

**JACKSON COUNTY EMERGENCY SERVICES
DISTRICT NO. 3**

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2022

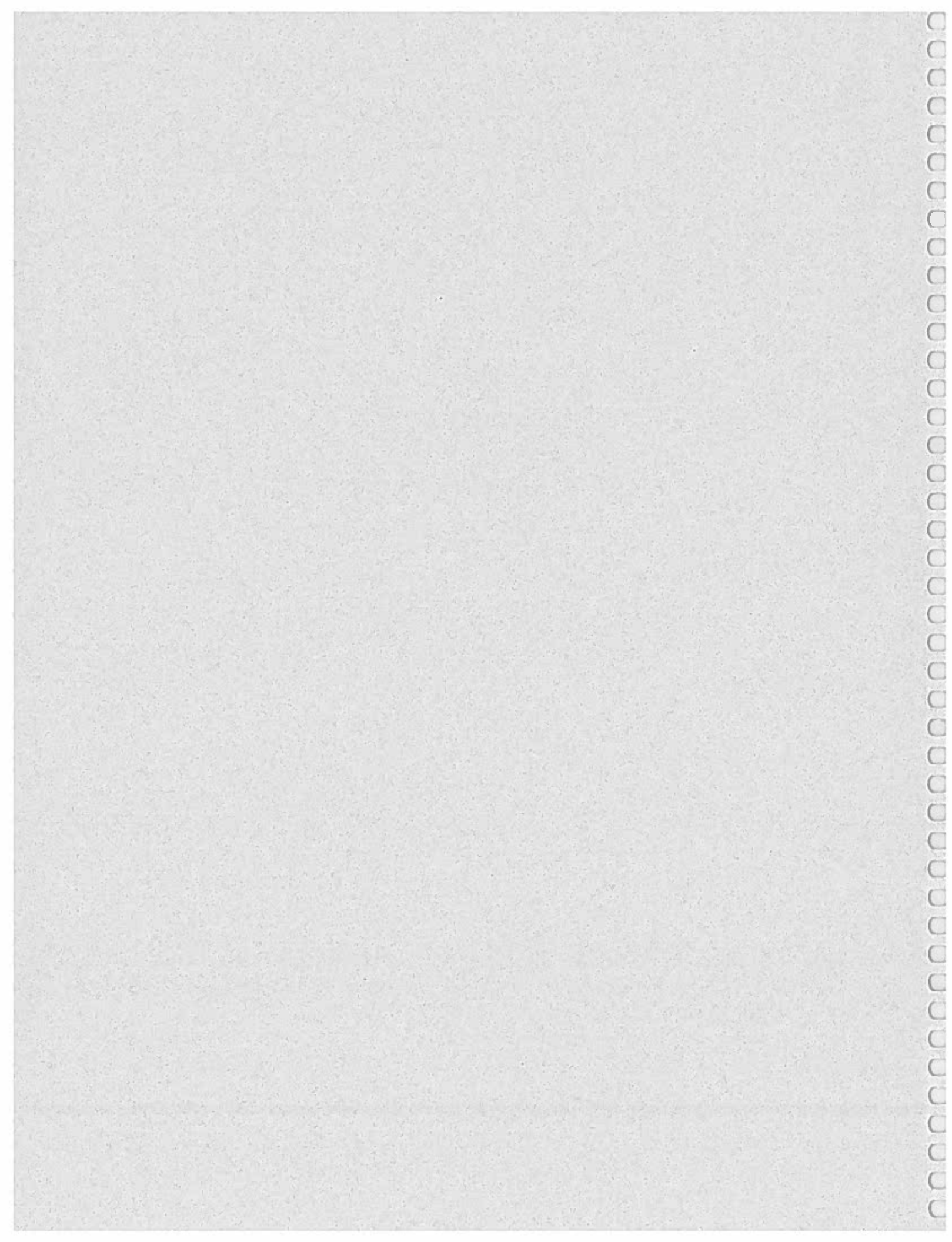


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FINANCIAL SECTION





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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Jackson County Emergency Services District No. 3
Edna, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jackson County Emergency Services District No. 3 (the "District") as of and for the year ended September 30, 2022, 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, 2022 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 District and to meet our 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 opinion. 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 and *Government 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 and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Commissioners of the
Jackson County Emergency Services District No. 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 13, 2023

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JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2022

In this section of the Annual Financial Report, we, the managers of Jackson County Emergency Services District No. 3 (the "District"), discuss and analyze the District's financial performance for the year ended September 30, 2022. Please read it in conjunction with the independent auditors' report on page 1 and the District's basic financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2022 by \$1,410,763. Of this amount, \$359,565 is available to meet the District's ongoing obligations.
- At September 30, 2022, the District's General Fund reported an ending fund balance of \$864,126, which is an increase of \$472,118 in comparison with the prior year.
- At September 30, 2022, the unassigned fund balance for the General Fund was \$864,126 or 71.4% of total expenditures of \$1,209,660.
- At September 30, 2022, the District had \$1,148,478, net of accumulated depreciation, invested in capital assets. This amount represents a net increase of \$132,112 from the prior year.
- During fiscal year ending September 30, 2022, the District entered into a loan in the amount of \$600,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 through 12). These statements provide information about the activities of the District as a whole and present a longer-term view of the District's financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (also on pages 9 through 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to financial statements (starting on page 13) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 6. Its primary purpose is to show whether the District's financial condition improved or declined as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

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

In the Statement of Net Position and the Statement of Activities, we disclose the District's one type of activity:

Governmental activities - All of the District's basic services are reported here. Property taxes, operating grants and contributions, and unrestricted investment earnings finance most of these activities.

Fund Financial Statements

The fund financial statements begin on page 9 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds. The District's administration can establish other funds, such as debt service and capital projects, to help it control and manage money for particular purposes. The District has only one fund, the General Fund, which is governmental.

Governmental funds - All of the District's basic services are reported in governmental funds, which use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds, as shown in the adjustments column, in reconciliation schedules immediately following the financial statements on pages 9 through 12.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves over time as a useful indicator of a government's financial position. The assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$1,410,763 at the close of the year ended September 30, 2022.

The largest portion of the District's net position (74.5%) reflects the District's net investment in capital assets (i.e., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The remaining balance of net position is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current year, the District is able to report positive balances in all categories of net position, for the government as a whole, as well as for the governmental activities.

Jackson County Emergency Services District No. 3
NET POSITION

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2022</u>	<u>2021</u>	
ASSETS			
Current assets	\$ 927,202	\$ 461,229	101.03%
Capital assets (net)	1,148,478	1,016,366	13.00%
Net pension asset	<u>60,967</u>	<u>9,256</u>	558.68%
Total assets	<u>2,136,647</u>	<u>1,486,851</u>	43.70%
TOTAL DEFERRED OUT- FLOWS OF RESOURCES	<u>68,230</u>	<u>60,243</u>	13.26%
LIABILITIES			
Current liabilities	88,591	51,214	72.98%
Noncurrent liabilities	<u>643,963</u>	<u>116,946</u>	450.65%
Total liabilities	<u>732,554</u>	<u>168,160</u>	335.63%
TOTAL DEFERRED IN- FLOWS OF RESOURCES	<u>61,560</u>	<u>20,478</u>	200.62%
NET POSITION			
Net investment in capital assets	1,051,198	896,366	17.27%
Unrestricted net position	<u>359,565</u>	<u>462,090</u>	-22.19%
Total net position	<u>\$ 1,410,763</u>	<u>\$ 1,358,456</u>	3.85%

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

**Jackson County Emergency Services District No. 3
CHANGES IN NET POSITION**

	Governmental Activities		Total % Change
	2022	2021	
REVENUES			
Program revenues			
Charges for services	\$ 72,625	\$ 8,673	737.37%
Operating grants and contributions	22,604	19,669	14.92%
Capital grants and contributions	74,970	125,000	-40.02%
General revenues			
Tax collections	798,755	728,556	9.64%
Penalty and interest	7,523	7,991	-5.86%
Investment earnings	2,329	1,145	103.41%
Gain (loss) on disposition of capital assets	(28,249)	-	N/A
Miscellaneous income	83,894	5,330	1474.00%
Total revenues	1,034,451	896,364	15.41%
EXPENSES			
General government	982,144	832,519	17.97%
Total expenses	982,144	832,519	17.97%
Change in net position	52,307	63,845	-18.07%
Net position - October 1,	1,358,456	1,294,611	4.93%
Net position - September 30	\$ 1,410,763	\$ 1,358,456	3.85%

Net position of the District increased by \$52,307. Key elements of the net increase in revenues are as follows:

- Charges for services increased by \$63,952, primarily as a result of additional fire recovery income.
- Capital grants and contributions decreased by \$50,030, mainly due to the fire station grant received in the prior year.
- Tax collections increased by \$70,199 due to an increase in assessed property values from prior year.
- Miscellaneous income increased by \$78,564, mainly due to insurance proceeds.

The cost of all governmental activities this year was \$982,144, compared to \$832,519 last year. The net increase was primarily due to an increase in non-capitalizable materials and supplies of \$61,511, maintenance expense of \$26,142, administrative expenses of \$28,887, and depreciation expense of \$25,958.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reported a fund balance of \$864,126, which is higher than last year's total of \$392,008. The primary reason for this increase relates to \$600,000 in loan proceeds received in the current year. In addition, total revenues increased by \$186,485, mainly due to increased tax collections, fire recovery income, and miscellaneous income for insurance proceeds. Total expenditures increased by \$270,530, primarily due to increases in capital outlay, materials and supplies, and maintenance expenditures.

All of the General Fund fund balance is reported as unassigned, and contains funds that are available for spending, subject to regulatory, statutory, and budgetary restrictions.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District's Commissioners amended various revenue budget line items to account for utilization of the District. The total increase in budgeted revenues and other financing sources was \$264,752, which includes \$74,970 for capital grants and contributions, \$65,000 for fire recovery income, and \$110,782 for miscellaneous income. The expenditure budget was increased in various categories by \$356,643, mainly due to the addition of capital outlay expenditures. The actual revenues were more than final budgeted amounts by \$21,459, primarily due to more tax collections than expected. Actual expenditures were more than the final budgeted amounts by \$57,450, mainly due to more capital outlay expenditures than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2022, the District had \$1,148,478 net of accumulated depreciation, invested in construction in progress, machinery and equipment, and buildings. This amount represents a net increase of \$132,112 from the prior year.

Major capital asset events included the completion of the fire station renovation, as well as the purchase of various vehicles and equipment.

More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

Long-term Debt

During the current fiscal year, the District entered into a loan in the amount of \$600,000. Total long-term direct borrowings outstanding as of September 30, 2022 was \$697,280, of which 100% is backed by the full faith and credit of the District.

Additional information on the District's debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Commissioners considered various factors when setting the 2023 budget and tax rate. Some factors considered included routine maintenance projects for equipment, fees to be paid for contracted services, and expected administrative costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Jackson County Emergency Services District No. 3, 315 West Main, Edna, Texas 77957.

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BASIC FINANCIAL STATEMENTS



JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current assets			
Cash and cash equivalents	\$ 873,813	\$ -	\$ 873,813
Taxes receivable (net)	50,154	-	50,154
Accrued interest receivable	880	-	880
Due from other governments	2,355	-	2,355
Total current assets	<u>927,202</u>	<u>-</u>	<u>927,202</u>
Noncurrent assets			
Capital assets			
Buildings and equipment (net)	-	1,148,478	1,148,478
Net pension asset	-	60,967	60,967
Total noncurrent assets	<u>-</u>	<u>1,209,445</u>	<u>1,209,445</u>
Total assets	<u>927,202</u>	<u>1,209,445</u>	<u>2,136,647</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	-	68,230	68,230
Total deferred outflows of resources	<u>-</u>	<u>68,230</u>	<u>68,230</u>
LIABILITIES			
Current liabilities			
Accounts payable	1,803	-	1,803
Accrued expenses	11,119	-	11,119
Accrued compensated absences	-	2,235	2,235
Loan payable	-	73,434	73,434
Total current liabilities	<u>12,922</u>	<u>75,669</u>	<u>88,591</u>
Noncurrent liabilities			
Accrued compensated absences	-	20,117	20,117
Loan payable	-	623,846	623,846
Total noncurrent liabilities	<u>-</u>	<u>643,963</u>	<u>643,963</u>
Total liabilities	<u>12,922</u>	<u>719,632</u>	<u>732,554</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	50,154	(50,154)	-
Deferred inflows related to pension	-	61,560	61,560
Total deferred inflows of resources	<u>50,154</u>	<u>11,406</u>	<u>61,560</u>
FUND BALANCES/NET POSITION			
Fund balance			
Unassigned	864,126	(864,126)	-
Total fund balances	<u>864,126</u>	<u>(864,126)</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 927,202</u>		
Net position			
Net investment in capital assets		1,051,198	1,051,198
Unrestricted		359,565	359,565
Total net position		<u>\$ 1,410,763</u>	<u>\$ 1,410,763</u>

The accompanying notes are an integral part of this statement.

JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
September 30, 2022

Total governmental fund balance	\$ 864,126
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as "unavailable" in the funds financial statements.	50,154
Net pension asset is not a current financial resource and therefore is not reported in the governmental funds balance sheet.	60,967
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:	
Governmental capital assets costs	\$ 1,737,404
Accumulated depreciation	<u>(588,926)</u>
	1,148,478
Deferred outflows of resources are not reported in the governmental funds:	
Deferred outflows related to pension	68,230
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Loan payable	(697,280)
Accrued compensated absences	<u>(22,352)</u>
	(719,632)
Deferred inflows of resources are not reported in the governmental funds:	
Deferred inflows related to pension	<u>(61,560)</u>
Net position of governmental activities	\$ <u>1,410,763</u>

The accompanying notes are an integral part of this statement.

JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the year ended September 30, 2022

	General Fund	Adjustments	Statement of Activities
EXPENDITURES			
Current			
Personnel	\$ 562,562	\$ (18,115)	\$ 544,447
Professional services	9,973	-	9,973
Materials and supplies	50,375	37,351	87,726
Maintenance	62,510	-	62,510
Administrative			
Commissioners' training	4,563	-	4,563
Insurance	23,446	-	23,446
Utilities	11,524	-	11,524
Dues	5,304	-	5,304
Travel	5,726	-	5,726
Training school	518	-	518
Volunteer reimbursement	43,523	-	43,523
FRO Medical Director fee	3,120	-	3,120
Other	19,642	-	19,642
Contract services			
Appraisal district	18,308	-	18,308
Tax Assessor	1,862	-	1,862
Capital outlay	360,696	(360,696)	-
Debt service	26,008	(22,720)	3,288
Depreciation	-	136,664	136,664
Total expenditures	<u>1,209,660</u>	<u>(227,516)</u>	<u>982,144</u>
REVENUES			
Program revenues			
Charges for services	72,625	-	72,625
Operating grants and contributions	22,604	-	22,604
Capital grants and contributions	74,970	-	74,970
Total program revenues	<u>170,199</u>	<u>-</u>	<u>170,199</u>
Net program revenues/expenses			<u>811,945</u>
General revenues			
Tax revenues			
Tax collections	791,513	7,242	798,755
Penalty and interest	7,523	-	7,523
Unrestricted investment earnings	2,329	-	2,329
Gain (loss) on disposition of capital assets	26,320	(54,569)	(28,249)
Miscellaneous	83,894	-	83,894
Total general revenues	<u>911,579</u>	<u>(47,327)</u>	<u>864,252</u>
Total revenues	<u>1,081,778</u>	<u>(47,327)</u>	<u>1,034,451</u>
OTHER FINANCING SOURCES			
Debt issued	600,000	(600,000)	-
Total other financing sources	<u>600,000</u>	<u>(600,000)</u>	<u>-</u>
Change in fund balance/net position	472,118	(419,811)	52,307
FUND BALANCE/NET POSITION			
Beginning of year	392,008	966,448	1,358,456
End of year	<u>\$ 864,126</u>	<u>\$ 546,637</u>	<u>\$ 1,410,763</u>

The accompanying notes are an integral part of this statement.

JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2022

Total net change in fund balances - governmental funds		\$ 472,118
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Increase in capital assets	\$ 323,345	
Depreciation	<u>(136,664)</u>	186,681
The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.		
		(54,569)
Issuance of debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
		(600,000)
Current year principal payments on long-term debt are expenses in the fund financial statements, but they serve to decrease long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Loan principal payment		22,720
Some property taxes will not be collected for several months after the District's year ends; they are not considered "available" revenues and are reported as "unavailable" in the governmental funds.		
		7,242
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences	(501)	
Net pension costs	<u>18,616</u>	<u>18,115</u>
Change in net position of governmental activities		\$ <u>52,307</u>

The accompanying notes are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jackson County Emergency Services District No. 3 (the "District") was legally created and formed on May 17, 2013.

The Commissioners are appointed by the Commissioners' Court of Jackson County and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters including taxing authority. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines there are not any entities that are considered to be component units.

B. Government-wide and Fund Financial Statements

The combined government-wide and fund financial statements (i.e., the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance) report information on all activities of the District.

The combined Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance demonstrate the degree to which the direct expenses of the District are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide and fund financial statements are provided for the District with a column for adjustments between the two statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial information (i.e., the columns labeled "Statement of Net Position" and "Statement of Activities") in the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The governmental fund (i.e., the column labeled "General Fund") financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The District reports no other fund types.

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

D. Budgets and Budgetary Accounting

The Commissioners prepare and vote on the adopted budget. The budget for the General Fund is adopted on a basis consistent with generally GAAP. All budget amendments must be approved by the Commissioners. The District does not employ the use of encumbrances in its budgetary accounting.

E. Other Accounting Policies

Deposits and Investments

Cash and cash equivalents include amounts in petty cash, demand deposits, time deposits, and any investment purchased with an original maturity date of 90 days or less.

The District may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Receivables

All property tax receivables are shown net of an allowance for uncollectibles.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide statement of net position. The District defines capital assets, as assets with an estimated useful life in excess of one year, regardless of cost.

As the District constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original amount. In the case of donations, the District values these capital assets at acquisition value at the date of donation.

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

<u>Assets</u>	<u>Years</u>
Machinery and equipment	5-10
Office equipment and fixtures	5-10
Buildings	20

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation, sick pay, and compensated time benefits. There is no liability for accumulated sick leave since the District does not have a policy to pay these amounts when employees separate from service. All vacation and compensated time off pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of an employee resignation or retirement.

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental activities statement of net position. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet reports 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that qualify for reporting in this category.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension asset/liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of net position can also 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. This year, the District has the following items that qualify for reporting in this category.

- Delinquent property taxes receivable (only in fund financial statements) – These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Differences between actuarial assumptions used and actual experience for determination of pension asset/liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension asset/liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

Pension

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the District's pension liability is obtained from TCDRS through a report prepared for the District by TCDRS consulting actuary, Milliman, Inc., in compliance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Fund Equity

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The District did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2022. This Statement did not have an impact on the District's functions, financial position or results of operations.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires management to make estimates and assessments 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 expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

The preparation of financial statements in conformity with GAAP requires the use of the management's estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2022, the District complied with budgetary restrictions at all function levels except as detailed in the following table:

<u>Function</u>	<u>Expenditure Variance</u>
Materials and supplies	\$ 2,875
Maintenance	17,810
Administrative	19,566
Capital outlay	81,696

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2022, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>	<u>Portfolio %age</u>
Certificates of Deposit	\$ 300,000	498	N/A	100%
	<u>\$ 300,000</u>			

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2022, the District has certificates of deposit valued using quoted prices for similar assets in active markets (Level 2 inputs).

Interest Rate Risk

In accordance with the District's investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than two years from the time of purchase. However, the District may purchase investments with a longer maturity when it is determined that it can be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2022, and for the year then ended, the District was not exposed to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2022, and for the year then ended, the District was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the District by the depository bank in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires that securities be held in the name of the District or held on behalf of the District and that all securities are purchased using the delivery versus payment method. As of September 30, 2022, and for the year then ended, the District was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2022, including the applicable allowances for uncollectible accounts, consisted of the following:

	<u>General Fund</u>	<u>Total</u>
Gross receivables:		
Ad valorem taxes	\$ 52,793	\$ 52,793
Total gross receivables	52,793	52,793
Less: Allowances	<u>2,639</u>	<u>2,639</u>
Total net receivables	<u>\$ 50,154</u>	<u>\$ 50,154</u>

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. Taxes are delinquent by February 1 following the October 1 levy date. A statutory lien becomes effective on all property with unpaid taxes as of January 1 of the year following the assessment. Taxes are billed and collected by the Jackson County Appraisal District.

Property taxes levied for the 2021 tax roll were \$800,806 with a maintenance tax rate set at \$0.0968 per \$100 valuation and an interest and sinking tax rate set at \$0.0032 per \$100 valuation, for a total of \$0.1000. The assessed value at January 1, 2021, upon which the 2021 levy was based, was \$800,806,000.

The District's General Fund reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The General Fund also defers revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the General Fund were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes receivable	\$ 50,154	\$ -	\$ 50,154
	<u>\$ 50,154</u>	<u>\$ -</u>	<u>\$ 50,154</u>

NOTE 5: DUE FROM OTHER GOVERNMENTS

At September 30, 2022, the Jackson County Tax Assessor and Collector held tax receipts in the amount of \$2,355 that had been collected for, but not yet remitted to the District.

NOTE 6: CAPITAL ASSETS

The District's capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Construction in progress	\$ 133,946	\$ 52,150	\$ 186,096	\$ -
Total capital assets not being depreciated	<u>133,946</u>	<u>52,150</u>	<u>186,096</u>	<u>-</u>
Capital assets, being depreciated				
Buildings	497,000	186,096	-	683,096
Machinery and equipment	<u>886,684</u>	<u>271,195</u>	<u>103,571</u>	<u>1,054,308</u>
Total capital assets being depreciated	<u>1,383,684</u>	<u>457,291</u>	<u>103,571</u>	<u>1,737,404</u>
Less accumulated depreciation for				
Buildings	31,063	24,850	-	55,913
Machinery and equipment	<u>470,201</u>	<u>111,814</u>	<u>49,002</u>	<u>533,013</u>
Total accumulated depreciation	<u>501,264</u>	<u>136,664</u>	<u>49,002</u>	<u>588,926</u>
Total capital assets being depreciated, net	<u>882,420</u>	<u>320,627</u>	<u>54,569</u>	<u>1,148,478</u>
Governmental activities capital assets, net	<u>\$ 1,016,366</u>	<u>\$ 372,777</u>	<u>\$ 240,665</u>	<u>\$ 1,148,478</u>

Depreciation expense of \$136,664 was charged to the general government function/program.

NOTE 7: LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2022 for governmental activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Loans payable - direct borrowing	\$ 120,000	\$ 600,000	\$ 22,720	\$ 697,280	\$ 73,434
Compensated absences	<u>21,851</u>	<u>18,321</u>	<u>17,820</u>	<u>22,352</u>	<u>2,235</u>
Total governmental activity long-term liabilities	<u>\$ 141,851</u>	<u>\$ 618,321</u>	<u>\$ 40,540</u>	<u>\$ 719,632</u>	<u>\$ 75,669</u>

NOTE 7: LONG-TERM DEBT - (Continued)

Loans Payable

Loans payable which are direct borrowings of the District at September 30, 2022, are comprised of the following:

The 2021 loan payable was a direct borrowing of the District in April 2021 for the purchase of fire equipment. The interest is fixed at 2.74% with annual payments of \$26,008 beginning in April 2022 through April 2026. The loan is payable from tax and non-tax revenues generated by the District. \$ 97,280

The 2022 loan payable was a direct borrowing of the District in July 2022 for the purchase of fire equipment. The interest is fixed at 3.95% with annual payments of \$73,791 beginning in August 2023 through August 2032. The loan is payable from tax and non-tax revenues generated by the District. 600,000

\$ 697,280

Annual debt service requirements to maturity for the loans payable are as follows:

<u>Maturities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 73,434	\$ 26,365	\$ 99,799
2024	76,051	23,747	99,798
2025	78,766	21,033	99,799
2026	81,579	18,220	99,799
2027	58,486	15,304	73,790
2028-2032	<u>328,964</u>	<u>39,988</u>	<u>368,952</u>
Total	<u>\$ 697,280</u>	<u>\$ 144,657</u>	<u>\$ 841,937</u>

NOTE 8: CONTINGENCIES

Legal Proceedings

At September 30, 2022, the District had no pending or threatened litigation.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding coverage.

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The District provides retirement and disability benefits for all of its full-time employees through a nontraditional, defined contribution 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 nearly 830 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available online at www.tcdrs.org/employer.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 20 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 deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Membership

At the December 31, 2021 valuation and measurement date, the following is the number of members in the plan:

Current active members	7
Current inactive members	1
Current retirees and beneficiaries	-
Total	<u>8</u>

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 12.1% for the months of the accounting year in 2021, and 13.1% for the months of the accounting year in 2022. The deposit rate payable by the employee members is the rate of 7.0% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The deposit rate payable by the employer for calendar year 2022 is the rate of 13.1% as adopted by the governing body of the employer. The employee members deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

NOTE 9: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability

The District's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date based on results of an actuarial experience study for the period January 1, 2017 through December 31, 2020.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation timing	Actuarially determined contribution rates are calculated 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 of percent pay)
Amortization method	
Recognition of economic/ demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset valuation method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.60% (gross of administrative expenses)
Cost-of-living adjustments	None
Retirement age	Based on annual rates of service retirement where deferred members are assumed to retire at the later of: a) age 60 or b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.
Mortality	Mortality rates were based on the Pub-2010 tables, depending on status of member, for Males or Females, as appropriate, with adjustments for mortality improvements based on the MP-2021 Ultimate Scale after 2010.

NOTE 9: DEFINED BENEFIT PENSION PLAN - (Continued)**Net Pension Liability - (Continued)****Actuarial Assumptions - (Continued)**

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:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Geometric Real Rate of Return**</u>
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
Int'l Equities - Developed Markets	5.00%	3.80%
Int'l Equities - Emerging Markets	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	<u>2.00%</u>	-1.05%
	<u>100.00%</u>	

* Target allocation adopted at the March 2022 TCDRS Board meeting.

** Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%, which is the same as the prior measurement. 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. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, 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.

NOTE 9: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 12/31/2020	\$ 336,243	\$ 345,499	\$ (9,256)
Changes for the year:			
Service cost	59,209	-	59,209
Interest	30,054	-	30,054
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	3,064	-	3,064
Effect of assumptions changes or inputs	3,396	-	3,396
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(267)	267
Member contributions	-	22,990	(22,990)
Net investment income	-	83,099	(83,099)
Employer contributions	-	39,740	(39,740)
Other	-	1,872	(1,872)
Net changes	<u>95,723</u>	<u>147,434</u>	<u>(51,711)</u>
Balance at 12/31/2021	<u>\$ 431,966</u>	<u>\$ 492,933</u>	<u>\$ (60,967)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the Jackson County Emergency Services District No. 3 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 in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 514,687	\$ 431,966	\$ 365,335
Fiduciary net position	<u>492,933</u>	<u>492,933</u>	<u>492,933</u>
Net pension liability / (asset)	<u>\$ 21,754</u>	<u>\$ (60,967)</u>	<u>\$ (127,598)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS report.

NOTE 9: DEFINED BENEFIT PENSION PLAN - (Continued)**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension**

For the year ended September 30, 2022, the District recognized pension expense of \$26,927. At September 30, 2022, the District reported the following deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,701	\$ 13,045
Changes of assumptions	24,514	659
Net difference between projected and actual earnings	-	47,856
Contributions made subsequent to measurement date	<u>34,015</u>	<u>-</u>
Total	<u>\$ 68,230</u>	<u>\$ 61,560</u>

\$34,015 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,	
2022	\$ (8,659)
2023	(11,388)
2024	(8,871)
2025	(8,206)
2026	2,683
Thereafter	<u>7,097</u>
	<u>\$ (27,344)</u>

NOTE 10: SUBSEQUENT EVENTS

No events have occurred subsequent to the balance sheet date that would materially affect the financial statements.

NOTE 11: IMPLEMENTATION OF NEW STANDARD

During fiscal year 2022, the District adopted GASB Statement No. 87 (GASB 87), Leases. The objective of this Statement was to establish standards for recognizing and measuring right to use assets and lease liabilities related to contracts granting the use and control of assets. As of September 30, 2022, the District did not have any items required to be recorded as right to use assets or lease liabilities as a result of implementing GASB 87.

REQUIRED SUPPLEMENTARY INFORMATION



JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended September 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Ad valorem tax	\$ 787,067	\$ 787,067	\$ 799,036	\$ 11,969
Operating grants and donations	6,000	18,000	22,604	4,604
Equipment grants	-	74,970	74,970	-
Interest earned	1,000	1,000	2,329	1,329
Fire recovery	-	65,000	63,269	(1,731)
Fire inspections	1,500	3,500	9,356	5,856
Miscellaneous	-	110,782	110,214	(568)
Total revenues	<u>795,567</u>	<u>1,060,319</u>	<u>1,081,778</u>	<u>21,459</u>
EXPENDITURES				
Current				
Personnel	572,409	584,409	562,562	21,847
Professional services	10,400	10,400	9,973	427
Materials and supplies	29,250	47,500	50,375	(2,875)
Maintenance	33,200	44,700	62,510	(17,810)
Administrative				
Commissioners' training	4,500	4,500	4,563	(63)
Insurance	24,000	24,000	23,446	554
Utilities	9,000	10,000	11,524	(1,524)
Dues	1,500	1,500	5,304	(3,804)
Travel	4,000	4,000	5,726	(1,726)
Training school	2,000	2,000	518	1,482
Volunteer reimbursement	32,000	32,000	43,523	(11,523)
FRO Medical Director fee	3,500	3,500	3,120	380
Other	16,800	16,300	19,642	(3,342)
Contract services				
Appraisal district	20,000	20,000	18,308	1,692
Tax Assessor	2,000	2,000	1,862	138
Capital outlay	5,000	279,000	360,696	(81,696)
Debt service	26,008	66,401	26,008	40,393
Total expenditures	<u>795,567</u>	<u>1,152,210</u>	<u>1,209,660</u>	<u>(57,450)</u>
OTHER FINANCING SOURCES				
Debt issued	-	-	600,000	600,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>
Excess (deficiency) of revenues over (under) expenditures (GAAP BUDGETARY BASIS)	-	(91,891)	472,118	564,009
Fund balance at beginning of year	<u>392,008</u>	<u>392,008</u>	<u>392,008</u>	<u>-</u>
Fund balance at end of year	<u>\$ 392,008</u>	<u>\$ 300,117</u>	<u>\$ 864,126</u>	<u>\$ 564,009</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last ten years

	Measurement Year		
	2016	2017	2018
Total Pension Liability			
Service cost	\$ 47,043	\$ 44,417	\$ 52,314
Interest (on the total pension liability)	1,869	7,563	13,241
Changes of benefit terms	-	-	-
Effect of assumption changes or inputs	-	(1,073)	-
Effect of economic/demographic gains or losses	40	11,300	(2,272)
Benefit payments, including refunds of employee contributions	-	-	-
Net Change in Total Pension Liability	48,952	62,207	63,283
Total Pension Liability - Beginning	-	48,952	111,159
Total Pension Liability - Ending (a)	\$ 48,952	\$ 111,159	\$ 174,442
Plan Fiduciary Net Position			
Contributions - Employer	\$ 33,435	\$ 36,068	\$ 35,419
Contributions - Employee	19,482	21,022	20,490
Net investment income	-	8,759	(1,616)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(80)	(141)
Other	802	764	1,678
Net Change in Plan Fiduciary Net Position	53,719	66,533	55,830
Plan Fiduciary Net Position - Beginning	-	53,719	120,252
Plan Fiduciary Net Position - Ending (b)	\$ 53,719	\$ 120,252	\$ 176,082
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (4,767)	\$ (9,093)	\$ (1,640)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	109.74%	108.18%	100.94%
Covered Employee Payroll	\$ 278,313	\$ 300,315	\$ 292,721
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	-1.71%	-3.03%	-0.56%

NOTE: Information for the prior four years was not readily available. The District will compile the respective information over the next four years as provided by TCDRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

Measurement Year		
2019	2020	2021
\$ 51,116	\$ 56,889	\$ 59,209
18,270	23,590	30,054
-	-	-
-	26,869	3,396
(9,480)	(5,453)	3,064
-	-	-
59,906	101,895	95,723
174,442	234,348	336,243
\$ 234,348	\$ 336,243	\$ 431,966
\$ 31,377	\$ 38,851	\$ 39,740
18,152	22,475	22,990
28,866	26,573	83,099
-	-	-
(195)	(253)	(267)
1,731	1,840	1,872
79,931	89,486	147,434
176,082	256,013	345,499
\$ 256,013	\$ 345,499	\$ 492,933
\$ (21,665)	\$ (9,256)	\$ (60,967)
109.24%	102.75%	114.11%
\$ 259,312	\$ 321,078	\$ 328,426
-8.35%	-2.88%	-18.56%

JACKSON COUNTY EMERGENCY SERVICES DISTRICT NO. 3

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last ten fiscal years

	Fiscal Year		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 33,425	\$ 36,068	\$ 32,287
Contribution in relation to the actuarially determined contribution	<u>(33,435)</u>	<u>(36,068)</u>	<u>(35,419)</u>
Contribution deficiency (excess)	\$ <u>(10)</u>	\$ <u>-</u>	\$ <u>(3,132)</u>
Covered employee payroll	\$ 278,313	\$ 300,315	\$ 292,721
Contributions as a percentage of covered payroll	12.0%	12.0%	12.1%

NOTE: Information for the prior four years was not readily available. The District will compile the respective information over the next four years as provided by TCDRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

Fiscal Year		
2019	2020	2021
\$ 27,513	\$ 34,034	\$ 32,383
<u>(31,377)</u>	<u>(38,851)</u>	<u>(39,740)</u>
<u>\$ (3,864)</u>	<u>\$ (4,817)</u>	<u>\$ (7,357)</u>
\$ 259,312	\$ 321,078	\$ 328,426
12.1%	12.1%	12.1%

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NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The District annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the fiscal year ended September 30, 2022, the District complied with budgetary restrictions at all function levels except as detailed in the following table:

<u>Function</u>	<u>Expenditure Variance</u>
Materials and supplies	\$ 2,875
Maintenance	17,810
Administrative	19,566
Capital outlay	81,696

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Valuation Date

Actuarially determined contribution rates are calculated as of 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 (level of percentage pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	9.6 years (based on contribution rate calculated in 12/31/21 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 administration 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.

NOTE 3: TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - (Continued)

Methods and Assumptions Used to Determine Contribution Rates - (Continued)

Changes in assumptions and methods 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.
Changes in plan provisions reflected in the Schedule of Employer Contributions*	2017: Employer contributions reflect that a 1% flat COLA was adopted. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown.

OVERALL COMPLIANCE AND INTERNAL CONTROL





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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Commissioners
Jackson County Emergency Services District No. 3
Edna, Texas

We have audited, 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, the financial statements of the governmental activities and each major fund of the Jackson County Emergency Services District No. 3 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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.

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, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 13, 2023