

**PARKER COUNTY EMERGENCY
SERVICES DISTRICT No. 1**

ANNUAL FINANCIAL REPORT

September 30, 2023



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PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 1
September 30, 2023

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PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 1

BOARD OF COMMISSIONERS

SEPTEMBER 30, 2023

PRESIDENT – MARK JACK

VICE-PRESIDENT – BRANDON TATAREVICH

SECRETARY – BEN OVERHOLT

TREASURER – SHAWN SCOTT

COMMISSIONER – SAXON BAILEY

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Parker County Emergency Services District No. 1
Springtown, Texas 76082

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of Parker County Emergency Services District No. 1 as of September 30, 2023, and the respective changes in the financial position, thereof for the year then ended in conformity 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 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 opinion.

Management's Responsibility for the Financial Statements

Management is responsible to the preparation and fair presentation of these 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 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 judgement, 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 management's discussion and analysis on pages 5 – 10, budgetary information and pension information on pages 30-34 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2024, 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.

George, Morgan & Frey, P.C.

Weatherford, Texas

May 21, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parker County Emergency Services District No. 1, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2023. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the Parker County Emergency Services District No. 1 exceeded its liabilities by \$20,185,977 (net position) for the fiscal year reported as compared to \$15,524,353 (net position) in the previous year.
- The District's total net position increased by \$4,661,624 for the fiscal year reported. This compares to an increase of \$3,618,655 in the previous year.
- As of the close of the current fiscal year, the District's governmental fund reported ending unassigned fund balance of \$9,191,521 or 65% of total governmental fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two 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 is improving or deteriorating. Reasonable tax rates serve to ensure cash reserves are adequately funded within the District.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes. The governmental activity of the District is to provide protection of life and property from fire, hazardous material incidents, accident, disaster, and other emergencies, and for the conservation of natural resources.

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 objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one governmental fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 29 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Parker County Emergency Services District No. 1, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,185,977 as of September 30, 2023.

The largest portion of the District's net position (54%) reflects its investment in capital assets (e.g. land, buildings, equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources cannot be used to liquidate these liabilities. \$9,372,040 represents unrestricted net position that may be used to meet the District's ongoing obligations to citizens and creditors.

Governmental activities increased the District's net position by \$4,661,624 compared with a \$3,618,655 increase in the prior year. The District's total revenues increased \$3,096,546 to \$15,182,519. Property taxes increased \$888,797 primarily due to a \$900 million increase in the taxable value of property in the district. The District levied a sales tax beginning October 1, 2017 and recognized revenue of \$5,276,118. Sales tax increased due to a full year at one and a half percent. The District sold surplus vehicles for revenue of \$440,896. The District entered a service agreement with the City of Willow Park with a one time charge for service of \$646,493. The District's total expenses increased \$2,053,577 to \$10,520,895. Uniform expense increased \$84,916 due to 38 new firefighters added. Personnel expenses increased \$1,896,141 due to adding positions, raises, and health insurance.

Below are summaries of the District's Statement of Net position and Statement of Activities.

Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 17,136,260	\$ 15,480,325
Noncurrent assets	<u>14,014,029</u>	<u>11,685,715</u>
Total Assets	<u>31,150,289</u>	<u>27,166,040</u>
 Deferred outflows of resources:		
Total deferred outflows of resources	<u>1,066,698</u>	<u>653,000</u>
 Liabilities:		
Current liabilities	568,708	385,108
Long-term liabilities	<u>11,294,303</u>	<u>11,749,585</u>
Total liabilities	<u>11,863,011</u>	<u>12,134,693</u>
 Deferred inflows of resources:		
Total deferred inflows of resources	<u>167,999</u>	<u>159,994</u>
 Net Position:		
Invested in capital assets	10,813,937	7,874,799
Unrestricted	<u>9,372,040</u>	<u>7,649,554</u>
Total Net Position	<u>\$ 20,185,977</u>	<u>\$ 15,524,353</u>

Changes in Net Position

	2023	2022
Revenues:		
Program Revenue:		
Charges for services	\$ 935,840	\$ 254,090
Operating grants and contributions	184,008	320,006
General Revenue:		
Property taxes	7,646,689	6,757,892
Sales taxes	5,276,118	4,436,891
Sale of assets	440,896	146,068
Other income	173,467	114,651
Investment earnings	525,501	56,375
Total Revenues	<u>15,182,519</u>	<u>12,085,973</u>
Expenses:		
Emergency services operations	10,520,895	8,467,318
Total expenses	<u>10,520,895</u>	<u>8,467,318</u>
Change in net position	4,661,624	3,618,655
Net position October 1	15,524,353	11,905,698
Net position September 30	<u>\$ 20,185,977</u>	<u>\$ 15,524,353</u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year-end, the District's governmental fund reported ending fund balance of \$16,565,101. 55.49% represents unassigned fund balance that is available for spending at the District's discretion.

Budgetary Fund Highlights

The District amended its budget during the year. Actual revenues were \$3,551,105 more than budgeted primarily because of property taxes, sales taxes and interest income. Actual expenditures were \$1,316,736 less than budgeted. Capital Purchases were \$1,361,796 less than budgeted primarily because budgeted purchases for the New Fire Stations and Fleet additions were not completed.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$14,014,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- Training facility improvements, equipment, and CIP on two fire stations \$1,208,707
- Consoles for Fire Alarm \$72,622
- Emergency equipment for \$230,867
- Ram 3500 \$89,819
- 2023 Dodge Ram \$71,350
- 2020 Ford Fire Truck \$68,000
- 2015 Ford Pickup \$47,000
- 2019 Ferrera Fire Truck \$770,440
- 2010 Pierce Fire Truck \$117,023

	2023	2022
Nondepreciable assets:		
Land	\$ 1,691,335	\$ 1,691,335
Construction in progress	1,585,589	376,882
Depreciable Assets:		
Buildings & improvements	4,731,237	4,222,262
Office equipment	103,864	37,426
Emergency equipment	864,262	773,767
Vehicles	5,037,742	4,584,043
 Total capital assets net of depreciation	 \$ 14,014,029	 \$ 11,685,715

Long-Term Debt

The District's long-term debt is as follows:

	Governmental Activities	
	2023	2022
Notes Payable	\$ 10,573,669	11,361,200
Total	<u>\$ 10,573,669</u>	<u>\$ 11,361,200</u>

Economic Factors and the Next Year's Budgets and Rates

Parker County ESD No. 1 2023 certified taxable values were approximately \$10.8 billion. Emergency Services District's tax rates are capped by law at \$.10 per 100 valuation. The ESD approved rate of \$.098042 per \$100 valuation will generate tax revenue of approximately \$10,834,079. Property tax revenue is budgeted to increase to approximately \$10.2 million based on 95% collectability. The 2024 budget includes approximately \$3.8 million in sales tax revenue. Total revenues are budgeted to be \$18,413,324 and expenses are budgeted at \$17,928,501.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Parker County Emergency Services District No. 1, Attn: President, P.O. Box 282, Springtown, Texas 76082.

BASIC FINANCIAL STATEMENTS

Parker County Emergency Services District No. 1
 Governmental Fund Balance Sheet and Statement of Net Position
 September 30, 2023

	Governmental Fund General Fund	Adjustments (Note 5)	Governmental Activities Statement of Net Position
Assets:			
Cash	\$ 3,535,287	\$ -	\$ 3,535,287
Investments	5,048,119		5,048,119
Receivable (Net of allowance for uncollectibles)			
Property taxes	62,507		62,507
Sales taxes	883,010		883,010
Intergovernmental	187,896		187,896
Lease	45,861		45,861
Restricted assets			
Cash	7,373,580		7,373,580
Capital assets (net of accumulated depreciation):			
Land	-	1,691,335	1,691,335
Construction in Progress	-	1,585,589	1,585,589
Building & improvements	-	4,731,237	4,731,237
Office equipment	-	103,864	103,864
Emergency equipment	-	864,262	864,262
Vehicles	-	5,037,742	5,037,742
Total Assets	17,136,260	14,014,029	31,150,289
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	-	1,066,698	1,066,698
Total Deferred Outflows of Resources	-	1,066,698	1,066,698
Liabilities:			
Accounts payable	110,135	-	110,135
Accrued payables	245,169		245,169
Accrued interest	-	213,404	213,404
Long-term liabilities			
Due within one year	-	1,178,134	1,178,134
Due after one year	-	9,795,802	9,795,802
Net Pension Liability	-	320,367	320,367
Total Liabilities	355,304	11,507,707	11,863,011
Deferred Inflows of Resources			
Deferred Revenue	169,994	(169,994)	-
Lease	45,861		45,861
Deferred Inflows Related to Pensions	-	122,138	122,138
Total Deferred Inflows of Resources	215,855	(47,856)	167,999
Fund balance/Net position:			
Fund Balance:			
Unassigned	9,191,521	(9,191,521)	-
Restricted Net Assets (expendable)	7,373,580	(7,373,580)	-
Total fund balance	<u>16,565,101</u>	<u>(16,565,101)</u>	<u>-</u>
Total liabilities and fund balance	<u>17,136,260</u>		
Net position:			
Net investment in capital assets		10,813,937	10,813,937
Unrestricted		9,372,040	9,372,040
		<u>\$ 20,185,977</u>	<u>\$ 20,185,977</u>

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

Parker County Emergency Services District No. 1
 Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities
 For the year ended September 30, 2023

	Governmental Fund General Fund	Adjustments (Note 5)	Governmental Activities Statement of Activities
Revenues:			
Program revenue			
Charges for services	\$ 935,840	\$ -	\$ 935,840
Operating grants and contributions	263,230	(79,222)	184,008
General revenue:			
Property taxes	7,641,497	5,192	7,646,689
Sales taxes	5,276,118	-	5,276,118
Other income	173,467	-	173,467
Investment earnings	525,501	-	525,501
Total revenues	14,815,653	(74,030)	14,741,623
Expenditures/expenses:			
Emergency services operations:			
Current:			
Fleet/Maintenance	30,495	-	30,495
Equipment (Hand tools)	31,309	-	31,309
Fleet operations	408,045	-	408,045
Training Programs	86,769	-	86,769
Protective and uniform clothing	187,923	-	187,923
Administrative Expenses	778,376	-	778,376
Personnel Expenses	7,685,957	(119,306)	7,566,651
Depreciation	-	1,040,255	1,040,255
Capital purchases	3,773,065	(3,683,172)	89,893
Debt Service			
Interest	267,608	33,571	301,179
Principal	787,531	(787,531)	-
Debt issuance costs	-		-
Total expenditures/expenses	14,037,078	(3,516,183)	10,520,895
Excess (deficiency) of revenue over expenditures	778,575	3,442,153	4,220,728
Other financing sources (uses):			
Sale of capital assets	755,500	(314,604)	440,896
Change in fund balance/net position	1,534,075	3,127,549	4,661,624
Fund balance/net position:			
Beginning of the year	15,031,026	493,327	15,524,353
End of the year	\$ 16,565,101	\$ 3,620,876	\$ 20,185,977

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

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Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Creation of Emergency Services District

Parker County Rural Fire Prevention District No. 1 (the “District”) was created after a public election held on May 2, 1998, under the provision of Section 48-d of Article III of the Constitution of Texas. The Board of Commissioners held its first meeting on June 8, 1998. The District was established to provide fire protection services to residents of the District. Effective September 13, 2001, Parker County Rural Fire Prevention District #1 converted to an emergency services district in accordance with The Texas Health and Safety Code Ann. 794.100 as amended by H.B. #1824. The conversion allows the District to collect tax levies for the purpose of acquiring and operating emergency service equipment within its geographic boundaries. As of September 13, 2001, the Parker County Rural Fire Prevention District #1 formally changed its name to Parker County Emergency Services District No. 1.

The basic financial statements of the District have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District’s primary source of revenue is ad valorem taxes. The District has contracts with Springtown Volunteer Fire Department “SVFD”, La Junta Volunteer Fire Department “LVFD”, Peaster Volunteer Fire Department “PVFD”, Silver Creek Volunteer Fire Department “SCVFD”, Aledo Volunteer Fire Department “AVFD”, Poolville Volunteer Fire Department “PVFD” and the City of Willow Park to provide firefighting and emergency rescue services to citizens of the District.

B. Reporting Entity

The District is a political subdivision of the state created to perform the functions of the District. The District is not included in any other governmental “reporting entity” as defined in GASB pronouncements, since board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The board members are appointed by the Commissioner’s Court of Parker County.

C. Government-wide and Fund Financial Statements

The District is engaged in one governmental program and therefore considered a special purpose government under GASB No. 34. This allows the District to present a combined columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. Governmental fund financial statements are prepared on the modified accrual basis of accounting. An adjustment column includes those adjustments needed to convert fund financial statements to full accrual basis government-wide financial statements. The statement of net position and statement of activities are government-wide financial statements. Governmental activities are normally supported by taxes.

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental fund:

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

E. Cash and Cash Equivalents

The District considers all highly liquid investments available to be cash on hand, demand deposits and short-term investments that are highly liquid with maturity within three months or less when purchased.

F. Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over estimated useful lives of between 5 to 7 years for office equipment, 5 – 15 years for vehicles and additions to the vehicles, 5 – 10 years for emergency equipment and 39 years for buildings and building improvements.

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or material extend assets lives are not capitalized.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

H. Allowance for uncollectible accounts.

The allowance for uncollectible property taxes is 65% of outstanding property taxes at September 30. This resulted in an allowance for uncollectible accounts of \$116,084.

I. Fund Balances – Governmental Funds

In accordance with GASB No. 54, the District classified fund balances in the governmental funds as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned – all amounts not included in other spendable classifications.

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

J. Government-wide Net Position

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that is restricted by District's creditors, by the state enabling legislation, by grantors and other contributors.
- Unrestricted – all other net position is reported in this category.

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

L. Compensated Absences

Full-time staff members receive paid time off (PTO) that can be used for vacation, personal time, personal illness, or to care for dependents. Employees may not carry over more than 400 hours into the next calendar year. By December 1 of each year, an employee may request to "sell" 120 hours of PTO. Upon termination of employment, an employee will be paid for unused PTO that has been earned through the last day of work unless employment is terminated for gross misconduct. PTO benefits are accrued 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 employee resignations and retirements.

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Debt issuance costs are reported as debt service expenditures.

N. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows related to pensions is the only item that qualifies in this category and is reported in the governmental activities statement of net position.

In addition to liabilities, the governmental activities statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items in this category, deferred inflows of resources related to pensions in the governmental activities statement of net position and unavailable revenues for governmental funds.

Lease-related amounts are recognized at the inception of leases in which the District is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

At the end of the fiscal year, the components of deferred inflows in the governmental funds were as follows:

Deferred property taxes receivable	\$ 62,507
Leases	45,861
Deferred grants	107,487
Total deferred inflows of resources	<u>\$ 215,855</u>

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

The State Public Funds Investment Act authorize the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, banker's acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are stated at fair value except for short-term highly liquid investments, which are stated at cost or amortized cost. During the year ended September 30, 2023, the District did not own any types of securities other than permitted by statute.

The District invests in the Texas CLASS, which is a local government investment pool in the State of Texas. All investments are stated at amortized cost, which is in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas. All Texas Class securities are marked to market daily.

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. At September 30, 2023, the District's deposits were covered by

Federal Deposit Insurance Corporation (FDIC) insurance or collateralized with securities held by the bank's agent in the District's name.

Credit Risk – Investments

The District controls credit risk by limiting its investments to those instruments allowed by its investment policy.

Interest Rate Risk – Investments

In accordance with its investment policy, the District manages its exposure to declines in fair market values by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio.

The District's investments at September 30, 2023 included the following:

Investment	Credit Rating	Weighted Average Maturities	Percentage of Total Investments	Cost
Investment in Texas Class	AAAm	49	100%	\$ 5,048,119

NOTE 3 – PROPERTY TAX

The government's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located included in the District. Appraised values are established by the Parker County Appraisal District.

Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees added on July 1. Lien attaches to properties on the January 1 following levy date.

In the governmental funds, the District's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected as deferred inflows of resources.

Parker County Emergency Services District No. 1
 Notes to the Financial Statements
 September 30, 2023

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities:

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Nondepreciable assets					
Land	\$ 1,691,335	\$ -	\$ -		\$ 1,691,335
Construction in progress	376,882	1,208,707	-		1,585,589
Total nondepreciable assets	2,068,217	1,208,707	-	-	3,276,924
Depreciable/ amortizable assets					
Buildings & Improvements	5,325,357	681,313	-		6,006,670
Vehicles	9,711,048	1,482,073	(811,351)		10,381,770
Emergency Equipment	1,380,328	230,867	-		1,611,195
Office Furniture & Equipment	102,018	80,212	-		182,230
Assets being depreciated	16,518,751	2,474,465	(811,351)	-	18,181,865
Accumulated Depreciation/ Amortization					
Buildings & Improvements	(1,103,095)	(172,338)	-		(1,275,433)
Vehicles	(5,127,005)	(713,771)	496,748		(5,344,028)
Emergency Equipment	(606,561)	(140,372)	-		(746,933)
Office Furniture & Equipment	(64,592)	(13,774)	-		(78,366)
Total Accumulated Depreciation	(6,901,253)	(1,040,255)	496,748	-	(7,444,760)
Governmental activities capital assets, net	\$ 11,685,715	\$ 2,642,917	\$ (314,603)	\$ -	\$ 14,014,029

Depreciation expense of \$1,040,255 was charged to the emergency services operations.

Parker County Emergency Services District No. 1
 Notes to the Financial Statements
 September 30, 2023

NOTE 5 – RECONCILIATION

Reconciliation of the Governmental Fund Balance to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$ 16,565,101
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets was \$21,458,789 and accumulated depreciation was \$7,444,760.	14,014,029
Notes payable of \$10,573,669 are not due and payable in the current period and therefore not reported as a liability	(10,573,669)
Compensated absences of \$400,267 and accrued interest payable of \$213,404 are not due and payable in the current period and are not reported as liabilities in the fund financial statements.	(613,671)
Included in the items related to long-term liabilities is the recognition of the District's net pension liability required by GASB 68 in the amount of \$320,367. The District also recognized a deferred resource outflow related to pensions of \$1,066,698 and a deferred resource inflow related to pensions of \$122,138. This resulted in an increase to net position.	624,193
Property taxes and intergovernmental receivables are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	169,994
Net Position of Governmental Activities	\$ 20,185,977

Parker County Emergency Services District No. 1
 Notes to the Financial Statements
 September 30, 2023

NOTE 5 – RECONCILIATION (continued)

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of the
 Governmental Fund to the Statement of Activities:

Total net change in Fund Balance - Governmental Fund	\$ 1,534,075
Current year capital outlay and long-term debt payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect including \$3,683,172 of capital outlays and \$787,531 of capital lease and note payments is to increase net position.	4,470,703
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,040,255)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, forfeitures, and transfers) is to decrease net position.	(314,604)
Current year compensated absences and interest payable of the governmental funds are not due and payable in the current period, and, therefore is not reported as a liability in the fund financial statements. The change in these liabilities results in a decrease to net position.	(187,402)
GASB required the District to recognize their net pension liability and deferred outflows related to pensions. The changes in these balances increased net position.	273,137
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(74,030)
Change in net position of Governmental Activities	<u>\$ 4,661,624</u>

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 6 – FIRE PROTECTION SERVICES

The District has entered into agreements with the Springtown Volunteer Fire Department, the La Junta Volunteer Fire Department, the Peaster Volunteer Fire Department, the Silver Creek Volunteer Fire Department, the Aledo Volunteer Fire Department, the Poolville Fire Department and the City of Willow Park. that provide fire protection and prevention services to the residents of each response area. Either party may terminate this continuous agreement upon written notice.

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES

Notes Payable:

October 27, 2017, the District entered into a promissory note payable in the original amount of \$1,161,834 for the purchase of 2 fire trucks. The note is payable in annual installments of \$129,976 beginning March 1, 2018 and maturing March 1, 2027. The payments include interest at 2.39%. The balance of the note at September 30, 2023, was 490,276.

On October 18, 2019, the District entered into a promissory note payable in the original amount of \$3,400,886 for the purchase of 6 fire trucks. The note is payable in annual installments of \$387,979 beginning October 31, 2020 and maturing October 31, 2029. The payments include interest at 2.47%. The balance of the note at September 30, 2023 was \$2,466,245.

On April 5, 2022, the District entered into a promissory note payable in the original amount of \$7,593,750 for the construction of 2 new fire stations. The note is payable in annual installments of \$494,554.96 beginning February 15, 2023 and maturing February 15, 2042. The payments include interest at 2.70%. The balance of the note at September 30, 2023 was \$7,275,750.

On April 5, 2022, the District entered into a promissory note payable in the original amount of \$376,251 for the purchase of a Pierce pumper. The note is payable in annual installments of \$42,628.91 beginning February 15, 2023 and maturing February 15, 2032. The payments include interest at 2.40%. The balance of the note at September 30, 2023 was \$341,398.

The District's notes from direct borrowing include a provision that in the event the District fails to make any payments the District will surrender its current ad valorem taxes to the lender sufficient to pay the loan payments.

Parker County Emergency Services District No. 1
 Notes to the Financial Statements
 September 30, 2023

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (continued)

Note payable debt service requirements to maturity are as follows:

Year Ending September 30	Governmental Activities			Total
	Principal	Interest		
2024	\$ 777,867	\$ 277,272	\$ 1,055,139	
2025	797,647	257,492	1,055,139	
2026	817,932	237,208	1,055,140	
2027	838,743	216,406	1,055,149	
2028	730,089	195,074	925,163	
2029-2033	2,706,294	712,954	3,419,248	
2034-2038	2,053,523	419,251	2,472,774	
2039-2043	1,851,574	126,646	1,978,220	
Total	\$ 10,573,669	\$ 2,442,303	\$ 13,015,972	

Long-term liability activity for the year ended September 30, 2023 was as follows:

	Balance 09/30/2022	Additions	Retirements	Balance 09/30/2023	Due within One Year
Notes Payable	\$ 11,361,200	\$ -	\$ (787,531)	\$ 10,573,669	\$ 777,867
Compensated absences	246,436	400,267	(246,436)	400,267	400,267
Net pension liability	141,949	178,418		320,367	-
Total Long-term Liabilities	\$ 11,749,585	\$ 578,685	\$ (1,033,967)	\$ 11,294,303	\$ 1,178,134

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors and omissions and injuries to volunteer firefighters. Commercial insurance for liability was purchased through third party carriers. The District does not expect claims to exceed insurance coverage. At September 30, 2023, there were no known claims against the District.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description. The District provides retirement benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 850 nontraditional defined benefit pension plans. TCDRS is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2043. The report is also available at www.tcdrs.org.

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided. The plan provisions are adopted by the governing body of the District, 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 or 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 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 employer.

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

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>62</u>
	<u>75</u>

Contributions. The District has elected the annually determined contribution rate (Variable – Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually, however the District may elect to contribute at a higher than actuarially determined rate, or make additional lump sum contributions on an ad hoc basis to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

	2022	2023
Member Contribution Rates	7.00%	7.00%
Employer Contribution Rates	9.54%	9.11%
Employer Contributions	\$ 446,681	
Member Contributions	\$ 339,468	

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level Percentage of payroll, closed
Remaining Amortization Period	18.4
Asset Valuation Method	5 year smoothed market
Discount Rate	7.60%
Long-term Expected Investment Rate of Return	7.60%
Salary Increases*	4.7% average

Discount Rate. The discount rate used to measure the total pension liability was 7.6%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used by the employer TCDRS 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 our 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, we have used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by .10% to be gross of administrative expenses.

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities - Developed Markets	5.00%	4.95%
International Equities - Emerging Markets	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Cash Equivalents	2.00%	2.90%
Hedge Funds	6.00%	0.20%
	<u>100.00%</u>	

Pension Assets/Liabilities. At September 30, 2023, the District reported a net pension liability of \$320,367 measured at December 31, 2022.

There were no changes in assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes in benefit terms that affected measurement of the total pension liability during the measurement period.

Parker County Emergency Services District No. 1
 Notes to the Financial Statements
 September 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Changes in the net pension liability for the year ended December 31, 2022, are as follows:

Change in net pension liability	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
	\$ 1,940,722	\$ 1,798,773	\$ 141,949
Balances as of December 31, 2021			
Service Cost	441,756	-	441,756
Interest on total pension liability	180,377	-	180,377
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	151,448	-	151,448
Effect of assumptions changes or inputs	-	-	-
Refund of contributions and benefit payments	(8,537)	(8,537)	-
Benefit payments	(9,959)	(9,959)	-
Administrative expenses	-	(1,392)	1,392
Member contributions	-	282,577	(282,577)
Employer contributions	-	(160,548)	160,548
Net investment income	-	382,054	(382,054)
Other	<u>92,472</u>	<u>(92,472)</u>	
Balances as of December 31, 2022	\$ 2,695,807	\$ 2,375,440	\$ 320,367

The following represents the net pension liability of the District, calculated using the discount rate of 7.6%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate.

Discount Rate Sensitivity Analysis	Current		
	1% Decrease	Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Net Pension Liability	\$ 940,141	\$ 320,367	\$ (165,630)

Pension expense and deferred outflows of resources related to pensions.

For the year ended September 30, 2023, the District recognized pension expense of \$173,545

Parker County Emergency Services District No. 1
 Notes to the Financial Statements
 September 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 384,122	\$ -
Changes in actuarial assumptions	91,044	1,692
Differences between projected and actual investment earnings	259,806	120,446
Contributions paid subsequent to the measurement date	<u>331,726</u>	-
 Total	 <u>\$ 1,066,698</u>	 <u>\$ 122,138</u>

The \$331,726 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of 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,	Net deferred outflows (inflows) of resources
2023	\$ 82,085
2024	88,637
2025	89,218
2026	126,798
2027	59,819
Thereafter	<u>166,276</u>
	<u>\$ 612,833</u>

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through May 21, 2024, which is the date the financial statements were available to be issued.

NOTE 11 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96, Subscription-Based Information Technology Arrangements was effective for the fiscal year ended September 30, 2023. The District has entered into subscription-based information technology arrangements involving:

- Various desktop and server software subscriptions

Parker County Emergency Services District No. 1
Notes to the Financial Statements
September 30, 2023

NOTE 11– NEW ACCOUNTING PRONOUNCEMENTS (continued)

- Accounting and payroll services software
- Training software

The District has outflows of resources during the fiscal year totaling \$40,919 that are not included in the measurement of subscription liability. The District's software subscriptions are not commitments longer than twelve months therefore a subscription liability is not calculated.

NOTE 12– LEASE RECEIVABLE

The District is reporting Leases Receivable of \$45,861 at September 30, 2023. For 2023, the District reported lease revenue of \$7,649 and interest revenue of \$351 related to lease payments received. The lease is summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Building Lease	\$ 45,861	\$ 7,649	\$ 351
Total	\$ 45,861	\$ 7,649	\$ 351

Building Lease – On August 1, 2023, the District (lessor) entered into a lease agreement for office space to Parker County Hospital District. The lease term is 14 months . Based on the agreement, the District is receiving monthly payment through 2024. Future payments receivable are as follows:

	Principal	Interest
2024	\$ 45,861	\$ 2,139
Total	\$ 45,861	\$ 2,139

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REQUIRED SUPPLEMENTARY INFORMATION

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Parker County Emergency Services District No. 1
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September, 30, 2023

	Budgeted Original	Final Budget	Actual	Variance With Budget Positive (Negative)
Revenues:				
Property taxes	\$ 7,228,907	\$ 7,228,907	\$ 7,641,497	412,590
Sales taxes	2,880,000	2,880,000	5,276,118	2,396,118
Charges for services	313,169	953,016	935,840	(17,176)
Operating grants and contributions	199,674	202,625	263,230	60,605
Other Income	-	-	173,467	173,467
Investment earnings	-	-	525,501	525,501
Total revenues	10,621,750	11,264,548	14,815,653	3,551,105
Expenditures:				
Emergency services operations:				
Fleet/Maintenance Lease	58,000.00	64,000	30,495	33,505
Equipment (Hand tools)	37,500	44,000	31,309	12,691
Fleet operations	368,500	447,451	408,045	39,406
Training Programs	160,141	173,141	86,769	86,372
Protective and uniform clothing	204,227	223,227	187,923	35,304
Administrative Expenses	700,603	760,603	778,376	(17,773)
Personnel Expenses	6,994,045	7,451,392	7,685,957	(234,565)
Capital Purchases	6,189,999	5,134,861	3,773,065	1,361,796
Debt service interest expense	267,608	267,608	267,608	-
Debt service principal payments	787,531	787,531	787,531	-
Total expenditures	15,768,154	15,353,814	14,037,078	1,316,736
Excess (deficiency) of revenue over expenditures	(5,146,404)	(4,089,266)	778,575	4,867,841
Other financing sources (uses):				
Sale of capital assets	50,000	50,000	755,500	705,500
Net Change in Fund Balance	(5,096,404)	(4,039,266)	1,534,075	5,573,341
Fund Balance, October 1, 2022	15,031,026	15,031,026	15,031,026	-
Fund Balance, September, 30, 2023	\$ 9,934,622	\$ 10,991,760	\$ 16,565,101	\$ 5,573,341

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

Parker County Emergency Services District No. 1
 Schedule of Changes in Net Pension Liability and Related Ratios
 For the year ended September, 30, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability									
Service Cost	\$ 28,787	\$ 34,275	\$ 79,362	\$ 91,326	\$ 110,324	\$ 155,509	\$ 196,020	\$ 356,384	\$ 441,756
Interest (on the Total Pension Liability)	1,143	3,548	9,869	21,678	32,167	47,946	79,704	127,363	180,377
Effect of plan changes	-	(6,504)	-	-	-	167,381	-	-	-
Effect of economic demographic (gains) or losses	27	23,676	12,318	7,204	25,476	1,788	153,531	136,345	151,448
Effect of assumption changes or inputs	-	473	-	(3,720)	-	-	113,589	10,637	-
Benefit payments/refunds of contributions	-	-	(5,083)	(11,395)	(367)	(37,052)	(4,449)	(18,557)	(18,496)
Net Change in Total Pension Liability	<u>29,957</u>	<u>55,468</u>	<u>96,466</u>	<u>105,093</u>	<u>167,600</u>	<u>335,572</u>	<u>538,395</u>	<u>612,172</u>	<u>755,085</u>
Total Pension Liability-Beginning	-	29,957	85,425	181,891	286,984	454,583	790,155	1,328,550	1,940,722
Total Pension Liability-Ending (a)	<u>29,957</u>	<u>85,425</u>	<u>181,891</u>	<u>286,984</u>	<u>454,584</u>	<u>790,155</u>	<u>1,328,550</u>	<u>1,940,722</u>	<u>2,695,807</u>
Plan Fiduciary Net Position									
Employer Contributions	1,490	39,071	46,378	51,495	66,805	75,816	168,139	223,549	382,054
Member Contributions	1,602	42,011	50,048	61,918	81,469	102,454	155,890	209,870	282,577
Investment income net of investment expenses	12	(708)	6,369	28,678	(4,255)	76,185	71,584	286,334	(160,548)
Benefit payments/refunds of contributions	-	-	(5,083)	(11,395)	(367)	(37,052)	(4,449)	(18,557)	(18,496)
Administrative Expense	-	(32)	(69)	(211)	(373)	(523)	(795)	(973)	(1,392)
Other	-	(4)	4,142	1,366	4,438	4,931	9,525	12,053	92,472
Net Change in Plan Fiduciary Net Position	<u>3,104</u>	<u>80,338</u>	<u>101,785</u>	<u>131,851</u>	<u>147,717</u>	<u>221,811</u>	<u>399,894</u>	<u>712,276</u>	<u>576,667</u>
Plan Fiduciary Net Position-Beginning	-	3,104	83,442	185,226	317,077	464,794	686,603	1,086,497	1,798,773
Plan Fiduciary Net Position-Ending (b)	<u>\$ 3,104</u>	<u>\$ 83,442</u>	<u>\$ 185,227</u>	<u>\$ 317,077</u>	<u>\$ 464,794</u>	<u>\$ 686,605</u>	<u>\$ 1,086,497</u>	<u>\$ 1,798,773</u>	<u>\$ 2,375,440</u>
Net Pension Liability-Ending (a) - (b)	<u>\$ 26,853</u>	<u>\$ 1,983</u>	<u>\$ (3,336)</u>	<u>\$ (30,093)</u>	<u>\$ (10,210)</u>	<u>\$ 103,550</u>	<u>\$ 242,053</u>	<u>\$ 141,949</u>	<u>\$ 320,367</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	10.36%	97.68%	101.83%	110.49%	102.25%	86.89%	81.78%	92.69%	88.12%
Covered Employee Payroll	\$ 320,486	\$ 700,189	\$ 834,136	\$ 1,031,969	\$ 1,357,818	\$ 1,707,563	\$ 2,227,007	\$ 2,980,651	\$ 4,004,756
Net Pension Liability as a Percentage of Covered Employee Payroll	8.38%	0.28%	-0.40%	-2.92%	-0.75%	6.06%	10.87%	4.76%	8.00%

The Schedule of Changes in the District's Net Pension Liability and Related Ratios shows the changes in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the District. Note that this is a 10-year schedule, to be created by the District prospectively, over the next 10-year period.

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

Parker County Emergency Services District No. 1
 Schedule of Employer Contributions and Related Ratios
 For the year ended September, 30, 2023

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2015	\$ 29,494	\$ 29,494	\$ -	\$ 528,550	5.60%
2016	46,222	46,222	-	884,844	5.22%
2017	48,729	48,729	-	974,306	5.00%
2018	62,300	62,300	-	1,281,334	4.86%
2019	74,298	74,298	-	1,635,589	4.54%
2020	143,617	143,617	-	1,637,143	8.77%
2021	201,290	201,290	-	2,681,109	7.51%
2022	333,894	333,894	-	3,695,581	9.03%
2023	446,680	446,680	-	4,849,967	9.21%

The Schedule of Employer Contributions shows the District's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule will be built over the next 10-year period.

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

Parker County Emergency Services District No. 1
Notes to the Required Supplementary Information
For the Year Ended September 30, 2023

NOTE 1 – BUDGET

Budget

Annual operating budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The Board of Commissioners follow these procedures in establishing budgetary data reflected in the financial statements.

- a. Prior to the beginning of the fiscal year, proposed operating budget is submitted by the Budget Officer to the Board of Commissioners for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and the means of financing them for the general fund.
- b. The budget may be amended with the approval of the Board of Commissioners.
- c. Budgetary control is maintained at the line item level, subject to adjustments permitted as described above.

Excess of Expenditures over Appropriations of \$5,000 or more:

The following expenditures exceeded budget by more than \$5,000.

Expenditures	Budget	Variance	Explanation
Administrative Expenses		17,773	Increased deployment expenses, professional services and building rent
Personnel Expenses	318,847		Addition of 38 new firefighters including Willow Park firefighters

Parker County Emergency Services District No. 1
Notes to the Required Supplementary Information
For the Year Ended September 30, 2023

NOTE 2 – DEFINED BENEFIT PENSION PLANS

Notes to Schedule of Contributions

<u>Methods and assumptions used to determine contribution rates:</u>	
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.4 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub -2010 General Retiress Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2020: Employer contributions reflect that the membe contribution rate was increased to7% and the current service matching rate was increased to 200% for future benefits

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OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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**INDEPENDENT AUDITOR'S 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 Board of Commissioners
Parker County Emergency Services District No. 1
Springtown, 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 major fund of the Parker County Emergency Services District No. 1 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon, dated May 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the 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.

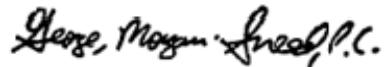
Report on Compliance and Other Matters

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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "George, Morgan & Frey, P.C." The signature is cursive and fluid, with "George" and "Morgan" on the first line and "& Frey, P.C." on the second line.

Weatherford, Texas

May 21, 2024