

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1 FIRE & RESCUE
WILSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1 FIRE & RESCUE

WILSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Wilson County Emergency Services
District No. 1 Fire & Rescue
Wilson County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Wilson County Emergency Services District No. 1 Fire & Rescue (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position 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.

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.

Board of Commissioners
Wilson County Emergency Services
District No. 1 Fire & Rescue

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 14, 2023

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis of Wilson County Emergency Services District No. 1 Fire & Rescue’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2022.

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 and other 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 similar to 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 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 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 fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

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 service operations expenditures.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,604,685 as of September 30, 2022. A portion of the District’s net position reflects its net investment in capital assets (i.e. land, buildings, vehicles and equipment, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide for firefighting and emergency services. The following is a comparative analysis of government-wide changes in net position:

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 2,686,030	\$ 1,147,657	\$ 1,538,373
Capital Assets (Net of Accumulated Depreciation)	2,454,091	2,646,118	(192,027)
Total Assets	\$ 5,140,121	\$ 3,793,775	\$ 1,346,346
Deferred Outflows of Resources	\$ 145,695	\$ 67,211	\$ 78,484
Long-Term Liabilities	\$ 1,362,025	\$ 808,156	\$ (553,869)
Other Liabilities	301,403	177,296	(124,107)
Total Liabilities	\$ 1,663,428	\$ 985,452	\$ (677,976)
Deferred Inflows of Resources	\$ 17,703	\$ - 0 -	\$ (17,703)
Net Position:			
Net Investment in Capital Assets	\$ 1,645,935	\$ 1,771,181	\$ (125,246)
Unrestricted	1,958,750	1,104,353	854,397
Total Net Position	\$ 3,604,685	\$ 2,875,534	\$ 729,151

The following table provides a summary of the District's operations for the years ended September 30, 2022, and September 30, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,360,272	\$ 1,187,565	\$ 172,707
Intergovernmental		51,000	(51,000)
Sales Tax	747,814	582,695	165,119
Grants and Other Revenues	1,531,103	441,786	1,089,317
Total Revenues	\$ 3,639,189	\$ 2,263,046	\$ 1,376,143
Expenses for Services	2,910,038	1,941,952	(968,086)
Change in Net Position	\$ 729,151	\$ 321,094	\$ 408,057
Net Position, Beginning of Year	2,875,534	2,554,440	321,094
Net Position, End of Year	\$ 3,604,685	\$ 2,875,534	\$ 729,151

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUND

The District’s General Fund fund balance as of September 30, 2022, was \$2,553,869, an increase of \$1,473,769 from the prior year. This was primarily due to property tax, sales tax and Texas Department of Emergency Management revenues, exceeding service operations and capital outlay costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$1,624,429 more than budgeted, actual expenditures were \$665,852 more than budgeted, and note proceeds were \$680,000 more than budgeted, which resulted in a positive variance of \$1,638,577. See the budget versus actual comparison for more information.

CAPITAL ASSETS

The District’s capital assets as of September 30, 2022, total \$2,454,091 (net of accumulated depreciation) and include land, buildings, vehicles and equipment. Capital asset activity during the current fiscal year included the purchase of communications equipment and installation of a new waste water system.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 63,230	\$ 63,230	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	1,445,729	1,471,117	(25,388)
Equipment and Vehicles	945,132	1,111,771	(166,639)
Total Net Capital Assets	\$ 2,454,091	\$ 2,646,118	\$ (192,027)

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

LONG-TERM DEBT ACTIVITY

At year-end, the District had total debt payable of \$1,488,156. The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Note Payable, October 1, 2021	\$ 874,937
Add: Note Proceeds - Pierce Velocity Pumper	680,000
Less: Principal Retired	<u>66,781</u>
Note Payable, September 30, 2022	<u>\$ 1,488,156</u>

CONTACTING THE DISTRICT'S 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 Wilson County Emergency Services District No. 1 Fire & Rescue, P.O. Box 55, La Vernia, Texas 78121-4757.

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 483,258	\$	\$ 483,258
Investments	1,625,338		1,625,338
Receivables:			
Property Taxes	45,061		45,061
Penalty and Interest on Delinquent Property Taxes		14,470	14,470
Texas Department of Emergency Management	517,903		517,903
Land		63,230	63,230
Capital Assets (Net of Accumulated Depreciation)		2,390,861	2,390,861
TOTAL ASSETS	\$ 2,671,560	\$ 2,468,561	\$ 5,140,121
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	\$ - 0 -	\$ 145,695	\$ 145,695
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,671,560	\$ 2,614,256	\$ 5,285,816
LIABILITIES			
Accounts Payable	\$ 72,630	\$	\$ 72,630
Accrued Interest Payable		28,390	28,390
Net Pension Liability		74,252	74,252
Long-Term Liabilities:			
Note Payable, Due Within One Year		126,131	126,131
Note Payable, Due After One Year		1,362,025	1,362,025
TOTAL LIABILITIES	\$ 72,630	\$ 1,590,798	\$ 1,663,428
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 45,061	\$ (45,061)	\$
Deferred Inflows - Pension		17,703	17,703
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 45,061	\$ (27,358)	\$ 17,703
FUND BALANCE			
Assigned for Emergencies/Equipment Replacement	\$ 1,353,209	\$ (1,353,209)	\$
Unassigned	1,200,660	(1,200,660)	
TOTAL FUND BALANCE	\$ 2,553,869	\$ (2,553,869)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,671,560		
NET POSITION			
Net Investment in Capital Assets		\$ 1,645,935	\$ 1,645,935
Unrestricted		1,958,750	1,958,750
TOTAL NET POSITION		\$ 3,604,685	\$ 3,604,685

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

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balance - Governmental Fund	\$	2,553,869
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred inflows of resources related to property tax revenues and penalty and interest receivable for 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District.		59,531
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Portions of the change in net pension liability/(asset) that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.		53,740
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Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,454,091
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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	\$ (28,390)	
Debt Payable Within One Year	(126,131)	
Debt Payable After One Year	<u>(1,362,025)</u>	<u>(1,516,546)</u>
Total Net Position - Governmental Activities		<u>\$ 3,604,685</u>

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

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 1,352,772	\$ 7,500	\$ 1,360,272
Penalty and Interest	17,618	1,624	19,242
Sales Tax	747,814		747,814
Texas Department of Emergency Management	1,380,847		1,380,847
Rental Income	20,800		20,800
Investment Revenues	11,725		11,725
Miscellaneous Revenues	98,489		98,489
TOTAL REVENUES	<u>\$ 3,630,065</u>	<u>\$ 9,124</u>	<u>\$ 3,639,189</u>
EXPENDITURES/EXPENSES			
Service Operations:			
District Administration	\$ 7,115	\$	\$ 7,115
District Operations	392,361	(30,445)	361,916
Salaries and Benefits	2,011,323	(57,049)	1,954,274
Professional Fees	21,760		21,760
Appraisal District Fees	25,355		25,355
Tax Collection Fees	12,704		12,704
Depreciation		255,294	255,294
Other	143,556		143,556
Capital Outlay	120,290	(32,822)	87,468
Debt Service:			
Note Payable Principal	66,781	(66,781)	
Note Payable Interest	35,051	5,545	40,596
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,836,296</u>	<u>\$ 73,742</u>	<u>\$ 2,910,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 793,769</u>	<u>\$ (64,618)</u>	<u>\$ 729,151</u>
OTHER FINANCING SOURCES (USES)			
Note Proceeds	<u>\$ 680,000</u>	<u>\$ (680,000)</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 1,473,769	\$ (1,473,769)	\$
CHANGE IN NET POSITION		729,151	729,151
FUND BALANCE/NET POSITION - OCTOBER 1, 2021	<u>1,080,100</u>	<u>1,795,434</u>	<u>2,875,534</u>
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022	<u>\$ 2,553,869</u>	<u>\$ 1,050,816</u>	<u>\$ 3,604,685</u>

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

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balance - Governmental Fund \$ 1,473,769

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 7,500

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 1,624

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (255,294)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 63,267

Governmental funds report note proceeds as other financing sources. Issued notes increase long-term liabilities in the Statement of Net Position. (680,000)

Governmental funds report debt principal payments as expenditures. However, in the Statement of Net Position, principal payments are reported as decreases in long-term liabilities. 66,781

The changes in deferred outflows and inflows of resources for pensions are recorded as pension expense in the government-wide financial statements. 57,049

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (5,545)

Change in Net Position - Governmental Activities \$ 729,151

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

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WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF DISTRICT

Wilson County Emergency Services District No. 1 Fire & Rescue, located in Wilson County, Texas (the “District”), operates under Chapter 775 of the Health and Safety Code. The District was created on November 12, 2008. The District was established to provide operating funds for the contracting of fire prevention within the boundaries of the District. The District provides fire suppression and extinguishment services within the boundaries of the District.

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. The 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.
- 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.

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 revenue and expense of 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 Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

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

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectible 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

Capital assets are defined as land, buildings, building improvements, firefighting apparatus, non-firefighting vehicles, communication equipment and all firefighting equipment. Items purchased by the District with an initial or individual cost greater than \$5,000 and an estimated useful life in excess of two years should be capitalized upon the books of the District. All items costing less than \$5,000 should be direct expensed and categorized in a general asset category.

In the case of donations, the District shall value these capital assets at the estimated fair market value of the item at the date of its donation. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	50
Building Improvements	20
Firefighting Apparatus	12
Non-Firefighting Vehicles	5
Furniture	5
Office Equipment	5
Computer Equipment	3

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Commissioners. 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 Budget Comparison Schedule – 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 and liabilities 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 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:

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 does not have any restricted fund balances.

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. 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 adopted a formal policy regarding the assignment of fund balances. The District has assigned \$1,353,209 of the General Fund fund balance for future emergency and equipment replacements. See Note 11.

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.

NOTE 3. TAX LEVY

During the year ended September 30, 2022, the District levied an ad valorem tax rate of \$0.0797 per \$100 of assessed valuation, which resulted in a tax levy of \$1,366,878 on the adjusted taxable valuation of \$1,725,238,557 for the 2021 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.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 fiscal year-end, the carrying amount of the District’s deposits was \$483,258 and the bank balance was \$483,258. The District was exposed to custodial credit risk in the amount of \$233,258 as of September 30, 2022.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at September 30, 2022, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ <u>483,258</u>

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 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.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

The District invests in TexPool and TexPool Prime, external investment pools that are not SEC registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pools. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool and TexPool Prime measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool and TexPool Prime at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool and TexPool Prime.

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

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool Prime	\$ 1,353,209	\$ 1,353,209
TexPool	<u>272,129</u>	<u>272,129</u>
TOTAL INVESTMENTS	<u><u>\$ 1,625,338</u></u>	<u><u>\$ 1,625,338</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, the District’s investments in TexPool and TexPool Prime were rated AAAM by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexPool Prime to have a maturity of less than one-year due to the fact that share position can usually be redeemed each day at the discretion of the District unless there has been a significant change in value.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 5. FIRE PROTECTION SERVICES

On March 1, 2012, the District executed an agreement with the La Vernia Volunteer Fire Department (the “Department”) to provide protection of life and property from fire, hazardous materials incidents, accident, disaster, and other emergencies to the residents of the District. The contract was for a period of one-year effective January 1, 2012. The continuation of the contract from year-to-year was subject to the adoption each year of an operating and capital budget. Under the terms of the contract, the Department agreed to provide firefighting and suppression services to all the residents and commercial interests within the geographic area of the District and those requesting mutual aid.

On November 8, 2016, the residents of Sutherland Springs, Texas, and Kicaster, Texas, voted to approve annexation and incorporation of the respective service areas into the service area of the District. The entities were merged and covered under the agreement between the Department and the District. The District will not use any revenues derived from the Sutherland Springs service area to fund their debt payments. In March 2017, upon expiration of the contract, the District assumed operations of the Department and the two entities merged and the District was renamed Wilson County Emergency Services District No. 1 Fire & Rescue. Completion of the merger took place in October 2017, with the transfer of title of all assets to the District.

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2022:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 63,230	\$ - 0 -	\$ - 0 -	\$ 63,230
Capital Assets Subject to Depreciation				
Building and Improvements	\$ 1,723,633	\$ 15,950	\$	\$ 1,739,583
Equipment and Vehicles	2,520,554	47,317		2,567,871
Total Capital Assets Subject to Depreciation	\$ 4,244,187	\$ 63,267	\$ - 0 -	\$ 4,307,454
Less Accumulated Depreciation				
Building and Improvements	\$ 252,516	\$ 41,338	\$	\$ 293,854
Equipment and Vehicles	1,408,783	213,956		1,622,739
Total Accumulated Depreciation	\$ 1,661,299	\$ 255,294	\$ - 0 -	\$ 1,916,593
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 2,582,888	\$ (192,027)	\$ - 0 -	\$ 2,390,861
Total Capital Assets, Net of Accumulated Depreciation	\$ 2,646,118	\$ (192,027)	\$ - 0 -	\$ 2,454,091

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 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; errors and omissions for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8. FINANCING NOTE AGREEMENTS

On January 30, 2014, the District executed a note with Government Capital Corporation to finance the construction costs of a new fire station and related equipment. The note bears interest at the rate of 4.375% per annum. The District will make 20 annual payments of \$55,921 beginning January 30, 2015 and ending January 30, 2034. The note balance as of fiscal year end is \$513,585.

On October 4, 2019, the District executed a note with Government Capital Corporation to finance a Pierce Velocity Ultimate Configuration Fire Truck in the amount of \$706,382. The note bears interest at the rate of 3.395% per annum. The District will make a down payment of \$150,000 at signing, followed by \$200,000 on February 1, 2020. Following the initial payments, the District will make 9 annual payments of \$45,912 beginning February 15, 2020 and ending February 15, 2028. The note balance as of fiscal year end is \$294,571.

On June 24, 2022, the District executed a note with Government Capital Corporation to finance a Pierce Velocity Ultimate Configuration Pumper Fire Truck in the amount of \$680,000. The note bears interest at the rate of 3.95% per annum. The District will make 10 annual payments of \$83,629 beginning June 24, 2023 and ending June 24, 2032. The note balance as of fiscal year end is \$680,000.

The following is a summary of transactions regarding the notes payable for the year ended September 30, 2022:

Note Payable, October 1, 2021	\$	874,937
Add: Note Proceeds - Pierce Velocity Pumper		680,000
Less: Principal Retired		66,781
Note Payable, September 30, 2022		<u>\$ 1,488,156</u>
Note Payable		
Due Within One Year	\$	126,131
Due After One Year		<u>1,362,025</u>
Note Payable Payable, September 30, 2022		<u>\$ 1,488,156</u>

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 8. FINANCING NOTE AGREEMENTS (Continued)

As of September 30, 2022, the total debt service requirements on the notes outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 126,131	\$ 59,331	\$ 185,462
2024	131,058	54,404	185,462
2025	136,177	49,285	185,462
2026	141,497	43,965	185,462
2027	147,027	38,435	185,462
2028-2032	701,358	104,666	806,024
2033-2034	104,908	6,934	111,842
	<u>\$ 1,488,156</u>	<u>\$ 357,020</u>	<u>\$ 1,845,176</u>

NOTE 9. SALES AND USE TAX

In accordance with Chapter 775 of the Health and Safety Code, the District is authorized to adopt and impose a sales and use tax if authorized by a majority of the qualified voters of the District. The election to adopt a sales and use tax is governed by the provisions of Subchapter E, Chapter 323 of the Tax Code.

On November 5, 2020, the voters of the District approved the establishment and adoption of a sales and use tax of up to a maximum of one percent. During the current period, the District recorded \$747,814 in sales tax receipts.

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 comprehensive annual financial report (CAFR) which includes financial statements, notes and required supplementary information which can be obtained at TCDRS, Finance Division, Barton Oaks Plaza IV Suite 500, 901 S. MoPac Expressway, Austin, Texas 78746 or at www.TCDRS.org.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years of service but must leave their accumulated 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-0-
Inactive employees entitled but not yet receiving benefits	16
Active employees	21

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 7.22% for the months of the 2022 accounting year. The deposit rate payable by the employee members for calendar year 2022 is 7% 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, 2022, the annual pension cost for the TCDRS plan for its employees was \$136,488; the actual contributions were \$136,488. The employees contributed \$107,400 to the plan for the 2022 fiscal year.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumption:

Actuarial Valuation Date	12/31/21
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.6 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, 2021. 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.

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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%. There was no change in the discount rate since the previous year.

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.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 2022 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%	3.80%
Global Equities	2.50%	4.10%
International Equities-Developed Markets	5.00%	3.80%
International Equities-Emerging Markets	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2021 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2020	\$ 125,853	\$ 55,333	\$ 70,520
Changes for the year:			
Service Cost	109,747		109,747
Interest on the Total Pension Liability	17,906		17,906
Effect of Plan Changes	41,882		41,882
Effect of Economic/Demographic gains or losses	17,119		17,119
Effect of Assumptions Changes or Inputs	(3,775)		(3,775)
Administrative Expenses		(127)	127
Member Contributions		78,342	(78,342)
Net Investment Income		28,954	(28,954)
Employer Contributions		67,822	(67,822)
Other		4,156	(4,156)
Balances of December 31, 2021	<u>\$ 308,732</u>	<u>\$ 234,480</u>	<u>\$ 74,252</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.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10. PENSION PLAN (Continued)

Sensitivity Analysis (Continued)

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$ 383,710	\$ 308,731	\$ 250,838
Fiduciary Net Position	234,480	234,480	234,480
Net Pension Liability/(Asset)	<u>\$ 149,230</u>	<u>\$ 74,251</u>	<u>\$ 16,358</u>

Deferred Inflows/Outflows of Resources

As of September 30, 2022, 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 -	\$ 23,147
Net difference between projected and actual earnings	3,236	9,100
Contributions paid to TCDRS subsequent to the measurement date	14,467	113,448
Total	<u>\$ 17,703</u>	<u>\$ 145,695</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:

2022	\$ 363
2023	365
2024	215
2025	30
2026	3,860
Thereafter	9,711

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 11. ASSIGNMENT OF FUND BALANCE

During the budget process, the District estimates amounts to be transferred into a reserve fund based on estimated revenues. Five percent (5%) of the estimate revenues is to be added to the Emergency (Rainy-Day) reserve and six percent (6%) of the estimate revenues is to be added to Equipment Replacement reserve. The District has established procedures to transfer the reserve funds into separate bank accounts. As of September 30, 2022, the District has assigned \$1,353,209 of their General Fund fund balance for future emergency and equipment replacements, of which \$1,635,000 was transferred in and \$740,000 was expensed from the equipment replacements during the current fiscal year.

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System; P.O. Box 2034, Austin, TX 78768-2034, or by calling 800~823-7782.

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contribution to the GTLF for the year ending September 30, 2021, 2020, and 2019, were \$1,267, \$632, and \$423, respectively, which equaled the contractually required contribution.

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WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1 FIRE & RESCUE

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes, Including Penalty and Interest	\$ 1,338,786	\$ 1,370,390	\$ 31,604
Sales Tax	555,000	747,814	192,814
Texas Department of Emergency Management		1,380,847	1,380,847
Miscellaneous Revenues	<u>111,850</u>	<u>131,014</u>	<u>19,164</u>
TOTAL REVENUES	<u>\$ 2,005,636</u>	<u>\$ 3,630,065</u>	<u>\$ 1,624,429</u>
EXPENDITURES			
Service Operations:			
District Administration	\$ 16,100	\$ 7,115	\$ 8,985
District Operations	383,100	392,361	(9,261)
Salaries and Benefits	1,421,316	2,011,323	(590,007)
Professional Fees	27,500	21,760	5,740
Appraisal District Fees	22,000	25,355	(3,355)
Tax Collection Services	13,500	12,704	796
Other	52,428	143,556	(91,128)
Capital Outlay			
Fuel Storage	12,000	10,130	1,870
MDT's and Mounts	20,000	13,588	6,412
Communications Equipment	28,000	33,821	(5,821)
Septic	20,000	16,930	3,070
Station Upgrades	52,500	45,821	6,679
Debt Service:			
Note Payable Principal	66,781	66,781	
Note Payable Interest	<u>35,219</u>	<u>35,051</u>	<u>168</u>
TOTAL EXPENDITURES	<u>\$ 2,170,444</u>	<u>\$ 2,836,296</u>	<u>\$ (665,852)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (164,808)</u>	<u>\$ 793,769</u>	<u>\$ 958,577</u>
OTHER FINANCING SOURCES(USES)			
Note Proceeds	<u>\$ - 0 -</u>	<u>\$ 680,000</u>	<u>\$ 680,000</u>
NET CHANGE IN FUND BALANCE	\$ (164,808)	\$ 1,473,769	\$ 1,638,577
FUND BALANCE - OCTOBER 1, 2021	<u>1,080,100</u>	<u>1,080,100</u>	
FUND BALANCE - SEPTEMBER 30, 2022	<u>\$ 915,292</u>	<u>\$ 2,553,869</u>	<u>\$ 1,638,577</u>

Note: Extra Salaries and Benefits expenses are due to request by state governor for emergency services. The extra expense is offset by the grant receivable.

See accompanying independent auditor's report.

WILSON 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, 2022

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Total Pension Liability			
Service cost	\$ 109,747	\$ 22,181	\$ 16,632
Interest on total pension liability	17,906	3,254	1,347
Effect of plan changes	41,882	60,958	
Effect of economic/demographic (gains) or losses	(3,775)	10,346	13
Effect of assumptions changes or inputs	<u>17,119</u>	<u>11,122</u>	
Net change in total pension liability	\$ 182,879	\$ 107,861	\$ 17,992
Total pension liability, beginning	<u>125,853</u>	<u>17,992</u>	
Total pension liability, ending (a)	<u>\$ 308,732</u>	<u>\$ 125,853</u>	<u>\$ 17,992</u>
Fiduciary Net Position			
Employer contributions	\$ 67,822	\$ 10,851	\$ 5,601
Member contributions	78,342	23,336	12,045
Investment income net of investment expenses	28,954	1,952	(18)
Administrative expenses	(127)	(40)	(14)
Other	<u>4,156</u>	<u>1,013</u>	<u>607</u>
Net change in plan fiduciary net position	\$ 179,147	\$ 37,112	\$ 18,221
Fiduciary net position, beginning	<u>55,333</u>	<u>18,221</u>	
Fiduciary net position, ending (b)	<u>\$ 234,480</u>	<u>\$ 55,333</u>	<u>\$ 18,221</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ 74,252</u>	<u>\$ 70,520</u>	<u>\$ (229)</u>
Fiduciary net position as a percentage of the total pension liability	75.95%	43.97%	101.27%
Pensionable covered payroll	\$ 1,119,176	\$ 583,390	\$ 301,116
Net pension liability as a percentage of covered employee payroll	6.63%	12.09%	-0.08%

See accompanying independent auditor's report.

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>Fiscal Year Ending September 30</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (2)</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2019	\$ 5,601	\$ 5,601	\$ -0-	\$ 301,116	1.9%
2020	\$ 10,851	\$ 10,851	\$ -0-	\$ 583,390	1.9%
2021	\$ 67,822	\$ 67,822	\$ -0-	\$ 1,119,176	6.1%
2022	\$ 136,488	\$ 136,488	\$ -0-	\$ 1,534,292	8.9%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis.

See accompanying independent auditor's report.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO SCHEDULE OF DISTRICT CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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	17.6 years (based on contribution rate calculated in 12/31/21 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of 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.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2016: No changes in plan provisions were reflected in the Schedule. 2017: No changes in plan provisions were reflected in the Schedule. 2018: No Changes in plan provisions were reflected in the Schedule. 2019: No Changes in plan provisions were reflected in the Schedule. 2020: No Changes in plan provisions were reflected in the Schedule. 2021: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 150% for future benefits and the prior service matching rate was increased to 100%

See accompanying independent auditor's report.

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1 FIRE & RESCUE

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
LISTING OF THE NUMBER OF EMERGENCY
RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT –
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)**

Number of Emergency Responses made Within the District	1,738
Number of Emergency Responses made Outside the District	<u>69</u>
Total Emergency Responses	<u>1,807</u>

See accompanying independent auditor's report.

WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
SCHEDULE OF INSURANCE AND BONDING COVERAGE
SEPTEMBER 30, 2022

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC OFFICIAL BOND Treasurer	03/01/22 03/01/23	\$ 1,000,000	National Union Fire Insurance Company
PUBLIC EMPLOYEE BLANKET BOND Dishonesty Bond	03/01/22 03/01/23	\$ 1,000,000	National Union Fire Insurance Company
EMPLOYEE BLANKET BOND Dishonesty Bond	03/01/22 03/01/23	\$ 50,000	National Union Fire Insurance Company
PROPERTY Building Contents Policy Deductible Flood Deductible	03/01/22 03/01/23	\$ 2,232,965 191,945 1,000 1,000	National Union Fire Insurance Company
GENERAL LIABILITY General Aggregate Each Occurrence	03/01/22 03/01/23	\$ 3,000,000 1,000,000	National Union Fire Insurance Company
MANAGEMENT LIABILITY Aggregate Each Occurrence	03/01/22 03/01/23	\$ 3,000,000 1,000,000	National Union Fire Insurance Company
HIRED AND NON-OWNED AUTOMOBILE LIABILITY Combined Single Limit	03/01/22 03/01/23	\$ 1,000,000	National Union Fire Insurance Company
ACCIDENT & SICKNESS Accidental Death & Dismemberment Medical Disability	03/01/22 03/01/23	\$ 20,000 20,000 300	National Union Fire Insurance Company
WORKER'S COMPENSATION Each Occurrence Disease Policy Limit Disease Limit per Employee	07/01/22 07/01/23	\$ 1,000,000 1,000,000 1,000,000	Texas Mutual Insurance

See accompanying independent auditor's report.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Property Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2021	\$ 37,561	
Adjustments to Beginning Balance	761	\$ 38,322
Original 2021 Tax Levy	\$ 1,375,338	
Adjustment to 2021 Tax Levy	(8,460)	1,366,878
TOTAL TO BE ACCOUNTED FOR		\$ 1,405,200
TAX COLLECTIONS:		
Prior Years	\$ 13,348	
Current Year	1,346,791	1,360,139
TAXES RECEIVABLE -		
SEPTEMBER 30, 2022		\$ 45,061
TAXES RECEIVABLE BY YEAR:		
2021		\$ 20,087
2020		7,286
2019		4,417
2018		3,837
2017		1,929
2016		1,238
2015		992
2014		913
2013		807
2012 and prior		3,555
TOTAL		\$ 45,061

See accompanying independent auditor's report.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS	<u>\$ 1,725,238,557</u>	<u>\$ 1,475,135,802</u>	<u>\$ 1,332,242,987</u>	<u>\$ 1,361,376,716</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.0797</u>	<u>\$ 0.081</u>	<u>\$ 0.079</u>	<u>\$ 0.0768</u>
ADJUSTED TAX LEVY*	<u>\$ 1,366,878</u>	<u>\$ 1,194,860</u>	<u>\$ 1,027,347</u>	<u>\$ 927,350</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.53 %</u>	<u>99.39 %</u>	<u>99.57 %</u>	<u>99.59 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied. Levy may change as a result of protests, tax roll adjustments, or early payment discounts.

See accompanying independent auditor's report.

**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
BOARD OF COMMISSIONERS AND CONSULTANTS
SEPTEMBER 30, 2022**

District Mailing Address - Wilson County Emergency Services District No. 1
Fire & Rescue
P.O. Box 55
La Vernia, Texas 78121-4757

District Telephone Number - (512) 338-5322

<u>Commissioners</u>	<u>Term of Office (Appointed – Elected)</u>	<u>Fees of Office for the year ended September 30, 2022</u>	<u>Expense Reimbursements for the year ended September 30, 2022</u>	<u>Title</u>
Michael Trainer	12/21 – 12/23 (Appointed)	\$ -0-	\$ -0-	President
Quinten Kiolbassa	01/21 – 12/22 (Appointed)	\$ -0-	\$ -0-	Vice President
George Jones	12/21 – 12/23 (Appointed)	\$ -0-	\$ -0-	Treasurer
Jim Burdette	12/21 – 12/22 (Appointed)	\$ -0-	\$ -0-	Secretary
Gary Ullmann	02/21 – 12/22 (Appointed)	\$ -0-	\$ -0-	Assistant Treasurer

The limit of fees of office that a Commissioner may receive during a year is set by the Health and Safety Code-Chapter 775.038. A Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently \$7,200 per fiscal year. Fees of office and expense reimbursements are the amounts actually paid to a Commissioner during the District’s current fiscal year.

See accompanying independent auditor’s report.

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**WILSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
FIRE & RESCUE
BOARD OF COMMISSIONERS AND CONSULTANTS
SEPTEMBER 30, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Burns Anderson Jury & Brenner, LLP	1/1/09	\$ 3,060	Attorney
McCall Gibson Swedlund Barfoot PLLC	12/4/12	\$ 10,000	Auditor
Dawn Barnett Wilson County Tax Assessor/Collector		\$ 7,684	Tax Assessor/ Collector
Dupnick Tax & Financial Services	03/01/18	\$ 8,700	Bookkeeper

See accompanying independent auditor's report.

