

AGENDA PLACEMENT FORM

(Submission Deadline – Monday, 5:00 PM before Regular Court Meetings)

Date: _____

Meeting Date: 7/22/2024

Submitted By: County Judge's Office

Department: _____

Signature of Elected Official/Department Head:

Court Decision: <small>This section to be completed by County Judge's Office</small>
 <p>July 22, 2024</p>

Description:

Consider and Approve the Johnson County Emergency Services District No. 1
Audit of the 2023 Annual Financial Report Presented by Tom Foster, Executive
Director

(May attach additional sheets if necessary)

Person to Present: Tom Foster

(Presenter must be present for the item unless the item is on the Consent Agenda)

Supporting Documentation: (check one) PUBLIC CONFIDENTIAL

(PUBLIC documentation may be made available to the public prior to the Meeting)

Estimated Length of Presentation: _____ minutes

Session Requested: (check one)

Action Item Consent Workshop Executive Other _____

Check All Departments That Have Been Notified:

County Attorney IT Purchasing Auditor

Personnel Public Works Facilities Management

Other Department/Official (list) _____

**Please List All External Persons Who Need a Copy of Signed Documents
In Your Submission Email**

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

April 25, 2024

Board of Commissioners
Johnson County Emergency
Services District No.1

We have audited the financial statements of the governmental activities and each major fund of Johnson County Emergency Services District No. 1, (the "District") for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 20, 2022. Professional standards also require that we communicate to you the following information related to our audit. For the purposes of this letter, the term "management" refers to the Board of Commissioners and/or District consultants.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by the District, including new accounting policies, if any, that have been adopted and implemented during the current fiscal year, are discussed in Note 2. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were management's estimate of depreciable lives of capital assets. Depreciation of assets is based on industry wide accepted estimated useful lives taken on a straight-line basis, or on the life of the applicable contract in the case of intangible assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The District's bookkeeper will be provided with all such adjustments.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 25, 2024.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to perform the following non-attest services for the District: (1) preparation of financial statements and related notes and schedules in conformity with accounting principles generally accepted in the United States of America and (2) preparation of capital assets. These services were performed based on information provided by you. We performed these services in accordance with applicable professional standards. The non-attest services we performed are limited to those specifically defined and did not result in assuming management responsibilities.

We applied certain limited procedures to the Management's Discussion and Analysis and the budgetary comparison schedule for the General Fund, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

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April 25, 2024

Board of Commissioners
Johnson County Emergency
Services District No.1
Johnson County, Texas

In planning and performing our audit of the financial statements of Johnson County Emergency Services District No. 1 (the "District") as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Last year, and again this year we observed the following matters that we consider to be material weaknesses.

Material Weaknesses

The District's management consists of an appointed Board of Commissioners ("Commissioners"). Day-to-day operations are performed by private entities ("Consultants") under contract with the District and the District employees. The Commissioners supervise the performance of the Consultants and the District employees. The Consultants and the District employees can be part of the District's system of internal control; however, consultant are not members of management. Ultimately, the Commissioners are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the District does not include the preparation of the financial statements complete with footnotes in accordance with generally accepted accounting principles. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness in internal control.

During the course of performing the audit, the auditor prepared various calculations needed to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control.

Material Weaknesses (Continued)

Management relies on the auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. Management's reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control.

Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

Management's Response

The Commissioners are appointed by the Commissioner's Court and are not required to have governmental accounting expertise. The Board engages consultants who possess industry knowledge and expertise to provide financial and legal services. Based on the auditor's unmodified opinion and after reading the financial statements, the Commissioners believe the financial statements to be materially correct. The Commissioners do not feel that the addition of an employee or another consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

JOHNSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

JOHNSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	9
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	11
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	12
NOTES TO THE FINANCIAL STATEMENTS	13-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	30-31
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS	32
SCHEDULE OF DISTRICT CONTRIBUTIONS	33
NOTES TO SCHEDULE OF DISTRICT CONTRIBUTIONS	34

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Johnson County Emergency
Services District No. 1
Johnson County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Johnson County Emergency Services District No. 1 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District 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. 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.

Board of Commissioners
Johnson County Emergency
Services District No. 1

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Asset and Liability and Related Ratios, and the Schedule of District Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 25, 2024

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management's discussion and analysis of Johnson County Emergency Services District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, costs of assessing and collecting taxes, and general expenditures.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$24,397,219 as of September 30, 2023.

The following is a comparative analysis of government-wide changes in net position:

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 22,473,810	\$ 13,679,833	\$ 8,793,977
Capital Assets	1,923,749	1,297,678	626,071
Right-of-Use Assets	<u>377,252</u>	<u>636,352</u>	<u>(259,100)</u>
Total Assets	<u>\$ 24,774,811</u>	<u>\$ 15,613,863</u>	<u>\$ 9,160,948</u>
Deferred Outflows of Resources	\$ 179,555	\$ 41,925	\$ 137,630
Long-Term Liabilities	\$ 200,328	\$ 316,646	\$ 116,318
Current and Other Liabilities	<u>356,819</u>	<u>281,881</u>	<u>(74,938)</u>
Total Liabilities	<u>\$ 557,147</u>	<u>\$ 598,527</u>	<u>\$ 41,380</u>
Deferred Inflows of Resources	\$ -0-	\$ 2,310	\$ 2,310
Net Position:			
Net Investment in Capital Assets	\$ 1,984,355	\$ 1,505,891	\$ 478,464
Restricted	4,331,953	825,842	3,506,111
Unrestricted	<u>18,080,911</u>	<u>12,723,218</u>	<u>5,357,693</u>
Total Net Position	<u>\$ 24,397,219</u>	<u>\$ 15,054,951</u>	<u>\$ 9,342,268</u>

The following table provides a summary of the District's operations for the years ended September 30, 2023 and September 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,992,453	\$ 5,242,162	\$ 750,291
Sales Tax Receipts	12,205,785	8,267,303	3,938,482
Other Revenues	<u>314,479</u>	<u>742,119</u>	<u>(427,640)</u>
Total Revenues	\$ 18,512,717	\$ 14,251,584	\$ 4,261,133
Expenses for Services	<u>9,170,449</u>	<u>5,272,252</u>	<u>(3,898,197)</u>
Change in Net Position	\$ 9,342,268	\$ 8,979,332	\$ 362,936
Net Position, Beginning of Year	<u>15,054,951</u>	<u>6,075,619</u>	<u>8,979,332</u>
Net Position, End of Year	<u>\$ 24,397,219</u>	<u>\$ 15,054,951</u>	<u>\$ 9,342,268</u>

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of September 30, 2023, was \$22,000,895 an increase of \$8,918,525 from the prior year. The increase was primarily due to property tax and sale and use tax revenues exceeding operational expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$9,182,121 more than budgeted revenues and actual expenditures were \$264,221 more than budgeted, which resulted in a positive variance of \$8,917,900. See the budget to actual comparison for more information.

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2023, amounts to \$1,923,749. This investment in capital assets includes land, buildings, furniture and equipment, office equipment and vehicles.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 337,480	\$ 76,473	\$ 261,007
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	954,828	969,933	(15,105)
Machinery and Equipment	363,990	184,851	179,139
Office Equipment	16,918	8,539	8,379
Vehicles and Trucks	250,533	57,882	192,651
Total Net Capital Assets	\$ 1,923,749	\$ 1,297,678	\$ 626,071

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

RIGHT-OF-USE ASSETS

In accordance with the requirements of GASB Statement No. 87, the District has classified certain capital assets to right-of-use assets. Right-of-use assets consisted of dispatch equipment, two Spartan cabs, SCBA equipment and air compressor which totaled \$1,453,147, had current year amortization expense of \$259,100, and had an accumulated amortization balance of \$1,075,895 as of September 30, 2023.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term capital leases payable of \$316,646. The changes during the fiscal year ended September 30, 2023, are summarized as follows:

Leases Payable, October 1, 2022	\$ 428,139
Less: Principal Paid	<u>111,493</u>
Leases Payable, September 30, 2023	<u><u>\$ 316,646</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Johnson County Emergency Services District No. 1, 2451 Service Drive, Cleburne, TX 76033.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 21,981,778	\$	\$ 21,981,778
Receivables:			
Property Taxes	321,187		321,187
Penalty and Interest on Delinquent Taxes		139,601	139,601
Other	31,244		31,244
Land		337,480	337,480
Capital Assets (Net of Accumulated Depreciation)		1,586,269	1,586,269
Right-of-Use Assets (Net of Accumulated Amortization)		377,252	377,252
TOTAL ASSETS	\$ 22,334,209	\$ 2,440,602	\$ 24,774,811
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pensions	\$ - 0 -	\$ 179,555	\$ 179,555
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 22,334,209	\$ 2,620,157	\$ 24,954,366
LIABILITIES			
Accounts Payable	\$ 12,127	\$	\$ 12,127
Net Pension Liability		83,119	83,119
Accrued Interest Payable		3,983	3,983
Compensated Absences		141,272	141,272
Leases Payable:			
Due Within One Year		116,318	116,318
Due After One Year		200,328	200,328
TOTAL LIABILITIES	\$ 12,127	\$ 545,020	\$ 557,147
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 321,187	\$ (321,187)	\$ - 0 -
FUND BALANCE			
Restricted for Replacement Fund	\$ 1,020,572	\$ (1,020,572)	\$
Restricted Sales and Use Tax Fund	3,311,381	(3,311,381)	
Unassigned	17,668,942	(17,668,942)	
TOTAL FUND BALANCE	\$ 22,000,895	\$ (22,000,895)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 22,334,209		
NET POSITION			
Net Investment in Capital Assets		\$ 1,984,355	\$ 1,984,355
Restricted		4,331,953	4,331,953
Unrestricted		18,080,911	18,080,911
TOTAL NET POSITION		\$ 24,397,219	\$ 24,397,219

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

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Total Fund Balance - Governmental Funds \$ 22,000,895

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 2,301,001

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenues in the governmental activities of the District. 460,788

Portions of the change in net pension asset/liability are not immediately recognized as pension expense are recorded as deferred outflows or inflows of resources. 96,436

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (3,983)	
Compensated Absences	(141,272)	
Leases Payable Within One Year	(116,318)	
Leases Payable After One Year	<u>(200,328)</u>	<u>(461,901)</u>

Total Net Position - Governmental Activities \$ 24,397,219

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

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 5,990,712	\$ 1,741	\$ 5,992,453
Sales and Use Tax	12,205,785		12,205,785
Facility Income	33,910		33,910
Penalty and Interest	133,701	(63,026)	70,675
Investment Revenues	163,548		163,548
Miscellaneous Revenues	46,346		46,346
TOTAL REVENUES	\$ 18,574,002	\$ (61,285)	\$ 18,512,717
 EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	\$ 2,531,583	\$ (5,048)	\$ 2,526,535
Maintenance	230,489		230,489
Supplies	121,668		121,668
Contract Services	4,912,899		4,912,899
Sales and Use Tax Disbursements	955,055		955,055
Depreciation/Amortization		389,026	389,026
Capital Outlay	772,460	(755,997)	16,463
Debt Service:			
Lease Principal	111,493	(111,493)	
Lease Interest	19,830	(1,516)	18,314
TOTAL EXPENDITURES/EXPENSES	\$ 9,655,477	\$ (485,028)	\$ 9,170,449
NET CHANGE IN FUND BALANCE	\$ 8,918,525	\$ (8,918,525)	\$
CHANGE IN NET POSITION		9,342,268	9,342,268
FUND BALANCE/NET POSITION - OCTOBER 1, 2022	13,082,370	1,972,581	15,054,951
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2023	\$ 22,000,895	\$ 2,396,324	\$ 24,397,219

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

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2023**

Net Change in Fund Balance - Governmental Funds \$ 8,918,525

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied. 1,741

Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed. (63,026)

The changes in deferred outflows and inflows of resources are recorded as pension expense in the government-wide financial statements. 5,048

Governmental funds do not account for depreciation and amortization. However, in the government-wide financial statements, capital assets and right-of-use assets are depreciated or amortized and the expense is recorded in the Statement of Activities. (389,026)

Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities. 755,997

Governmental funds report principal payments on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected. 111,493

Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on long-term debt through the fiscal year-end. 1,516

Change in Net Position - Governmental Activities \$ 9,342,268

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

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JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1. CREATION OF DISTRICT

Johnson County Emergency Services District No. 1 (the “District”) was originally formed in the mid-1950’s as a Rural Fire Prevention District. In 2003, the State of Texas required all Rural Fire Prevention Districts to convert into Emergency Service Districts per Chapter 775 of the Health and Safety Code. The District is empowered to provide fire protection, ambulance and rescue services to the persons in its boundaries which will be conducive to their public safety, health, welfare and convenience.

The District is governed by a Board of Commissioners consisting of five individuals appointed by the Johnson County Commissioner’s Court.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Fund Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund; therefore, this fund is a major fund.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, costs of assessing and collecting taxes and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital Assets and Right-of-Use Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion. Installation costs, professional fees and certain other costs are capitalized as part of the asset.

Capital assets are capitalized if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Improvements	40
Office Equipment	7
Computer Equipment	5
Vehicles and Trucks	5-10

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Right-of-Use Assets (Continued)

In accordance with GASB Statement No. 87, the District recorded a multiple vehicles and equipment as right-of-use assets (see Note 8). The right-of-use assets are being amortized over the life of the assets.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

Payments are made into the social security system for all employees. The Internal Revenue Service has determined that fees of office received by Commissioners are considered wages subject to federal income tax withholding for payroll tax purposes only. See Note 9 for the District's pension plan.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Fund Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District has restricted \$1,020,572 for future replacement of capital assets. Per the Sales and Use Tax Policy, the District has restricted \$3,311,381 as a reserve.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 3. TAX LEVY

During the year ended September 30, 2023, the District levied an ad valorem tax at the rate of \$0.06 per \$100 of assessed valuation, which resulted in a tax levy of \$6,107,001 on the adjusted taxable valuation of \$10,195,315,161 for the 2022 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year-end, the carrying amount of the District's deposits was \$ 21,981,778 and the bank balance was \$22,357,764. The District was not exposed to custodial risk at year-end.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of September 30, 2023, the District did not have any investments.

NOTE 5. CAPITAL ASSETS

	October 1, 2022	Increases	Decreases	September 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 76,473	\$ 261,007	\$ - 0 -	\$ 337,480
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 1,677,200	\$ 31,635	\$	\$ 1,708,835
Machinery and Equipment	1,274,989	222,017		1,497,006
Office Equipment	459,084	17,000		476,084
Vehicles and Trucks	773,825	224,338		998,163
Total Capital Assets Subject to Depreciation	\$ 4,185,098	\$ 494,990	\$ - 0 -	\$ 4,680,088
Less Accumulated Depreciation				
Buildings and Improvements	\$ 707,267	\$ 46,740	\$	\$ 754,007
Machinery and Equipment	1,090,138	42,878		1,133,016
Office Equipment	450,545	8,621		459,166
Vehicles and Trucks	715,943	31,687		747,630
Total Accumulated Depreciation	\$ 2,963,893	\$ 129,926	\$ - 0 -	\$ 3,093,819
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 1,221,205	\$ 365,064	\$ - 0 -	\$ 1,586,269
Total Capital Assets, Net of Accumulated Depreciation	\$ 1,297,678	\$ 626,071	\$ - 0 -	\$ 1,923,749

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 6. CONTRACT FOR PROVIDING FIRE PROTECTION, FIRE SUPPRESSION AND RESCUE SERVICES

The District has entered into agreements with area volunteer fire departments (the “Departments”), the City of Alvarado, the City of Godley, the City of Joshua, City of Venus and the City of Keene to provide fire protection and suppression services to protect life and property from fire, conserve natural and human resources and provide rescue services to persons and commercial interests located in various areas within the boundaries of the District. The terms of these agreements are one year beginning on October 1, 2022.

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

NOTE 8. LEASES

In 1990, the District entered into an agreement with the City of Cleburne to lease 11.5 acres of land for the Johnson County Fire Protection District. The lease is for a period of 25 years as the costs of \$25 per year. The District signed a new lease, with the same terms, on April 1, 2010 for an additional 25 years expiring on March 31, 2035.

On January 17, 2019, the District entered in an Equipment Lease Purchase Agreement with Motorola Solutions, Inc. in the amount of \$376,947 to fund the purchase dispatch equipment. The equipment is recorded as an asset of the District and is being depreciated over the term of the lease. Accumulated amortization as of September 30, 2023 is \$255,675 of which \$53,850 has been recorded as part of amortization expense in the current fiscal year. Lease payments and related interest of \$65,617 are due monthly beginning January 1, 2020 and ending January 1, 2026. The incremental borrowing rate is 5.20%.

On March 21, 2019, the District entered in a Municipal Lease Purchase Agreement with Government Capital Corporation in the amount of \$153,980 to fund the purchase of two Spartan 4-door custom tilt aluminum cabs and upgrades. The vehicles are recorded as an asset of the District and is being amortization over the term of the lease. Accumulated amortization as of September 30, 2023 is \$740,860, of which \$180,276 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$34,095 are due monthly beginning March 15, 2020 and ending March 15, 2024. The incremental borrowing rate is 3.491%.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 8. LEASES (Continued)

On November 19, 2019, the District entered in a Municipal Lease Purchase Agreement with Government Capital Corporation in the amount of \$137,208 to fund the purchase of SCBA equipment. The equipment is recorded as an asset of the District and is being depreciated over the term of the lease. Accumulated amortization as of September 30, 2023 is \$68,627, of which \$19,600 has been recorded as part of amortization expense in the current fiscal year. Lease payments and related interest of \$22,339 are due annually beginning November 19, 2020 and ending November 19, 2026. The incremental borrowing rate is 3.38%.

On May 20, 2021, the District entered in a Municipal Lease Purchase Agreement with Government Capital Corporation in the amount of \$37,620 to fund the purchase of an air compressor. The equipment is recorded as an asset of the District and is being depreciated over the term of the lease. Accumulated amortization as of September 30, 2023 is \$10,734, of which \$5,374 has been recorded as part of amortization expense in the current fiscal year. Lease payments and related interest of \$8,448 are due annually beginning July 6, 2022 and ending July 6, 2026. The incremental borrowing rate is 3.99%.

In accordance with the requirements of GASB Statement No. 87, which was required to be implemented in the current fiscal year, the District reclassified certain capital assets to right-of-use assets. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	October 1, 2022	Increases	Decreases	September 30, 2023
Right-of-use Asset Subject to Amortization				
Machinery and Equipment	\$ 551,767	\$	\$	\$ 551,767
Vehicles	901,380			901,380
Total Intangible Assets at Historical Cost Subject to Amortization	\$ 1,453,147	\$ - 0 -	\$ - 0 -	\$ 1,453,147
Less Accumulated Amortization				
Machinery and Equipment	\$ 256,211	\$ 78,824	\$ - 0 -	\$ 335,035
Vehicles	560,584	180,276		740,860
Total Accumulated Amortization	\$ 816,795	\$ 259,100	\$ - 0 -	\$ 1,075,895
Right-of-use Asset, Net of Accumulated Amortization	\$ 636,352	\$ (259,100)	\$ - 0 -	\$ 377,252

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 8. LEASES (Continued)

The following is a schedule of future minimum lease payments under the capital leases as of September 30, 2023:

Fiscal Year	Principal	Interest	Total
2024	\$ 116,318	\$ 14,122	\$ 130,440
2025	87,321	9,083	96,404
2026	91,399	5,004	96,403
2027	21,608	730	22,338
	\$ 316,646	\$ 28,939	\$ 345,585

The following is a summary of transactions regarding capital leases payable for the year ended September 30, 2023:

Leases Payable, October 1, 2022	\$ 428,139
Less: Principal Paid	111,493
Leases Payable, September 30, 2023	\$ 316,646
Leases Payable:	
Due Within One Year	\$ 116,318
Due After One Year	200,328
Leases Payable, September 30, 2023	\$ 316,646

NOTE 9. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of non-traditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) which includes financial statements, notes and required supplementary information which can be obtained at TCDRS, Finance Division, Barton Oaks Plaza IV Suite 500, 901 S. MoPac Expressway, Austin, Texas 78746 or at www.TCDRS.org.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. PENSION PLAN (Continued)

Benefits Provided

Benefit provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 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 the District.

Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

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 but not yet receiving benefits	4
Active employees	67

Contributions

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 4.07% for the months of the 2023 accounting year. The deposit rate payable by the employee members for calendar year 2023 is 6% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District’s accounting year ended September 30, 2023, the annual pension cost for the TCDRS plan for its employees was \$172,941; the actual contributions were \$172,941. The employees contributed \$121,707 to the plan for the 2023 fiscal year.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumption:

Actuarial Valuation Date	12/31/22
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15.4 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Return ¹	7.50%
Projected Salary Increases ¹	4.70%
Inflation	2.50%
Cost-of-living Adjustments	0.00%

¹ Includes inflation at the stated rate

The demographic assumptions were developed from an actual experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Mortality rates were based on the following:

Depositing members – 135% of the PUB-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the PUB-2010 General Employees Amount-Weighted Mortality Table for females projected with 100% of the MP-2021 ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of the PUB-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the PUB-2010 General Retirees Amount-Weighted Mortality Table for females projected with 100% of the MP-2021 ultimate scale after 2010.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Disabled retirees - 160% of the PUB-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the PUB-2010 General Disabled Retirees Amount-Weighted Mortality Table for females projected with 100% of the MP-2021 ultimate scale after 2010.

Discount Rate

The discount rate used to measure the total pension liability was 7.6%.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the 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 cost-of-living adjustment 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.

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 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. Therefore, the actuary has 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.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. 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 based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities-Developed Markets	5.00%	4.95%
International Equities-Emerging Markets	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2022 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2021	\$ 38,692	\$ 43,075	\$ (4,383)
Changes for the year:			
Service Cost	147,095		147,095
Interest on the Total Pension Liability	14,104		14,104
Effect of Plan Changes	100,822		100,822
Effect of Economic/Demographic gains or losses	9,897		9,897
Refund of Contributions	(418)	(418)	
Administrative Expenses		(133)	133
Member Contributions		97,194	(97,194)
Net Investment Income		(17,603)	17,603
Employer Contributions		80,031	(80,031)
Other		24,927	(24,927)
Balances of December 31, 2022	<u>\$ 310,192</u>	<u>\$ 227,073</u>	<u>\$ 83,119</u>

Sensitivity Analysis

The following presents the net pension liability/(asset) of the District, 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.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 9. PENSION PLAN (Continued)

Sensitivity Analysis (Continued)

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total Pension Liability	\$ 372,741	\$ 310,192	\$ 260,149
Fiduciary Net Position	227,073	227,073	227,073
Net Pension Liability/(Asset)	\$ 145,668	\$ 83,119	\$ 33,076

Deferred Inflows/Outflows of Resources

As of September 30, 2023, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ - 0 -	\$ 8,930
Net difference between projected and actual earnings		92
Contributions paid to TCDRS subsequent to the measurement date		20,986
		149,547
Total	\$ - 0 -	\$ 179,555

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:

2023	\$ 6,103
2024	6,103
2025	6,105
2026	6,683
2027	1,002
Thereafter	4,012

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes, including penalty and interest	\$ 5,816,008	\$ 6,124,413	\$ 308,405
Facilities Income		33,910	33,910
Sales Tax Receipts	3,510,873	12,205,785	8,694,912
Investment Revenues		163,548	163,548
Miscellaneous Revenues	65,000	46,346	(18,654)
TOTAL REVENUES	\$ 9,391,881	\$ 18,574,002	\$ 9,182,121
EXPENDITURES			
Service Operations:			
Personnel:			
Wages	\$ 2,157,528	\$ 1,702,752	\$ 454,776
Incentives	44,080	37,427	6,653
Longevity	15,276	13,896	1,380
Overtime	74,640	129,424	(54,784)
Payroll Taxes	264,671	150,945	113,726
Health Insurance	232,392	232,698	(306)
Dental/Vision/AD&D Ins	55,992	39,062	16,930
Merit Stipend	194,134		194,134
Retirement	241,062	225,379	15,683
Maintenance:			
Small Tools	5,950	5,593	357
Property Maintenance	16,900	22,533	(5,633)
Building Maintenance	45,100	51,033	(5,933)
Communications Maintenance	7,590	11,467	(3,877)
Vehicle Maintenance	68,600	96,954	(28,354)
Fuel/Lube	62,700	38,019	24,681
Implement/Equipment Maintenance	17,250	4,890	12,360
Supplies:			
Janitorial	7,028	6,607	421
Office Supplies	3,777	4,935	(1,158)
EMS Supplies	6,000	7,046	(1,046)
Fire Suppression Chemicals	1,500	1,000	500
Postage	1,450	656	794
Uniforms	32,200	19,542	12,658
Safety Equipment	1,000	596	404
Computer Supplies	16,620	3,736	12,884
Operating Supplies	7,550	4,543	3,007
Printing Supplies	3,000	608	2,392

See accompanying independent auditor's report.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Supplies (Continued):			
Protective Equipment	35,800	46,827	(11,027)
Furniture/Small OFC Equipment	19,500	18,773	727
Special Recognition	12,300	5,923	6,377
Training Equipment	6,000	876	5,124
Contract Services:			
Pre-Employment	680		680
Drug Testing	500		500
Dues/Subscriptions	15,354	13,322	2,032
Utilities	52,650	54,194	(1,544)
Cell Phones	9,508	8,613	895
Telephone/Internet	38,544	37,102	1,442
Legal Advertisement	350	322	28
Training	35,990	22,146	13,844
Travel	38,969	30,873	8,096
Insurance - TML	100,000	57,575	42,425
Miscellaneous Contractual Service	451,174	381,469	69,705
Temporary Labor	1,000	240	760
Physical/Vaccinations	3,600	3,525	75
Equipment Testing	15,000	3,425	11,575
IT Services	10,000	1,389	8,611
Lease Expense	140,007	8,193	131,814
Fire Suppression Service Providers	2,000,000	2,000,000	
Service Provider Incentives	2,766,134	2,290,511	475,623
Sales and Use Tax Disbursements:			
Protective Equipment		292,836	(292,836)
Capital Outlay and Funding Assistance		591,854	(591,854)
Employee Retention		8,874	(8,874)
Training		61,491	(61,491)
Capital Outlay	54,206	772,460	(718,254)
Debt Service			
Capital Lease Principal		111,493	(111,493)
Capital Lease Interest		19,830	(19,830)
TOTAL EXPENDITURES	<u>\$ 9,391,256</u>	<u>\$ 9,655,477</u>	<u>\$ (264,221)</u>
NET CHANGE IN FUND BALANCE	\$ 625	\$ 8,918,525	\$ 8,917,900
FUND BALANCE - OCTOBER 1, 2022	<u>13,082,370</u>	<u>13,082,370</u>	
FUND BALANCE - SEPTEMBER 30, 2023	<u>\$ 13,082,995</u>	<u>\$ 22,000,895</u>	<u>\$ 8,917,900</u>

See accompanying independent auditor's report.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Year Ended December 31, 2022	Year Ended December 31, 2021
Total Pension Liability		
Service cost	\$ 147,095	\$ 35,830
Interest on total pension liability	14,104	2,723
Effect of plan changes	100,822	0
Effect of economic/demographic (gains) or losses	9,897	27
Effect of assumptions changes or inputs		112
Benefit payments/refunds of contributions	(418)	—
Net change in total pension liability	\$ 271,500	\$ 38,692
Total pension liability, beginning	38,692	—
Total pension liability, ending (a)	<u>\$ 310,192</u>	<u>\$ 38,692</u>
Fiduciary Net Position		
Employer contributions	\$ 80,031	\$ 15,435
Member contributions	97,194	22,262
Investment income net of investment expenses	(17,603)	4,333
Benefit payments/refunds of contributions	(418)	0
Administrative expenses	(133)	(23)
Other	24,927	1,068
Net change in plan fiduciary net position	\$ 183,998	\$ 43,075
Fiduciary net position, beginning	43,075	—
Fiduciary net position, ending (b)	<u>\$ 227,073</u>	<u>\$ 43,075</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ 83,119</u>	<u>\$ (4,383)</u>
Fiduciary net position as a percentage of the total pension liability	73.20%	111.33%
Pensionable covered payroll	\$ 1,619,906	\$ 371,026
Net pension liability as a percentage of covered employee payroll	5.13%	-1.18%

See accompanying independent auditor's report.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Fiscal Year Ending September 30	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
2021	\$ 15,435	\$ 15,435	\$ -0-	\$ 371,026	4.2%
2022	\$ 67,388	\$ 80,031	\$ (12,643)	\$ 1,619,906	4.9%
2023	\$ 172,941	\$ 172,941	\$ -0-	\$ 2,028,450	8.5%

See accompanying independent auditor's report.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE 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.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15.4 years (based on contribution rate calculated in 12/31/22 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Change 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: No Changes in plan provisions were reflected in the Schedule. 2020: No Changes in plan provisions were reflected in the Schedule. 2021: No Changes in plan provisions were reflected in the Schedule. 2022: No Changes in plan provisions were reflected in the Schedule.

See accompanying independent auditor's report.