

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

JOHNSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

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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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In 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, 2024, 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 Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

May 15, 2025

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024. 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, 2024

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 \$32,567,559 as of September 30, 2024.

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, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

<u>Summary of Changes in the Statement of Net Position</u>			
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 30,220,624	\$ 22,473,810	\$ 7,746,814
Capital Assets	5,613,345	1,923,749	3,689,596
Right-of-Use Assets	<u>137,692</u>	<u>377,252</u>	<u>(239,560)</u>
Total Assets	\$ 35,971,661	\$ 24,774,811	\$ 11,196,850
Deferred Outflows of Resources	\$ 218,039	\$ 179,555	\$ 38,484
Long-Term Liabilities	\$ 2,777,064	\$ 200,328	\$ (2,576,736)
Current and Other Liabilities	<u>845,077</u>	<u>356,819</u>	<u>(488,258)</u>
Total Liabilities	\$ 3,622,141	\$ 557,147	\$ (3,064,994)
Net Position:			
Net Investment in Capital Assets	\$ 2,886,652	\$ 1,984,355	\$ 902,297
Restricted	3,287,048	4,331,953	(1,044,905)
Unrestricted	<u>26,393,859</u>	<u>18,080,911</u>	<u>8,312,948</u>
Total Net Position	<u>\$ 32,567,559</u>	<u>\$ 24,397,219</u>	<u>\$ 8,170,340</u>

The following table provides a summary of the District's operations for the years ended September 30, 2024 and September 30, 2023.

<u>Summary of Changes in the Statement of Activities</u>			
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 6,730,584	\$ 5,992,453	\$ 738,131
Sales Tax Receipts	13,518,662	12,205,785	1,312,877
Other Revenues	<u>747,851</u>	<u>314,479</u>	<u>433,372</u>
Total Revenues	\$ 20,997,097	\$ 18,512,717	\$ 2,484,380
Expenses for Services	<u>12,826,757</u>	<u>9,170,449</u>	<u>(3,656,308)</u>
Change in Net Position	\$ 8,170,340	\$ 9,342,268	\$ (1,171,928)
Net Position, Beginning of Year	<u>24,397,219</u>	<u>15,054,951</u>	<u>9,342,268</u>
Net Position, End of Year	<u>\$ 32,567,559</u>	<u>\$ 24,397,219</u>	<u>\$ 8,170,340</u>

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of September 30, 2024, was \$29,249,288 an increase of \$7,248,393 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 \$10,429,624 more than budgeted revenues and actual expenditures were \$5,933,928 more than budgeted and loan proceeds of \$2,664,055 were not budgeted, which resulted in a positive variance of \$7,159,751. See the budget to actual comparison for more information.

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2024, amounts to \$5,613,345. This investment in capital assets includes land, buildings, furniture and equipment, office equipment and vehicles.

Capital Assets At Year-End, Net of Accumulated Depreciation			Change Positive (Negative)
	2024	2023	
Capital Assets Not Being Depreciated:			
Land	\$ 337,480	\$ 337,480	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	1,132,626	954,828	177,798
Machinery and Equipment	1,106,577	363,990	742,587
Office Equipment	12,463	16,918	(4,455)
Vehicles and Trucks	<u>3,024,199</u>	<u>250,533</u>	<u>2,773,666</u>
Total Net Capital Assets	<u><u>\$ 5,613,345</u></u>	<u><u>\$ 1,923,749</u></u>	<u><u>\$ 3,689,596</u></u>

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 \$239,560, and had an accumulated amortization balance of \$1,315,455 as of September 30, 2024.

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term capital leases payable of \$2,864,385 and long-term note payable of \$2,664,055. The changes during the fiscal year ended September 30, 2024, are summarized as follows:

Leases Payable, October 1, 2023	\$ 316,646
Less: Principal Paid	<u>116,316</u>
Leases Payable, September 30, 2024	<u>\$ 200,330</u>
Note Payable, October 1, 2023	\$ - 0 -
Add: Loan Proceeds	<u>2,664,055</u>
Note Payable, September 30, 2024	<u>\$ 2,664,055</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, 2024

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 29,714,342	\$	\$ 29,714,342
Receivables:			
Property Taxes	358,690		358,690
Penalty and Interest on Delinquent Taxes		141,999	141,999
Other	5,593		5,593
Land		337,480	337,480
Capital Assets (Net of Accumulated Depreciation)		5,275,865	5,275,865
Right-of-Use Assets (Net of Accumulated Amortization)		137,692	137,692
TOTAL ASSETS	<u>\$ 30,078,625</u>	<u>\$ 5,893,036</u>	<u>\$ 35,971,661</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pensions	<u>\$ - 0 -</u>	<u>\$ 218,039</u>	<u>\$ 218,039</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 30,078,625</u></u>	<u><u>\$ 6,111,075</u></u>	<u><u>\$ 36,189,700</u></u>
LIABILITIES			
Accounts Payable	\$ 470,647	\$	\$ 470,647
Net Pension Liability		67,325	67,325
Accrued Interest Payable		34,184	34,184
Compensated Absences		185,600	185,600
Note and Leases Payable:			
Due Within One Year		87,321	87,321
Due After One Year		2,777,064	2,777,064
TOTAL LIABILITIES	<u>\$ 470,647</u>	<u>\$ 3,151,494</u>	<u>\$ 3,622,141</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>\$ 358,690</u>	<u>\$ (358,690)</u>	<u>\$ - 0 -</u>
FUND BALANCE			
Restricted for Replacement Fund	\$ 256,279	\$ (256,279)	\$
Restricted Sales and Use Tax Fund	3,030,769	(3,030,769)	
Unassigned	<u>25,962,240</u>	<u>(25,962,240)</u>	
TOTAL FUND BALANCE	<u><u>\$ 29,249,288</u></u>	<u><u>\$ (29,249,288)</u></u>	<u><u>\$ - 0 -</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 30,078,625</u></u>		
NET POSITION			
Net Investment in Capital Assets	\$ 2,886,652	\$ 2,886,652	
Restricted	3,287,048		3,287,048
Unrestricted		26,393,859	26,393,859
TOTAL NET POSITION	<u><u>\$ 32,567,559</u></u>		<u><u>\$ 32,567,559</u></u>

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, 2024

Total Fund Balance - Governmental Funds \$ 29,249,288

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. 5,751,037

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenues in the governmental activities of the District. 500,689

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. 150,714

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	\$ (34,184)
Compensated Absences	(185,600)
Note and Leases Payable Within One Year	(87,321)
Note and Leases Payable After One Year	<u>(2,777,064)</u>
	<u>(3,084,169)</u>
Total Net Position - Governmental Activities	<u>\$ 32,567,559</u>

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, 2024

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 6,693,081	\$ 37,503	\$ 6,730,584
Sales and Use Tax	13,518,662		13,518,662
Facility Income	58,615		58,615
Penalty and Interest	81,587	2,398	83,985
Investment Revenues	540,725		540,725
Miscellaneous Revenues	64,526		64,526
TOTAL REVENUES	\$ 20,957,196	\$ 39,901	\$ 20,997,097
EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	\$ 3,166,458	\$ (9,950)	\$ 3,156,508
Maintenance	276,750		276,750
Supplies	137,857		137,857
Contract Services	6,009,180		6,009,180
Sales and Use Tax Disbursements	2,308,411		2,308,411
Depreciation/Amortization		778,623	778,623
Capital Outlay	4,311,881	(4,228,659)	83,222
Debt Service:			
Lease Principal	116,316	(116,316)	
Lease Interest	15,998	2,455	18,453
Note Interest		27,746	27,746
Note Issuance Costs	30,007		30,007
TOTAL EXPENDITURES/EXPENSES	\$ 16,372,858	\$ (3,546,101)	\$ 12,826,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 4,584,338	\$ (4,584,338)	\$ - 0 -
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	\$ 2,664,055	\$ (2,664,055)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 7,248,393	\$ (7,248,393)	\$
CHANGE IN NET POSITION		8,170,340	8,170,340
FUND BALANCE/NET POSITION - OCTOBER 1, 2023	22,000,895	2,396,324	24,397,219
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2024	\$ 29,249,288	\$ 3,318,271	\$ 32,567,559

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, 2024

Net Change in Fund Balance - Governmental Funds	\$ 7,248,393
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.	37,503
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.	2,398
The changes in deferred outflows and inflows of resources are recorded as pension expense in the government-wide financial statements.	9,950
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.	(778,623)
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.	4,228,659
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.	116,316
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.	(30,201)
Governmental funds report lease proceeds as other financing sources. However, in the government-wide financial statements, the issuance of debt increases long-term liabilities and does not affect the Statement of Activities.	<u>(2,664,055)</u>
Change in Net Position - Governmental Activities	<u>\$ 8,170,340</u>

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

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024

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, 2024

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:

	<u>Years</u>
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, 2024

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 10 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 appropriable 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, 2024

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 \$256,279 for future replacement of capital assets. Per the Sales and Use Tax Policy, the District has restricted \$3,030,769 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, 2024

NOTE 3. TAX LEVY

During the year ended September 30, 2024, the District levied an ad valorem tax at the rate of \$0.054201 per \$100 of assessed valuation, which resulted in a tax levy of \$6,758,209 on the adjusted taxable valuation of \$12,491,073,662 for the 2023 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 \$ 29,714,342 and the bank balance was \$14,586,499. 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, 2024

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, 2024, the District did not have any investments.

NOTE 5. CAPITAL ASSETS

	October 1, 2023	Increases	Decreases	September 30, 2024
Capital Assets Not Being Depreciated				
Land	\$ 337,480	\$ - 0 -	\$ - 0 -	\$ 337,480
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 1,708,835	\$ 234,846	\$	\$ 1,943,681
Machinery and Equipment	1,497,006	939,750		2,436,756
Office Equipment	476,084			476,084
Vehicles and Trucks	998,163	3,054,063		4,052,226
Total Capital Assets Subject to Depreciation	<u>\$ 4,680,088</u>	<u>\$ 4,228,659</u>	<u>\$ - 0 -</u>	<u>\$ 8,908,747</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 754,007	\$ 57,048	\$	\$ 811,055
Machinery and Equipment	1,133,016	197,163		1,330,179
Office Equipment	459,166	4,455		463,621
Vehicles and Trucks	747,630	280,397		1,028,027
Total Accumulated Depreciation	<u>\$ 3,093,819</u>	<u>\$ 539,063</u>	<u>\$ - 0 -</u>	<u>\$ 3,632,882</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,586,269</u>	<u>\$ 3,689,596</u>	<u>\$ - 0 -</u>	<u>\$ 5,275,865</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 1,923,749</u></u>	<u><u>\$ 3,689,596</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 5,613,345</u></u>

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024 is \$309,672 of which \$53,997 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, 2024 is \$901,380, of which \$160,520 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%. The lease was paid in full during the current fiscal year.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024 is \$88,281, of which \$19,654 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, 2024 is \$16,123, of which \$5,389 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, 2023	Increases	Decreases	September 30, 2024
Right-of-use Asset Subject to Amortization				
Machinery and Equipment	\$ 551,767	\$	\$	\$ 551,767
Vehicles	<u>901,380</u>	<u> </u>	<u> </u>	<u>901,380</u>
Total Intangible Assets at Historical Cost Subject to Amortization	<u>\$ 1,453,147</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,453,147</u>
Less Accumulated Amortization				
Machinery and Equipment	\$ 335,035	\$ 79,040	\$	\$ 414,075
Vehicles	<u>740,860</u>	<u>160,520</u>	<u> </u>	<u>901,380</u>
Total Accumulated Amortization	<u>\$ 1,075,895</u>	<u>\$ 239,560</u>	<u>\$ - 0 -</u>	<u>\$ 1,315,455</u>
Right-of-use Asset, Net of Accumulated Amortization	<u>\$ 377,252</u>	<u>\$ (239,560)</u>	<u>\$ - 0 -</u>	<u>\$ 137,692</u>

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8. LEASES (Continued)

The following is a schedule of future minimum lease payments under the capital leases as of September 30, 2024:

Fiscal Year	Principal	Interest	Total
2025	\$ 87,321	\$ 9,083	\$ 96,404
2026	91,400	5,004	96,404
2027	21,609	730	22,339
	<u>\$ 200,330</u>	<u>\$ 14,817</u>	<u>\$ 215,147</u>

The following is a summary of transactions regarding capital leases payable for the year ended September 30, 2024:

Leases Payable, October 1, 2023	\$ 316,646
Less: Principal Paid	<u>116,316</u>
Leases Payable, September 30, 2024	<u>\$ 200,330</u>
Leases Payable:	
Due Within One Year	\$ 87,321
Due After One Year	<u>113,009</u>
Leases Payable, September 30, 2024	<u>\$ 200,330</u>

NOTE 9. NOTE PAYABLE

On July 9, 2024, the District entered in a Promissory Note Agreement with Zions Bancorporation, N.A., a National Banking Association, in the amount of \$2,664,055 to fund the purchase of a SVI light and air on an international CV chassis and a LT0005 LT 1000' NXT rear mount aerial. Note payments and related interest of \$338,006 are due monthly beginning July 9, 2025 and ending July 9, 2034. The incremental borrowing rate is 4.58%.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9. NOTE PAYABLE (Continued)

The following is a schedule of future minimum note payments as of September 30, 2024:

Fiscal Year	Principal	Interest	Total
2025	\$ 215,992	\$ 122,014	\$ 338,006
2026	225,884	112,121	\$ 338,005
2027	236,230	101,776	338,006
2028	247,049	90,956	338,005
2029	258,364	79,642	338,006
2030	270,197	67,809	338,006
2031	282,572	55,433	338,005
2032	295,514	42,492	338,006
2033	309,049	28,957	338,006
2034	323,204	14,802	338,006
	<u>\$ 2,664,055</u>	<u>\$ 716,002</u>	<u>\$ 3,380,057</u>

The following is a summary of transactions regarding note payable for the year ended September 30, 2024

Note Payable, October 1, 2023	\$ - 0 -
Add: Loan Proceeds	<u>2,664,055</u>
Note Payable, September 30, 2024	<u>\$ 2,664,055</u>
Note Payable:	
Due Within One Year	\$ 215,992
Due After One Year	<u>2,448,063</u>
Note Payable, September 30, 2024	<u>\$ 2,664,055</u>

NOTE 10. 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 annual comprehensive financial report (ACFR) 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, 2024

NOTE 10. 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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	<u>-0-</u>
Inactive employees entitled but not yet receiving benefits	<u>16</u>
Active employees	<u>62</u>

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 9.70% for the months of the 2024 accounting year. The deposit rate payable by the employee members for calendar year 2024 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, 2024, the annual pension cost for the TCDRS plan for its employees was \$216,159; the actual contributions were \$216,159. The employees contributed \$144,136 to the plan for the 2024 fiscal year.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 10. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumption:

Actuarial Valuation Date	12/31/23
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15.5 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, 2023. 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, 2024

NOTE 10. 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, 2024

NOTE 10. 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 2024 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%	4.75%
Global Equities	2.50%	4.75%
International Equities-Developed Markets	5.00%	4.75%
International Equities-Emerging Markets	6.00%	4.75%
Investment-Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships (MLPs)	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.75%
Hedge Funds	6.00%	3.25%
Cash Equivalents	2.00%	0.60%

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 10. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2023 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2022	\$ 310,192	\$ 227,073	\$ 83,119
Changes for the year:			
Service Cost	270,292		270,292
Interest on the Total Pension Liability	44,112		44,112
Effect of Plan Changes			
Effect of Economic/Demographic agains or losses	35,830		35,830
Refund of Contributions	(130)	(130)	
Administrative Expenses		(310)	310
Member Contributions		126,683	(126,683)
Net Investment Income		28,141	(28,141)
Employer Contributions		195,310	(195,310)
Other	<hr/>	<hr/>	<hr/>
	16,204		(16,204)
Balances of December 31, 2023	<hr/> <u>660,296</u>	<hr/> <u>592,971</u>	<hr/> <u>67,325</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, 2024

NOTE 10. PENSION PLAN (Continued)

Sensitivity Analysis (Continued)

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total Pension Liability	\$ 791,439	\$ 660,296	\$ 554,943
Fiduciary Net Position	<u>592,971</u>	<u>592,971</u>	<u>592,971</u>
Net Pension Liability/(Asset)	<u><u>\$ 198,468</u></u>	<u><u>\$ 67,325</u></u>	<u><u>\$ (38,028)</u></u>

Deferred Inflows/Outflows of Resources

As of September 30, 2024, 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 -	\$ 39,787
Net difference between projected and actual earnings		82
Contributions paid to TCDRS subsequent to the measurement date		17,259
Total	<u><u>\$ - 0 -</u></u>	<u><u>160,911</u></u>
		<u><u>\$ 218,039</u></u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:

2024	\$ 10,427
2025	10,429
2026	11,007
2027	5,328
2028	4,983
Thereafter	14,954

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024

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, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes, including penalty and interest	\$ 6,450,229	\$ 6,774,668	\$ 324,439
Facilities Income		58,615	58,615
Sales Tax Receipts	4,077,343	13,518,662	9,441,319
Investment Revenues		540,725	540,725
Miscellaneous Revenues		64,526	64,526
TOTAL REVENUES	\$ 10,527,572	\$ 20,957,196	\$ 10,429,624
EXPENDITURES			
Service Operations:			
Personnel:			
Wages	\$ 2,174,396	\$ 2,130,398	\$ 43,998
Incentives	53,028	37,611	15,417
Longevity	16,512	16,572	(60)
Overtime	136,629	197,585	(60,956)
Payroll Taxes	269,505	192,418	77,087
Health Insurance	289,307	266,698	22,609
Dental/Vision/AD&D Ins	53,420	54,739	(1,319)
Merit Stipend	150,000		150,000
Retirement	245,465	270,437	(24,972)
Maintenance:			
Small Tools	21,700	16,531	5,169
Property Maintenance	62,000	43,258	18,742
Building Maintenance	95,400	57,755	37,645
Communications Maintenance	35,011	13,028	21,983
Vehicle Maintenance	95,600	94,310	1,290
Fuel/Lube	60,200	44,414	15,786
Implement/Equipment Maintenance	35,500	7,454	28,046
Supplies:			
Janitorial	9,667	4,327	5,340
Office Supplies	2,870	2,077	793
EMS Supplies	8,000	11,683	(3,683)
Fire Suppression Chemicals	6,178		6,178
Postage	1,450	1,581	(131)
Uniforms	54,825	18,726	36,099
Safety Equipment	1,000	954	46
Computer Supplies	20,320	22,342	(2,022)
Operating Supplies	13,972	9,437	4,535
Printing Supplies	3,000	2,008	992
Protective Equipment	38,000	27,170	10,830
Furniture/Small OFC Equipment	33,700	28,206	5,494
Special Recognition	20,300	9,172	11,128
Training Equipment	6,000	174	5,826

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, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Contract Services:			
Pre-Employment	\$ 3,180	\$ 3,180	\$ 3,180
Drug Testing	500	500	500
Dues/Subscriptions	38,544	34,406	4,138
Utilities	52,650	52,731	(81)
Cell Phones	9,708	8,776	932
Telephone/Internet	41,820	40,804	1,016
Legal Advertisement	350	652	(302)
Training	180,490	39,670	140,820
Travel	58,969	56,951	2,018
Insurance - TML	100,000	74,665	25,335
Miscellaneous Contractual Service	451,395	453,723	(2,328)
Temporary Labor	1,000	2,221	(1,221)
Physical/Vaccinations	15,840	7,425	8,415
Equipment Testing	20,000	8,886	11,114
IT Services	14,000	12,300	1,700
Lease Expense	144,206	8,219	135,987
Fire Suppression Service Providers	2,297,515	2,526,178	(228,663)
Service Provider Incentives	2,223,076	2,681,573	(458,497)
Sales and Use Tax Disbursements:			
Protective Equipment	1,312,075	1,312,075	(1,312,075)
Capital Outlay and Funding Assistance	656,700	656,700	(656,700)
Employee Retention	8,874	8,874	(8,874)
Training	75,221	75,221	(75,221)
Emergency Funding	112,181	112,181	(112,181)
Facilities	143,360	143,360	(143,360)
Capital Outlay	772,732	4,311,881	(3,539,149)
Debt Service			
Capital Lease Principal	116,316	116,316	(116,316)
Capital Lease Interest	15,998	15,998	(15,998)
Note Issuance Costs	30,007	30,007	(30,007)
TOTAL EXPENDITURES	\$ 10,438,930	\$ 16,372,858	\$ (5,933,928)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 88,642	\$ 4,584,338	\$ 4,495,696
OTHER FINANCING SOURCES(USES)			
Loan Proceeds	\$ - 0 -	\$ 2,664,055	\$ 2,664,055
NET CHANGE IN FUND BALANCE	\$ 88,642	\$ 7,248,393	\$ 7,159,751
FUND BALANCE - OCTOBER 1, 2023	\$ 22,000,895	\$ 22,000,895	\$ 22,000,895
FUND BALANCE - SEPTEMBER 30, 2024	\$ 22,089,537	\$ 29,249,288	\$ 7,159,751

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, 2024

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Total Pension Liability			
Service cost	\$ 270,292	\$ 147,095	\$ 35,830
Interest on total pension liability	44,112	14,104	2,723
Effect of plan changes		100,822	0
Effect of economic/demographic (gains) or losses	35,830	9,897	27
Effect of assumptions changes or inputs			112
Benefit payments/refunds of contributions	(130)	(418)	
Net change in total pension liability	\$ 350,104	\$ 271,500	\$ 38,692
Total pension liability, beginning	<u>310,192</u>	<u>38,692</u>	
Total pension liability, ending (a)	<u><u>\$ 660,296</u></u>	<u><u>\$ 310,192</u></u>	<u><u>\$ 38,692</u></u>
Fiduciary Net Position			
Employer contributions	\$ 195,310	\$ 80,031	\$ 15,435
Member contributions	126,683	97,194	22,262
Investment income net of investment expenses	28,141	(17,603)	4,333
Benefit payments/refunds of contributions	(130)	(418)	0
Administrative expenses	(310)	(133)	(23)
Other	16,204	24,927	1,068
Net change in plan fiduciary net position	\$ 365,898	\$ 183,998	\$ 43,075
Fiduciary net position, beginning	<u>227,073</u>	<u>43,075</u>	
Fiduciary net position, ending (b)	<u><u>\$ 592,971</u></u>	<u><u>\$ 227,073</u></u>	<u><u>\$ 43,075</u></u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u><u>\$ 67,325</u></u>	<u><u>\$ 83,119</u></u>	<u><u>\$ (4,383)</u></u>
Fiduciary net position as a percentage of the total pension liability	89.80%	73.20%	111.33%
Pensionable covered payroll	\$ 2,111,375	\$ 1,619,906	\$ 371,026
Net pension liability as a percentage of covered employee payroll	3.19%	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, 2024

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	\$ 195,310	\$ 195,310	\$ -0-	\$ 2,111,375	9.3%
2024	\$ 216,159	\$ 216,159	\$ -0-	\$ 2,402,267	9.0%

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, 2024

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	15.5 years (based on contribution rate calculated in 12/31/23 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: Not applicable, prior to TCDRS participation. 2016: Not applicable, prior to TCDRS participation. 2017: Not applicable, prior to TCDRS participation. 2018: Not applicable, prior to TCDRS participation. 2019: Not applicable, prior to TCDRS participation. 2020: Not applicable, prior to TCDRS participation. 2021: No Changes in plan provisions were reflected in the Schedule. 2022: No Changes in plan provisions were reflected in the Schedule 2023: Employer contributions reflect that the current service matching rate was increased to 200%.

See accompanying independent auditor's report.

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