	5,000	5,000	(38,155)	43,155
La Coste Lions Volunteer Fire Company	5,000	5,000	(27,662)	32,662
Bexar County ESD #7	74,000	74,000	86,174	(12,174)
Mico Volunteer Fire Company	5,000	5,000	-	5,000
Debt Service:				
Principal on Debt	896,486	896,486	565,313	331,173
Interest on Debt	107,208	107,208	107,208	-
Capital Outlay:				
Equipment	196,200	196,200	1,278,900	(1,082,700)
Construction in Progress	135,000	135,000	260,844	(125,844)
Total Expenditures	4,622,832	4,622,832	5,226,394	(603,562)
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,918	77,918	56,699	(21,219)
OTHER FINANCING SOURCES (USES):				
Noncurrent Loans	-	-	4,471,841	4,471,841
Total Other Financing Sources (Uses)	-	-	4,471,841	4,471,841
Net Change	77,918	77,918	4,528,540	4,450,622
Fund Balance - October 1 (Beginning)	7,352,706	7,352,706	7,352,706	-
Fund Balance - September 30 (Ending)	\$ 7,430,624	\$ 7,430,624	\$ 11,881,246	\$ 4,450,622

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

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
A. Total Pension Liability			
Service Cost	\$ 80,733	\$ -	\$ -
Interest (on the Total Pension Liability)	6,136	-	-
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	58	-	-
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Net Change in Total Pension Liability	\$ 86,927	\$ -	\$ -
Total Pension Liability - Beginning	-	-	-
Total Pension Liability - Ending	\$ 86,927	\$ 0	\$ 0
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 44,121	\$ -	\$ -
Contributions - Employee	24,489	-	-
Net Investment Income	(5,851)	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	(42)	-	-
Other	9,659	-	-
Net Change in Plan Fiduciary Net Position	\$ 72,376	\$ -	\$ -
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending	\$ 72,376	\$ 0	\$ 0
C. Net Pension Liability	\$ 14,551	\$ -	\$ -
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.26%	-	-
E. Covered Payroll	\$ 408,147	\$ -	\$ -
F. Net Pension Liability as a Percentage of Covered Payroll	3.57%	-	-

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2023

	2023	2022	2021
Actuarially Determined Contribution	\$ 112,841	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contributions	112,841	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,043,857	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	10.81%	-	-

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

<hr/>	
2020	
<hr/>	
\$	-
	-
<hr/>	
\$	-
<hr/> <hr/>	
\$	-
	-

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
Total OPEB Liability				
Service Cost	\$ 591	\$ -	\$ -	-
Interest on the Total OPEB Liability	22	-	-	-
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	-	-	-
Changes of Assumptions	(211)	-	-	-
Benefit Payments*	-	-	-	-
Net Change in Total OPEB Liability	402	-0-	-	-
Total OPEB Liability - Beginning	-0-	-0-	-	-
Total OPEB Liability - Ending	\$ 402	\$ -	\$ -	-
Covered Payroll	\$ 408,147	\$ -	\$ -	-
Total OPEB Liability as a Percentage of Covered Payroll	0.10%	-	-	-

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

MEDINA COUNTY EMERGENCY SERVICE DISTRICT #1
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2023

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method:	Entry Age (level percentage of pay)
Amortization Method:	Level Percentage of Payroll, closed
Remaining Amortization Period:	19.3 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 and service. 4.7% average over career including inflation.
Investment Rate of Return:	7.50%, net of administrative and investment expenses, including inflation
Retirement Age:	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality:	135% of the Pub-2010 General Retirees for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	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
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2022: No changes in plan provisions were reflected in the Schedule.

** Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*