

OFFICIAL STATEMENT

Dated: May 27, 2025

Ratings:

S&P: "AA" (stable outlook)

Fitch: "AAA" (stable outlook)

**(see "OTHER INFORMATION -
Ratings" herein)**

NEW ISSUE - Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the County, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

**THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS**

\$30,605,000

**JOHNSON COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2025**

Dated Date: May 15, 2025

Due: February 15, as shown on page 2

Interest Accrual Date: Delivery Date

PAYMENT TERMS . . . Interest on the \$30,605,000 Johnson County, Texas, Unlimited Tax Road Bonds, Series 2025 (the "Bonds") will accrue from the Delivery Date (defined below), will be payable on February 15, 2026, and semiannually thereafter on August 15 and February 15 of each year until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Zions Bancorporation, National Association, dba Amegy Bank Division, Houston, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, an order authorizing the issuance of the Bonds (the "Order"), and a County-wide election held on November 5, 2024, and are direct obligations of the County, payable from a direct and continuing annual ad valorem tax levied on all taxable property within the County, without legal limit as to rate or amount, as provided in the Order (see "THE BONDS - Authority for Issuance" and "THE BONDS - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the (1) designing, developing, constructing, renovating, improving, extending, expanding and maintaining non-tolled roads and bridges within Johnson County, including the acquisition of land and rights-of-way therefor; and including participating in the cost of joint projects with other governments or agencies, including TxDOT, and (2) payment of costs of issuance related to the Bonds (see "THE BONDS - Purpose" and "THE BONDS - Sources and Uses of Proceeds").

CUSIP PREFIX: 478898

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters of the Bonds shown below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the County (see "Appendix C - Form of Bond Counsel's Opinion"). Certain matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about June 24, 2025 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

STEPHENS INC.

MATURITY SCHEDULE

Amount	Maturity 15-Feb	Initial Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 985,000	2026	5.000%	3.120%	FW4
1,255,000	2027	5.000%	3.130%	FX2
1,325,000	2028	5.000%	3.170%	FY0
220,000	2029	5.000%	3.200%	FZ7
235,000	2030	5.000%	3.280%	GA1
240,000	2031	5.000%	3.370%	GB9
255,000	2032	5.000%	3.440%	GC7
270,000	2033	5.000%	3.540%	GD5
285,000	2034	5.000%	3.640%	GE3
300,000	2035	5.000%	3.760%	GF0
1,995,000	2036	5.000%	3.880%	⁽²⁾ GG8
2,095,000	2037	5.000%	3.980%	⁽²⁾ GH6
2,205,000	2038	5.000%	4.110%	⁽²⁾ GJ2
2,320,000	2039	5.000%	4.190%	⁽²⁾ GK9
2,435,000	2040	5.000%	4.300%	⁽²⁾ GL7
2,560,000	2041	5.000%	4.410%	⁽²⁾ GM5
2,690,000	2042	5.000%	4.530%	⁽²⁾ GN3
2,830,000	2043	5.000%	4.620%	⁽²⁾ GP8
2,975,000	2044	5.000%	4.660%	⁽²⁾ GQ6
3,130,000	2045	5.000%	4.690%	⁽²⁾ GR4

(Interest to accrue from the Delivery Date)

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- (2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2035, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

REDEMPTION OF THE BONDS... The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

No dealer, broker, salesman or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the County and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the County's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE COUNTY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY- ONLY SYSTEM. THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER FEDERAL SECURITIES LAWS, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the County and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE COUNTY Johnson County, Texas (the “County”) is a political subdivision of the State of Texas (the “State”), located in North Central Texas on the southwestern edge of the Dallas/Fort Worth area. The County covers approximately 734 square miles.

THE BONDS The \$30,605,000 Johnson County, Texas, Unlimited Tax Road Bonds, Series 2025 are issued as serial Bonds maturing on February 15 in each of the years 2026 through 2045, inclusive (see “The Bonds – Description of the Bonds”).

PAYMENT OF INTEREST ON THE BONDS Interest on the Bonds will accrue from the Delivery Date and is payable on February 15, 2026, and semiannually thereafter on August 15 and February 15 of each year until stated maturity or prior redemption (see “The Bonds - Description of the Bonds”).

AUTHORITY FOR ISSUANCE The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, an order authorizing the issuance of the Bonds (the “Order”), and a County-wide election held on November 5, 2024, (see “THE BONDS - Authority for Issuance”).

SECURITY FOR THE BONDS The Bonds constitute direct Bonds of the County, payable from an annual ad valorem tax levied, without limit as to rate or amount, on all taxable property located within the County (see “THE BONDS - Security and Source of Payment for the Bonds”).

REDEMPTION OF BONDS The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS The County **will not** designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions.

TAX STATUS In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.

USE OF PROCEEDS Proceeds from the sale of the Bonds will be used for the (1) designing, developing, constructing, renovating, improving, extending, expanding and maintaining non-tolled roads and bridges within Johnson County, including the acquisition of land and rights-of-way therefor; and including participating in the cost of joint projects with other governments or agencies, including TxDOT, and (2) payment of costs of issuance related to the Bonds.

RATINGS The Bonds and the presently outstanding tax-supported debt of the County have been rated “AAA” (stable outlook) by Fitch Ratings (“Fitch”) and “AA” (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement (see “Other Information - Ratings”).

BOOK-ENTRY-ONLY SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

PAYMENT RECORD The County has never defaulted on the payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	General Obligation Debt Outstanding at End of Year	Ratio of G.O. Debt to Taxable Assessed Valuation	G.O. Debt Per Capita
2021	181,837	\$ 14,471,005,516	\$ 79,582	\$ 18,340,000	0.13%	\$ 101
2022	183,768	16,457,641,992	89,557	18,735,000	0.11%	102
2023	187,280	19,320,348,768	103,163	17,495,000	0.09%	93
2024	195,506	23,564,368,563	120,530	16,210,000	0.07%	83
2025	202,906	25,125,528,420	123,828	47,125,000 ⁽³⁾	0.19% ⁽³⁾	232 ⁽³⁾

(1) Data derived from U.S. Census Bureau results.

(2) As reported by the Central Appraisal District of Johnson County on the County's annual State Property Tax Board Report.

(3) Includes the Bonds.

For additional information regarding the County, please contact:

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COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

County Offices	Length of Service	Term Expires	County Offices	Length of Service	Term Expires
Christopher Boedeker County Judge	2 Years	2026	Scott Porter Tax Assessor/Collector	22 Years	2028
Rick Bailey Commissioner Precinct No. 1	16 Years	2028	Kathy Blackwell County Treasurer	7 Years	2026
Kenny Howell Commissioner Precinct No. 2	12 Years	2026	Steven Watson County Auditor	4 Years	2027
Mike White Commissioner Precinct No. 3	4 Years	2028	Lance Anderson Purchasing Agent	2 Years	2028
Larry Woolley Commissioner Precinct No. 4	10 Years	2026	Ronny McBroom Justice of the Peace 1	18 Years	2026
Adam King County Sheriff	8 Years	2028	Jeff Monk Justice of the Peace 2	22 Years	2026
John Neill County Court at Law 1	2 Years	2026	Andrew Nolan Justice of the Peace 3	2 Years	2026
Steven McClure County Court at Law 2	10 Years	2026	Robert Shaw Justice of the Peace 4	6 Years	2026
Timothy M. Good District Attorney	less than 1 Year	2028	Matt Wylie Constable 1	18 Years	2028
Bill Moore County Attorney	32 Years	2028	Adam Crawford Constable 2	25 Years	2028
David Lloyd District Clerk	26 Years	2026	Steve Williams Constable 3	4 Years	2028
April Long County Clerk	2 Years	2026	Troy Fuller Constable 4	4 Years	2028

KEY APPOINTED / ELECTED OFFICIALS

Name	Position	Length of Service to County
Christopher Boedeker	County Judge	2 Years
April Long	County Clerk	2 Years
Scott Porter	Tax Assessor - Collector	22 Years
Kathy Blackwell	County Treasurer	7 Years
Steven Watson	County Auditor	4 Years
Lance Anderson	Purchasing Agent	2 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants KM&L, LLC
Lake Jackson, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor..... Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT
RELATING TO
\$30,605,000
JOHNSON COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$30,605,000 Johnson County, Texas, Unlimited Tax Road Bonds, Series 2025 (the "Bonds"). The Bonds are authorized for issuance pursuant to an order (the "Order") adopted by the Commissioners Court of Johnson County, Texas (the "County"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined below), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the County's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "Other Information –Forward-Looking Statements Disclaimer").

DESCRIPTION OF THE COUNTY . . . The County was organized in 1854 and is a political subdivision operating under the Constitution of the State of Texas (the "State") and statutes which provide for a Commissioners Court (the "Commissioners Court") consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms. Other major County elective officers include the County Clerk and County Treasurer. The County Auditor is appointed for a term of two years by, and serves at the will of, the District Judges whose courts are located in the County. The 2020 Census population for the County was 179,927, while the estimated 2025 population is 202,906. The County covers approximately 734 square miles.

PLAN OF FINANCING

PURPOSE OF THE BONDS. . . Proceeds from the sale of the Bonds will be used for the (1) designing, developing, constructing, renovating, improving, extending, expanding and maintaining non-tolled roads and bridges within Johnson County, including the acquisition of land and rights-of-way therefor; and including participating in the cost of joint projects with other governments or agencies, including TxDOT, and (2) payment of costs of issuance related to the Bonds (see "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Proceeds").

USE OF BOND PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds

Par Amount of Bonds	\$ 30,605,000.00
Net Premium	1,501,862.35
Total Sources of Funds	<u>\$ 32,106,862.35</u>

Uses of Funds

Deposit to Construction Fund	\$ 31,753,300.00
Costs of Issuance	193,240.70
Underwriter's Discount	160,321.65
Total Uses of Funds	<u>\$ 32,106,862.35</u>

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated May 15, 2025. The Bonds mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of initial delivery to the underwriters shown on the cover page hereof (the "Underwriters"), will be payable on February 15, 2026, and semiannually thereafter on August 15 and February 15 of each year until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be issued only in fully-registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, the Order, and a County-wide election held on November 5, 2024.

SECURITY AND SOURCE OF PAYMENT. . . The Bonds are direct and continuing annual ad valorem tax levied on all taxable property within the County, without limit as to rate or amount.

TAX RATE LIMITATION. . . The Texas Constitution (Article VIII, Section 9) imposes a tax rate limit of \$0.80 per \$100 assessed valuation of all taxable property within the County (the "\$0.80 Tax Limitation") for all purposes of a County's general fund, permanent improvement fund, road and bridge fund and jury fund, including debt service of bonds or other debt obligations issued against such funds. Administratively, the Attorney General of Texas will not approve a county's issuance of limited tax Bonds in an amount which produces debt service requirements exceeding that which can be paid from \$0.40 per \$100 valuation, at a 90% collection rate, of the \$0.80 Tax Limitation. **The debt service of the Bonds is not subject to the \$0.80 Tax Limitation.**

Limited tax obligations of counties issued pursuant to authority granted under Texas Government Code, Section 1301.003 limits the amount of such debt issued for certain purposes as follows:

Courthouse	2% of Assessed Valuation
Jail	1 1/2% of Assessed Valuation
Courthouse and Jail	3 1/2% of Assessed Valuation
Road and Bridge	1 1/2% of Assessed Valuation

Unlimited Tax Road Bonds... Texas Constitution (Article III, Section 52) also authorizes the levy of a tax unlimited as to rate or amount to pay debt service on voted County road bonds; however, total unlimited tax road bond debt cannot exceed 25% of the assessed valuation of real property in the county. **The Bonds are being issued as unlimited tax County road bonds.**

Road and Bridge Maintenance... Under Section 256.052, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed \$0.15 on the \$100 assessed valuation of property provided by Article VIII, Section 9 of the Texas Constitution, for the further maintenance of county roads. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. The additional tax may not be used for debt service. The voters of the County have approved the adoption of this additional county road tax.

Farm-to Market and/or Flood Control... Under Section 256.054, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed \$0.30 on the \$100 assessed valuation, after exemption of homesteads up to \$3,000, provided by Article VIII, Section 9 of the Texas Constitution, for the construction and maintenance of farm-to-market and lateral roads or for flood control. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. No allocation is prescribed by statute between debt service and maintenance. Therefore, all or part may be used for either purpose. The voters of the County have approved the adoption of this additional county road tax.

REDEMPTION . . . The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONIES FOR THE PAYMENT OF THE

REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the County shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC NOTICES . . . The Paying Agent/Registrar and the County, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the County will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the County or the Paying Agent/Registrar. Neither the County nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds selected for redemption (see "THE BONDS - Book-Entry-Only System").

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the County will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that "Defeasance Securities" means: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the County authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category. The County has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the County moneys in excess of the amount required for such defeasance.

After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the County to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the County: (i) in the proceedings providing for the defeasance of the Bonds, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENT . . . The County may amend the Order without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners in order to (i) cure any ambiguity, defect or omission that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order and that shall not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions as shall not be inconsistent with the provisions of the Order and that shall not in the opinion of Bond Counsel materially adversely affect the interests of the holders. In addition, the County may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (1) make any change in the maturity of any of the outstanding Bonds; (2) reduce the rate of interest borne by any of the outstanding Bonds; (3) reduce the amount of the principal of, or redemption premium, if any, on any outstanding Bonds; (4) modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The*

information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The County and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each stated maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the County, disbursement of such payments to

Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Bonds. In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order, will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the County, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the County with respect to the Bonds, printed Bonds will be issued to the holders and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation, National Association, dba Amegy Bank Division, Houston, Texas. In the Order, the County retains the right to replace the Paying Agent/Registrar. The County covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued with respect to the Bonds, printed Bonds will be issued to the registered owners of the Bonds and thereafter such printed Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, that such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

PAYMENT PROVISIONS . . . In the event the Book-Entry-Only System should be discontinued, interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REPLACEMENT BONDS . . . If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the County and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BONDHOLDERS' REMEDIES... The Order establishes specific events of default with respect to the Bonds, and provides that if the County defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order and the continuation thereof for a period of 60 days after notice of default is given by the County by any owner, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the County for breach of the Bonds or Order covenants. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the County is the responsibility of the Central Appraisal District of Johnson County (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require

annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

At its meeting on September 9, 2024, the board of directors of the Appraisal District approved a reappraisal plan to appraise values every three years, instead of annually, with the next reappraisal occurring in tax year 2027. Business Personal Properties (through renditions), Mineral Properties, Utility Properties and Industrial Properties will continue to be reappraised annually. The reappraisal plan will hold values for the 2025 and 2026 tax years at 2024 levels, except for new construction and improvements.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the County, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION - County and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned

by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER... The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage."

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years for a discussion of how the various exemptions described above are applied by the County, see "AD VALOREM PROPERTY TAXATION - County Application of Property Tax Code" herein.

COUNTY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the County, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the County may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$57,216,456 for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the County and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION - Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The County is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the County. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the County may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

COUNTY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the County are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property. The County's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the County is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the County must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted). Certain counties for which certain expenditures for indigent legal defense or certain hospital expenditures exceed the amount for such expenditures for the preceding tax year, may increase their no-new-revenue tax rate proportionately with such expenditures in the manner provided by the Property Tax Code.

"special taxing unit" means a county for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the cumulative difference between a county's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a county's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The County's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year which may include the Road and Bridge Maintenance Tax and the Farm-to-Market Road and Flood Control Tax, if levied (collectively, the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the County must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the County to the County by August 1 or as soon as practicable thereafter.

A county must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the county and the county tax assessor-collector for each county in which all or part of the county is located. A county must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a county fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the county for the preceding tax year.

As described below, the Property Tax Code provides that if a county adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A county may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such county participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the county has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that county must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For counties with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the county must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a county has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a county's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the county's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the county would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any county located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such county's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the County's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the County's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The 89th Texas Legislature convened on January 14, 2025, and adjourned on June 2, 2025 (the "89th Regular Session"). When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During the legislative session, the Legislature will consider a general appropriations act and may enact laws that materially change the Property Tax Code and other current law as it relates to ad valorem taxation. The County can make no representations or predictions regarding any actions the Legislature has taken or may take during the 89th Regular Session, or any special session, or concerning the substance or effect of any legislation that may be passed during the 89th Regular Session or a future session of the Legislature.

2023 REGULAR AND SPECIAL LEGISLATIVE SESSIONS. . . The Regular Session of 88th Texas Legislature convened on January 10, 2023 and concluded on May 29, 2023. Thereafter, the Governor called four special sessions of the 88th Legislature, two of which were primarily for the purpose of addressing property tax relief. During the Second Called Session, the Legislature passed, and the Governor signed into law, Senate Bill 2, to address property tax relief. Senate Bill 2, most of which became effective when House Joint Resolution 2 was approved by a majority of voters in the State at an election held on November 7, 2023, contains provisions that changed the governance of appraisal districts in counties with a population of 75,000 or more, to increase the number of voting directors from six to nine, and to require the three additional voting directors to be elected by residents of the respective County, as well as provisions that prohibit cities from reducing or eliminating its prior local option homestead exemption for residents through Tax Year 2027, and that establish a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at or under \$5,000,000 to the lesser of (a) the market value of the property and (b) the market value of all new improvements to the property, plus 120% of the appraised value of the property for the preceding tax year.

PENALTIES AND INTEREST. . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor

status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE . . . The County grants an exemption to the market value of the residence homestead of persons who are 65 years of age or older or who are disabled of \$10,000.

The County has granted an additional exemption of 5% of the market value of residence homesteads or a minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are levied by the County against the non-exempt value of residence homesteads for the payment of debt.

The County does tax nonbusiness personal property; and the County collects its own taxes.

The County does not permit split payments, and discounts are not allowed.

The County does tax freeport property.

The County does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

Pursuant to a local referendum approved by voters on January 1, 2004, the County has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

The County has a tax abatement policy, which was adopted in March 1995 and most recently modified in July 2024. The County on a case-by-case basis gives consideration to providing tax abatement as a stimulation for economic development. The County currently has five (5) tax abatement agreements outstanding. See “Table 1 – Valuation, Exemptions and General Obligation Debt” for information concerning the amount of such abatement for the County’s 2024/25 fiscal year.

The County participates in two separate TIRZs with the City of Cleburne with a combined tax increment value of \$74,518,668 for the County’s 2024/25 fiscal year. The County has not created a TIRZ.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by Johnson County Appraisal District (excluding totally exempt property)		\$ 32,521,027,500
Less Exemptions/Reductions at 100% Market Value:		
Local Optional Over - 65 or Disabled Homestead	\$ 164,214,270	
Local Optional Homestead	629,440,634	
Disabled Veterans	546,737,219	
Pollution Control	46,612,639	
Productivity Loss	3,600,100,592	
Tax Abatement Reductions	102,372,335	
10% Homestead Cap	2,292,961,291	
Solar/Wind Power	13,060,100	<u>\$ 7,395,499,080</u>
2024/25 Taxable Assessed Valuation		\$ 25,125,528,420
General Obligation Debt Payable from Ad Valorem Taxes (as of May 15, 2025)		\$ 14,885,000
The Bonds		<u>30,605,000</u>
Total General Obligation Debt Payable from Ad Valorem Taxes (as of May 15, 2025)		\$ 45,490,000
General Obligation Interest and Sinking Fund (as of April 1, 2025)		\$ 279,300
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		0.06%

Estimated 2025 Population - 202,906
Per Capita Taxable Assessed Valuation - \$123,828
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$73

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 16,710,335,195	51.38%	\$ 15,260,055,263	46.92%	\$ 11,793,375,783	36.26%
Real, Residential, Multi-Family	771,347,928	2.37%	622,804,869	1.92%	514,097,591	1.58%
Real, Vacant Lots/Tracts	620,890,681	1.91%	584,845,712	1.80%	500,016,685	1.54%
Real, Acreage (Land Only)	3,692,395,265	11.35%	3,619,321,517	11.13%	2,534,347,643	7.79%
Real, Non-Qualified Ag Land	3,785,288,681	11.64%	3,545,150,592	10.90%	2,913,443,512	8.96%
Real, Commercial	1,720,053,945	5.29%	1,625,108,600	5.00%	1,283,158,778	3.95%
Real, Industrial	997,371,242	3.07%	932,495,442	2.87%	762,573,723	2.34%
Real Minerals, Non Producing	322,786,151	0.99%	817,193,237	2.51%	612,731,207	1.88%
Real and Tangible Personal, Utilities	983,423,268	3.02%	887,586,355	2.73%	728,925,592	2.24%
Tangible Personal, Commercial	803,462,960	2.47%	722,099,403	2.22%	692,329,816	2.13%
Tangible Personal, Industrial	1,560,841,488	4.80%	1,554,037,239	4.78%	1,249,116,444	3.84%
Tangible Personal, Mobile Homes	113,277,658	0.35%	95,514,813	0.29%	79,180,326	0.24%
Other	334,087,980	1.03%	286,481,528	0.88%	142,934,156	0.44%
Special Inventory	105,465,058	0.32%	114,459,930	0.35%	108,192,871	0.33%
Total Appraised Value Before Exemptions	\$ 32,521,027,500	100.00%	\$ 30,667,154,500	94.30%	\$ 23,914,424,127	73.54%
Less: Total Exemptions/Reductions	7,395,499,080		7,102,808,976		4,594,075,359	
Adjustments	-		23,039		-	
Taxable Assessed Value	<u>\$ 25,125,528,420</u>		<u>\$ 23,564,368,563</u>		<u>\$ 19,320,348,768</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 9,466,114,208	29.11%	\$ 8,074,033,581	42.78%
Real, Residential, Multi-Family	394,290,727	1.21%	300,146,585	1.85%
Real, Vacant Lots/Tracts	418,708,033	1.29%	345,114,851	2.04%
Real, Acreage (Land Only)	2,303,164,362	7.08%	1,836,139,379	11.65%
Real, Non-Qualified Ag Land	2,667,293,667	8.20%	2,001,733,574	11.60%
Real, Farm and Ranch Improvements		0.00%		0.00%
Real, Commercial	1,200,922,977	3.69%	1,096,167,055	6.83%
Real, Industrial	646,940,537	1.99%	616,732,130	3.33%
Real Minerals, Non Producing	347,868,694	1.07%	419,286,963	4.35%
Real and Tangible Personal, Utilities	697,755,111	2.15%	652,803,216	4.51%
Tangible Personal, Commercial	619,372,243	1.90%	619,295,489	4.12%
Tangible Personal, Industrial	1,115,398,645	3.43%	1,119,895,620	5.78%
Tangible Personal, Mobile Homes	66,424,472	0.20%	60,223,402	0.34%
Real Property, Inventory		0.00%		0.00%
Other	127,158,159	0.39%	99,506,226	0.31%
Special Inventory	88,170,823	0.27%	76,119,657	0.50%
Total Appraised Value Before Exemptions	\$ 20,159,582,658	61.99%	\$ 17,317,197,728	100.00%
Less: Total Exemptions/Reductions	3,701,940,666		2,846,192,212	
Adjustments	-		-	
Taxable Assessed Value	<u>\$ 16,457,641,992</u>		<u>\$ 14,471,005,516</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Central Appraisal District of Johnson County to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

A large portion of the County's assessed valuation consists of oil and natural gas mineral interests. Drilling activity is dependent upon prices of volatile commodities and the existence of recoverable minerals. Accordingly, the County's tax base may grow or constrict in any particular year as a result of fluctuations in mineral values and the quantity of recoverable minerals.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2021	181,837	\$ 14,471,005,516	\$ 79,582	\$ 18,340,000	0.13%	\$ 101
2022	183,768	16,457,641,992	89,557	18,735,000	0.11%	102
2023	187,280	19,320,348,768	103,163	17,495,000	0.09%	93
2024	195,506	23,564,368,563	120,530	16,210,000	0.07%	83
2025	202,906	25,125,528,420	123,828	45,490,000 ⁽³⁾	0.18%	224 ⁽³⁾

(1) Data derived from U.S. Census Bureau results.

(2) As reported by the Central Appraisal District of Johnson County on the County's annual State Property Tax Board Report.

(3) Includes the Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Lateral Road Fund	Tax Levy ⁽¹⁾	% Current Collections	% Total Collections
2021	\$ 0.4250	\$ 0.3752	\$ 0.0095	\$ 0.0403	\$ 59,117,582	98.34%	99.71%
2022	0.4200	0.3702	0.0095	0.0403	66,495,871	98.02%	99.10%
2023	0.4150	0.3610	0.0075	0.0465	76,693,574	98.29%	98.98%
2024	0.3850	0.3286	0.0064	0.0500	87,476,344	96.35%	96.35%
2025	0.3793	0.3226	0.0067	0.0500	91,541,256	97.88% ⁽²⁾	97.88% ⁽²⁾

(1) Tax levies include supplemental value changes during fiscal year.

(2) Collections as of May 1, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Klein Tools Inc.	Equipment	\$ 201,608,308	0.80%
ETC Texas Processing Ltd.	Oil & Gas	141,859,182	0.56%
James Hardie Building Products	Industrial Manufacturing	127,270,191	0.51%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	110,017,600	0.44%
Wal-Mart Stores East LP	Retail Store	97,625,533	0.39%
Halliburton Energy Services Inc.	Oil & Gas	93,909,287	0.37%
UPP Operating LLC	Oil & Gas	88,622,998	0.35%
Grand Prix Pipeline LLC	Oil & Gas	81,606,816	0.32%
Shannon Creek Apartments II LLC	Apartments	68,367,760	0.27%
Atmos Energy/Mid-Tex Pipeline	Natural Gas Utility	66,080,448	0.26%
		<u>\$ 1,076,968,123</u>	<u>4.29%</u>

(1) As reported by the Central Appraisal District of Johnson County.

TABLE 6 - TAX ADEQUACY⁽¹⁾

Principal and Interest Requirements, 2025	\$ 1,641,016
\$0.0067 Tax Rate at 98% Collection Produces	\$ 1,645,538
Average Annual Principal and Interest Requirements, 2026-2045 ⁽¹⁾	\$ 3,294,956
\$0.0135 Tax Rate at 98% Collection Produces	\$ 3,315,637
Maximum Principal and Interest Requirements, 2028 ⁽¹⁾	\$ 4,349,865
\$0.0178 Tax Rate at 98% Collection Produces	\$ 4,371,729

⁽¹⁾ Includes the Bonds.

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the County are paid out of ad valorem taxes levied by such entities on properties within the County. Such entities are independent of the County and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the County.

Taxing Jurisdiction	2024/2025	2024/2025	Total	Estimated %	County's
	Taxable	2024/2025	G.O. Tax		Overlapping
	Assessed	Tax	Debt		G.O.
	Value	Rate	As of 5/15/2025		Tax Debt
				Applicable	As of 5/15/2025
Johnson County	\$ 25,125,528,420	\$ 0.37928	\$ 45,490,000 ⁽¹⁾	100.00%	\$ 45,490,000
Alvarado ISD	2,375,571,976	1.28690	178,481,000	100.00%	178,481,000
City of Alvarado	747,490,262	0.78257	41,750,000	100.00%	41,750,000
Burleson ISD	5,238,666,579	1.25520	259,765,000	67.14%	174,406,221
City of Burleson	5,611,195,622	0.66270	176,415,000	79.71%	140,620,397
Cleburne ISD	4,193,538,999	1.21190	146,560,000	100.00%	146,560,000
City of Cleburne	3,744,669,804	0.58850	76,025,000	100.00%	76,025,000
Cresson Crossroads MUD #2 Defined Area # 2	15,791,900	1.00000	3,240,000	100.00%	3,240,000
Crowley ISD	68,108,088	1.25520	1,160,613,722	0.73%	8,472,480
City of Crowley	19,301,218	0.60830	41,005,000	0.22%	90,211
Godley ISD	1,784,490,538	1.28690	222,810,000	89.84%	200,172,504
City of Godley	528,427,564	0.51446	-	0.00%	-
Granbury ISD	9,181,093,938	0.93190	67,345,000	0.97%	653,247
Grandview ISD	182,476,987	0.99660	14,120,000	97.19%	13,723,228
City of Grandview	182,476,987	0.65000	960,000	100.00%	960,000
Joshua ISD	2,802,952,423	1.25750	183,475,000	100.00%	183,475,000
City of Joshua	786,230,426	0.68947	10,115,000	100.00%	10,115,000
Keene ISD	278,482,941	1.04640	9,284,000	100.00%	9,284,000
City of Keene	442,248,125	0.83413	10,008,000	100.00%	10,008,000
Mansfield ISD	2,438,686,278	1.14690	884,855,000	8.66%	76,628,443
City of Mansfield	2,045,471,374	0.64500	359,690,000	13.48%	48,486,212
Rio Vista ISD	500,392,303	1.18099	19,061,000	98.64%	18,801,770
City of Rio Vista	82,033,674	1.00612	-	0.00%	-
Venus ISD	807,563,898	1.17840	25,971,974	100.00%	25,971,974
City of Venus	450,858,637	0.73806	14,370,000	70.06%	10,067,622

Total Direct and Overlapping Tax Debt - \$ 1,423,482,309

Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation - 5.67%

Per Capita Direct and Overlapping Tax Debt - \$ 7,746.08

(1) Includes the Bonds.

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service			The Bonds			Total General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2025	\$ 1,325,000	\$ 316,016	\$ 1,641,016	\$ -	\$ -	\$ -	\$ 1,641,016	
2026	1,360,000	280,290	1,640,290	985,000	1,722,410	2,707,410	4,347,700	
2027	1,390,000	252,790	1,642,790	1,255,000	1,449,625	2,704,625	4,347,415	
2028	1,415,000	224,740	1,639,740	1,325,000	1,385,125	2,710,125	4,349,865	
2029	1,445,000	196,140	1,641,140	220,000	1,346,500	1,566,500	3,207,640	22.90%
2030	1,470,000	166,990	1,636,990	235,000	1,335,125	1,570,125	3,207,115	
2031	1,505,000	137,240	1,642,240	240,000	1,323,250	1,563,250	3,205,490	
2032	1,530,000	108,420	1,638,420	255,000	1,310,875	1,565,875	3,204,295	
2033	1,560,000	79,830	1,639,830	270,000	1,297,750	1,567,750	3,207,580	
2034	1,590,000	49,110	1,639,110	285,000	1,283,875	1,568,875	3,207,985	42.00%
2035	1,620,000	16,605	1,636,605	300,000	1,269,250	1,569,250	3,205,855	
2036	-	-	-	1,995,000	1,211,875	3,206,875	3,206,875	
2037	-	-	-	2,095,000	1,109,625	3,204,625	3,204,625	
2038	-	-	-	2,205,000	1,002,125	3,207,125	3,207,125	
2039	-	-	-	2,320,000	889,000	3,209,000	3,209,000	64.50%
2040	-	-	-	2,435,000	770,125	3,205,125	3,205,125	
2041	-	-	-	2,560,000	645,250	3,205,250	3,205,250	
2042	-	-	-	2,690,000	514,000	3,204,000	3,204,000	
2043	-	-	-	2,830,000	376,000	3,206,000	3,206,000	86.96%
2044	-	-	-	2,975,000	230,875	3,205,875	3,205,875	
2045	-	-	-	3,130,000	78,250	3,208,250	3,208,250	100.00%
	<u>\$ 16,210,000</u>	<u>\$ 1,828,171</u>	<u>\$ 18,038,171</u>	<u>\$ 30,605,000</u>	<u>\$ 20,550,910</u>	<u>\$ 51,155,910</u>	<u>\$ 69,194,082</u>	

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TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance, Fiscal Year Ended 9/30/2024	\$ 224,389
Interest Income	8,000
Budgeted Interest and Sinking Fund Tax Levy	1,641,016
Delinquent Taxes and Fees	17,000
Total Interest and Sinking Fund Resources, Fiscal Year 2025	<u>\$ 1,890,405</u>
Less: Tax Supported Debt Service Requirements, Fiscal Year 2025	\$ 1,641,016
Projected Interest and Sinking Fund Balance as of Fiscal Year Ending 9/30/2025	<u>\$ 249,389</u>

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Election Date	Purpose	Amount		Amount	
		Authorized	The Bonds ⁽¹⁾	Previously Issued	Unissued ⁽¹⁾
11/5/2024	Road & Bridge	\$ 60,000,000	\$ 31,753,300	\$ -	\$ 28,246,700

- (1) The amount of voted authorization for the Bonds represents the principal amount plus premium that will be deposited to the construction fund.

In addition to voter authorized ad valorem tax supported obligations, the County is authorized under Texas law to incur other debt obligations (without voter authorization) payable from its collection of ad valorem taxes, including certificates of obligation, tax notes, public property finance contractual obligations, and certain types of capital leases.

ANTICIPATED ISSUANCE OF DEBT. . . The County does not anticipate the issuance of additional tax supported debt within the next twelve months.

OTHER OBLIGATIONS . . . In November 2021, the County entered a five year lease agreement for the lease of a copier. Based on this agreement, the County is required to make quarterly payments of \$509. There are no renewal options included in this lease agreement and the County will not purchase the copier at the end of the lease term. An initial lease liability was recorded in the amount of \$9,428 using 3.00% discount rate.

In January 2022, the County entered a five year lease agreement for the lease of a copier. Based on this agreement, the County is required to make quarterly payments of \$1,515. There are no renewal options included in this lease agreement and the County will not purchase the copier at the end of the lease term. An initial lease liability was recorded in the amount of \$28,040 using 3.00% discount rate.

In October 2021, the County entered a three year lease agreement for the lease of a phone system. Based on this agreement, the County is required to make monthly payments of \$4,115. There are no renewal options included in this lease agreement and the County will not purchase the phone system at the end of the lease term. An initial lease liability was recorded in the amount of \$152,730 using 3.00% discount rate.

In January 2022, the County entered a five year lease agreement for the lease of public safety equipment. Based on this agreement, the County is required to make annual payments of \$8,989. There are no renewal options included in this lease agreement and the County will not purchase the public safety equipment at the end of the lease term. An initial lease liability was recorded in the amount of \$55,715 using 3.00% discount rate.

In October 2022, the County entered a two year lease agreement for the lease of an administration of justice building. Based on this agreement, the County is required to make monthly payments of \$600. There are no renewal options included in this lease agreement and the County will not purchase the administration of justice building at the end of the lease term. An initial lease liability was recorded in the amount of \$12,369 using 2.024% discount rate during the current fiscal year.

In March 2023, the County entered a five year lease agreement for the lease of public safety equipment. Based on this agreement, the County is required to make monthly payments of \$155. There are no renewal options included in this lease agreement and the County will not purchase the public safety equipment at the end of the lease term. An initial lease liability was recorded in the amount of \$8,714 using 2.682% discount rate during the current fiscal year.

Year Ended			Total
September 30	Principal	Interest	Requirements
2025	\$ 17,362	\$ 1,585	\$ 18,947
2026	17,880	1,067	18,947
2027	12,296	578	12,874
2028	9,497	267	9,764
Totals	<u>\$ 57,035</u>	<u>\$ 3,497</u>	<u>\$ 60,532</u>

The County has entered into subscription based information technology arrangements (SBITAs) for the right to use the other party's information technology software which have been accounted for in accordance with GASB 96. The County is required to make annual payments on each arrangement at the County's incremental borrowing rate or the interest rate stated or implied in the subscription term which ranges from 0.582% to 3.591%. The value of the right to use subscription assets as of September 30, 2024 is \$3,580,917 with accumulated amortization of \$ 1,009,091.

The future principal and interest SBITA payments for governmental activities as of September 30, 2024 are as follows:

Year Ended			Total
September 30	Principal	Interest	Requirements
2025	\$ 688,642	\$ 64,397	\$ 753,039
2026	542,917	47,979	590,896
2027	495,700	33,966	529,666
2028	485,214	20,436	505,650
2029	263,516	7,127	270,643
2030	111,060	1,360	112,420
Totals	<u>\$ 2,587,049</u>	<u>\$ 175,265</u>	<u>\$ 2,762,314</u>

PENSION FUND. . . The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). Under State law governing TCDRS, the contribution rate of the County is a fixed percent equal to the contribution rate payable by the employee member, which is 7% as adopted by the governing body of the County. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute the same amount as the employee. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the County's Annual Financial Report" - Note # 11.)

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to the pension benefits described above, the County provides certain other post-retirement benefits to retired employees and their dependents that fall within the scope of Governmental Accounting Standards Board's Statement of General Accounting Standards No. 45 ("GASB 45"), Accounting by Employers for Other Postemployment Benefits ("OPEB"). (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the County's Annual Financial Report" - Note # 12.)

GASB 45, which sets forth standards for the measurement, recognition, and display of post-employment benefits other than pensions (such as health and life insurance for current and future retirees), applies to the County. GASB 45 requires the County to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting over the working lifetime of the employees; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, the future costs of those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer's future cash flows. The employer's contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in a net OPEB cost, which under GASB 45 must be recorded as a liability in the employer's financial statements.

The County provides post employment health insurance benefits for (i) retired full time regular employees who, at the time they leave County employment are eligible for retirement benefits under the TCDRS guidelines and have a total of 20 years of service with the County of which 10 years are continuous service and are covered under the County health insurance program at the time of their retirement and are not eligible for Medicare or (ii) elected officials who at the time they leave County employment are eligible for retirement benefits under the TCDRS guidelines and have a total of 16 years of service with the County of which at least 10 years are continuous service and are covered under the County group health insurance program at the time of their retirement and are not eligible for Medicare. The County does not contribute toward the coverage for retirees who do not meet the eligibility requirements stated previously. The plan began in the year ended September 30, 2009 and is funded on a pay-as-you-go

basis. (For more detailed information concerning the other postretirement benefits, see Appendix B, “Excerpts from the County’s Annual Financial Report” - Note # 13.)

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FINANCIAL INFORMATION

TABLE 10 - CHANGE IN NET POSITION

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues					
Program Revenues:					
Charges for Services	\$ 31,770,859	\$ 26,180,375	\$ 25,688,348	\$ 25,537,483	\$ 24,914,621
Operating Grants and Contributions	11,628,694	10,161,363	6,915,063	3,893,806	4,334,545
Capital Grants and Contributions	8,582,211	8,030,066	2,551,378	1,305,573	1,203,158
General Revenues:					
Property Taxes	86,981,945	76,994,098	66,758,736	59,925,889	56,834,980
Other Taxes	353,874	312,743	276,378	255,264	173,200
Investment Earnings	6,672,919	5,047,441	316,056	420,936	1,240,278
Gain on Disposition of Capital Assets	-	-	-	-	112,953
Miscellaneous	1,104,218	2,168,559	439,123	991,595	1,087,081
Total Revenues	<u>\$ 147,094,720</u>	<u>\$ 128,894,645</u>	<u>\$ 102,945,082</u>	<u>\$ 92,330,546</u>	<u>\$ 89,900,816</u>
Expenditures					
General Government	\$ 25,297,397	\$ 23,304,470	\$ 19,947,398	\$ 18,828,520	\$ 18,663,227
Administration of Justice	11,414,276	10,623,732	8,829,558	8,992,175	9,263,379
Financial	1,719,894	1,524,166	1,186,407	1,251,183	1,230,024
Elections	1,158,923	756,577	654,004	928,441	725,418
Law Enforcement	53,122,181	48,035,051	40,984,943	41,822,703	41,667,920
Highways / Streets	10,433,115	10,101,391	9,335,140	9,264,597	9,403,250
Public Health and Welfare	3,814,072	4,009,672	5,276,133	2,883,698	2,698,608
Culture and Recreation	379,019	389,618	323,382	300,256	302,199
Conservation	574,976	273,176	249,067	236,892	248,865
Interest on Long-Term Debt	513,836	532,946	690,177	753,199	826,935
Total Expenses	<u>\$ 108,427,689</u>	<u>\$ 99,550,799</u>	<u>\$ 87,476,209</u>	<u>\$ 85,261,664</u>	<u>\$ 85,029,825</u>
Increase In Net Position	\$ 38,667,031	\$ 29,343,846	\$ 15,468,873	\$ 7,068,882	\$ 4,870,991
Net Position, Beginning	154,673,685	125,329,839	109,860,966 ⁽¹⁾	102,805,476	97,934,485
Prior Period Adjustment	-	-	-	-	-
Net Position, Ending	<u>\$ 193,340,716</u>	<u>\$ 154,673,685</u>	<u>\$ 125,329,839</u>	<u>\$ 109,874,358</u>	<u>\$ 102,805,476</u>

(1) Restated.

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TABLE 10A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Years Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Taxes	\$ 72,785,193	\$ 65,493,325	\$ 57,226,065	\$ 51,414,264	\$ 48,935,266
Intergovernmental	1,684,732	1,737,559	1,547,284	1,797,597	1,679,795
Prisoner Housing Services	-	-	-	8,702,223	10,346,453
Fees of Office	21,518,763	17,856,706	17,836,557	9,191,899	7,364,137
Fines and Forfeitures	2,234,181	1,432,127	1,446,548	1,027,653	969,332
Interest Income	4,665,376	4,021,779	132,355	348,834	953,972
Licenses and Permits	28,000	26,000	-	-	-
Miscellaneous	848,591	1,747,857	140,016	686,796	1,163,853
Total Revenues	<u>\$ 103,764,836</u>	<u>\$ 92,315,353</u>	<u>\$ 78,328,825</u>	<u>\$ 73,169,266</u>	<u>\$ 71,412,808</u>
Expenditures:					
General Government	\$ 20,997,288	\$ 19,764,479	\$ 17,956,848	\$ 15,971,872	\$ 15,530,241
Law Enforcement	48,400,959	43,389,684	38,884,845	36,888,259	36,678,458
Administration of Justice	9,828,270	8,881,393	7,968,795	7,370,694	7,330,521
Financial	1,559,320	1,493,180	1,296,432	1,234,501	1,196,870
Elections	1,064,451	729,599	664,658	770,742	671,188
Public Health and Welfare	1,644,083	1,381,778	1,275,186	1,144,756	1,084,764
Culture and Recreation	366,315	389,149	335,341	288,299	283,233
Conservation	270,275	276,143	258,496	234,979	245,105
Capital Outlay	2,805,100	3,998,576	1,318,307	1,008,333	1,076,665
Debt Service	772,020	590,458	77,911	-	-
Total Expenditures	<u>\$ 87,708,081</u>	<u>\$ 80,894,439</u>	<u>\$ 70,036,819</u>	<u>\$ 64,912,435</u>	<u>\$ 64,097,045</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 16,056,755	\$ 11,420,914	\$ 8,292,006	\$ 8,256,831	\$ 7,315,763
Budgeted Transfers In	\$ 524,787	\$ 614,632	\$ 572,006	\$ 343,221	\$ 348,465
Proceeds from Sale of Assets	40,984	63,107	118,486	23,977	83,485
Proceeds from Right to Use Lease Assets	-	2,440,915	245,913	-	-
Issuance of Subscription Based IT arrangements	1,921,697	-	-	-	-
Budgeted Transfers Out	(2,720,416)	(11,506,015)	(1,556,931)	(4,049,224)	(4,042,062)
Total Transfers	<u>\$ (232,948)</u>	<u>\$ (8,387,361)</u>	<u>\$ (620,526)</u>	<u>\$ (3,682,026)</u>	<u>\$ (3,610,112)</u>
Net Increase (Decrease)	\$ 15,823,807	\$ 3,033,553	\$ 7,671,480	\$ 4,574,805	\$ 3,705,651
Beginning Fund Balance	<u>50,774,252</u>	<u>47,740,699</u>	<u>40,069,219</u>	<u>35,494,414</u>	<u>31,788,763</u>
Ending Fund Balance	<u>\$ 66,598,059 ⁽¹⁾</u>	<u>\$ 50,774,252</u>	<u>\$ 47,740,699</u>	<u>\$ 40,069,219</u>	<u>\$ 35,494,414</u>

(1) Subsequent to September 30, 2024, the Commissioners Court transferred approximately \$5 million of the FY 2024 Ending Fund Balance to a capital improvement fund to be used for capital projects of the County.

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FINANCIAL POLICIES

Basis of Accounting . . The accounting policies for the County conform to generally accepted accounting principles.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liabilities are incurred.

General Fund Balance . . The County's budgetary goal is to follow the Government Finance Officers Association (GFOA) recommended best practices by maintaining combined fund balances in the General Fund and Road and Bridge Funds at a level equivalent to no less than 90 days and no more than 180 days of operating expenditures.

Budgetary Procedures . . The County's Fiscal Year begins October 1 and ends September 30. The annual budget process begins in April, when departments submit funding requests to the County Budget Committee. The Budget Committee is composed of the County Judge, County Auditor, Personnel Director, Budget Coordinator, and one County Commissioner (rotated annually). After reviewing departmental submissions, the Committee develops preliminary budget recommendations for consideration by the Commissioners Court during July and August. The Commissioners Court approves the final budget and sets the County's tax rate in September. The current property tax rate is \$0.3793.

Fund Investments . . The County's investment policy parallels State laws which govern the investment of public funds, particularly the Public Funds Investment Act of 1987. Funds are invested to maximize yield, with safety of principal and liquidity as primary objectives. The County generally restricts investments to direct obligations of the United States Government, governmental agencies, investment pools, and to insured or collateralized bank Certificates of deposit, primarily with the County's depository bank.

INVESTMENTS

The County invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Commissioners Court of the County. Both State law and the County's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for County deposits; or (ii) where (a) the funds are invested by the County through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the County as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the County; (b) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the County appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the County with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to

the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the PFIA. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the County and deposited with the County or with a third party selected and approved by the County.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The County may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution. The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES...Under Texas law, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for County funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the County'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." At least quarterly the County's investment officers must submit an investment report to the Commissioners Court detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest County funds without express written authority from the Commissioners Court.

ADDITIONAL PROVISIONS...Under State law, the County is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, Order or resolution stating that it has reviewed its investment policy and investment strategies

and records any changes made to either its investment policy or investment strategy in the respective rule, order, Order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the County to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (4) require the qualified representative of firms offering to engage in an investment transaction with the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the County and the business organization that are not authorized by the County's investment policy, and (c) deliver a written statement in a form acceptable to the County and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (6) provide specific investment training for the County's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the County's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the County.

TABLE 11 – CURRENT INVESTMENTS

As of April 30, 2025, The County's investable funds were invested in the following categories:

Type of Investment	Market Value	Book Value	% of Portfolio
Total Government & Agencies	\$ 6,978,416	\$ 6,978,416	4.64%
Investment Pools	26,282,678	26,282,678	17.48%
Brokered CD's	17,721,958	17,721,958	11.79%
Money Market	99,378,402	99,378,402	66.09%
	<u>\$ 150,361,454</u>	<u>\$ 150,361,454</u>	<u>100.00%</u>

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the County, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds (see "Appendix C – Form of Legal Opinion of Bond Counsel").

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the County, including information and representations contained in the County's federal tax certificate, and (b) covenants of the County contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the County to observe the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the County with the covenants and requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the County with respect to the Bonds or the facilities financed or refinanced with proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the County that it deems relevant to render such opinion, and is not a guarantee of result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the County as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

INFORMATION REPORTING AND BACKUP WITHHOLDING. . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the County has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS. . . The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 11 and in Appendix B, which is the County's annual audited financial report. The County will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2025 and, if not submitted as part of such annual financial information, the County will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the County will file unaudited financial information within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation.

The County's current fiscal year end is September 30. Accordingly, the County must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the County otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

NOTICE OF CERTAIN EVENTS... The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other

similar terms of any such financial obligation of the County, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the County, any of which reflect financial difficulties. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with their agreement described above under “Annual Reports”. Neither the Bonds nor the Order provide for debt service reserves, liquidity enhancement, or credit enhancement.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County. For the purposes of the above describe event notices (15) and (16), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION. . . The County has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS. . . The County has agreed to update information and to provide notices of specified events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although the registered and beneficial owners of Bonds may seek a writ of mandamus to compel the County to comply with its agreement.

The County may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered and beneficial owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The County may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the County so amends the continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the County has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds and the presently outstanding tax-supported debt of the County have been rated “AAA” (stable outlook) by Fitch Ratings (“Fitch”) and “AA” (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. (“S&P”), without regard to credit enhancement. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the County Attorney that there is no pending litigation against the County that would have a material adverse financial impact upon the County or its operations.

REGISTRATION AND QUALIFICATION OF BONDS

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The County assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The County agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the County shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The County has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

LEGAL MATTERS

The County will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the County in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions "PLAN OF FINANCING" (excluding the information under the subcaption "Use of Bond Proceeds"), "THE BONDS" (excluding the information under the subcaptions "DTC Notices," "Book-Entry-Only System" and "Bondholders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaptions "Availability of Information" and "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds," "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER INFORMATION - Legal Matters" (excluding the last two sentences of the second paragraph hereof), and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The County expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future

performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CYBERSECURITY

The County, like other counties in the State, utilizes technology in conducting its operations. As a user of technology, the County potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the County may be the target of a cyber-attack on its technology systems that could result in material adverse consequences to the County. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the County's operations or finances. To mitigate these risks, the County continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for County employees and administration. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the County to litigation and other legal risks, which could cause the County to incur other costs related to such legal claims or proceedings.

In 2022, the County was impacted by a cybersecurity event involving one of its third-party vendors where certain data was compromised from a secure file transfer repository operated by the third-party vendor. The cybersecurity incident did not originate from or compromise the County's internal network infrastructure. In response to the incident, the County implemented a series of additional remediation and prevention measure.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from County records, audited financial statements and other sources, which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the County, at a price equal to the initial offering price to the public set forth on the inside front cover page of this Official Statement, less an underwriting discount of \$160,321.65. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. The County's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

The Order authorizing the issuance of the Bonds also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters.

/s/ CHRISTOPHER BOEDEKER
County Judge
Johnson County, Texas

ATTEST:

/s/ APRIL LONG
County Clerk
Johnson County, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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GENERAL INFORMATION . . . Johnson County, Texas (the “County”) was established in 1854, and encompasses 731 square miles in North Central Texas. The County is bordered by Tarrant County to the north, Ellis County to the east, Hood and Somervell Counties to the west, and Bosque and Hill Counties to the south. The County is a component of the Fort Worth-Arlington Primary Metropolitan Statistical Area.

ECONOMY . . . Johnson County is home to approximately 215,000 residents. From 2020 to 2024, the population grew by nearly 20%. Johnson County boasts a median household income of \$81,826, compared to Texas’ median household income of \$76,292. The County's economy is diverse, with significant employment in government(including public education), manufacturing, retail, and construction sectors. Healthcare and the oil and gas industries also play vital roles in employment, while a robust agribusiness sector contributes to the overall economic output.

Total retail sales in 2022 exceeded \$3.3 billion. The County also benefits from its proximity to the Dallas-Fort Worth metroplex, supporting residential growth and economic development.

In December 2024, Johnson County produced approximately 8.0 million cubic feet (MCF) of natural gas, ranking 29th among Texas counties for gas production during that period. This production underscores the County’s ongoing role in Texas’s energy sector, particularly within the Barnett Shale formation.

Industries in the County varies from the manufacturing of insulated apparel to limestone mining. Some of the 2024 principal employers in the County are as follows:

<u>Name of Firm</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
Burleson ISD	Education	1750
Cleburne ISD	Education	1096
Joshua ISD	Education	882
Johnson County	Government	823
Wal-Mart Distribution Center	Retail	757
Sabre Tubular Structures	Manufacturing	713
City of Burleson	Government	640
HEB - Burleson	Government	630
Wal-Mart Supercenter (Burleson)	Retail	500
Wal-Mart Supercenter (Cleburne)	Retail	450

(1) Source: Johnson County

TRANSPORTATION . . . Johnson County is served by a robust transportation network that includes major highways, railways, and air travel infrastructure. The County’s location within the Dallas-Fort Worth region supports strong connectivity to neighboring urban and commercial centers.

Highways . . . The County is traversed by one interstate highway, two U.S. highways, and multiple state highways, as well as a network of county and farm-to-market roads.

Interstate 35W runs north-south through the County, passing through Burleson and Alvarado, and offers direct access to Fort Worth to the north and Austin and San Antonio to the south.

U.S. Highway 67 crosses the County east-west, connecting Keene and Cleburne and providing a route to Dallas.

The Chisholm Trail Parkway, a tollway operated by the North Texas Tollway Authority (NTTA), extends from downtown Fort Worth into northern Johnson County. This limited-access corridor enhances commuter and freight mobility between Cleburne and Fort Worth, significantly reducing travel time and alleviating congestion along I-35W.

Railways . . . The County is served by several freight rail providers, including Union Pacific Railroad and BNSF Railway, which support industrial and commercial movement of goods. Passenger rail is available through Amtrak, which stops in the City of Cleburne, connecting the County to regional and national rail networks.

Air Travel . . . Johnson County has two general aviation airports.

Cleburne Regional Airport features a 5,700 x 100-foot runway and supports commercial, corporate, and private aviation.

Keene Municipal Airport serves personal and recreational aircraft.

Commercial air travel is available via Dallas-Fort Worth International Airport, located approximately 50 miles from the geographic center of the County, offering direct flights to major domestic and international destinations.

Additional Transportation Services . . . Freight trucking companies operate throughout the County, supporting logistics and supply chain needs. Bus transportation is available through regional services, including charter and commuter carriers.

EDUCATION . . . Johnson County is served by multiple independent school districts (ISDs) providing K–12 education across the region. The largest ISDs include Burleson ISD, Cleburne ISD, Joshua ISD, Godley ISD, Grandview ISD, Venus ISD, Rio Vista ISD, Keene ISD, Alvarado ISD, and Covington ISD. These districts operate a combined total of over 75 campuses, educating tens of thousands of students annually.

As of the 2023–2024 school year, the County’s reported enrollment ranged from 1,087 students at Keene ISD to 12,634 students at Burleson ISD.

Several private and charter school options are also available throughout the County, offering families a variety of educational choices.

Higher education is supported locally by:

Hill College, a public community college with a campus in Cleburne offering associate degrees, technical programs, and dual-credit partnerships with local high schools.

Southwestern Adventist University, a private, four-year liberal arts university located in Keene, offering undergraduate and graduate degree programs.

In addition, Johnson County is within commuting distance of several major universities, including:

Texas Christian University (Fort Worth)
University of Texas at Arlington
Southern Methodist University (Dallas)
Tarleton State University – Fort Worth campus
Baylor University (Waco)

These institutions contribute to regional workforce development and provide accessible opportunities for advanced education and professional training for County residents.

FINANCIAL INSTITUTIONS . . . Johnson County is served by a diverse array of financial institutions, including national and regional banks, credit unions, mortgage lenders, and investment firms. As of 2025, the County hosts numerous bank branches and credit union offices offering a wide range of personal and business financial services. Major banking entities operating in the area include Wells Fargo, Pinnacle Bank, Citizens National Bank of Texas, Grandview Bank, and Members Credit Union.

In addition to traditional banking services, the County is home to several financial advisory and investment firms, including Edward Jones, Raymond James Financial Services, SMH Capital Advisors LLC, and Aspen Wealth Management. These firms provide wealth management, retirement planning, and investment services to residents and local businesses.

MEDICAL FACILITIES . . . Johnson County’s primary healthcare provider is Texas Health Harris Methodist Hospital Cleburne, a 137-bed, full-service acute care facility located in the City of Cleburne. The hospital is recognized as a Level IV Trauma Center and offers a broad range of medical services, including emergency care, surgical procedures, imaging, rehabilitation, and outpatient treatments.

The County is also served by multiple urgent care centers, specialty clinics, and family practice providers located throughout its cities and towns. As of 2025, there are nine licensed nursing homes operating within Johnson County, offering skilled nursing and long-term care services. These facilities are primarily located in the cities of Cleburne, Burleson, and surrounding communities.

In addition to local services, residents benefit from close proximity to several major hospital systems in Fort Worth and the greater Dallas-Fort Worth metroplex, including Texas Health Harris Methodist Fort Worth, Baylor Scott & White All Saints Medical Center, Cook Children’s Medical Center, and UT Southwestern Medical Center. These regional facilities provide advanced and specialized care, including trauma, cancer treatment, neonatal care, and academic medical research.

RECREATION . . . Johnson County offers a variety of recreational opportunities for residents and visitors, supported by its natural landscapes, lakes, and park systems. In addition to numerous municipal parks, sports complexes, and community centers located throughout the County’s cities and towns, the area is home to several notable outdoor destinations:

Cleburne State Park, a 528-acre park centered around a spring-fed lake, offering hiking and biking trails, fishing, swimming, camping, and day-use facilities.

Lake Pat Cleburne, a popular site for boating, jet skiing, fishing, and lakeside picnicking, located adjacent to the City of Cleburne.

Lake Whitney, located near the southern edge of the County, Lake Whitney offers expansive recreational options including boating, fishing, camping, and hiking, with access to both public parks and U.S. Army Corps of Engineers land.

Hamm Creek Park, a scenic riverside park along the Brazos River near Rio Vista, offering tent and RV camping, fishing, a boat ramp, restrooms, and shaded picnic areas. The park is maintained by Johnson County and is a popular local destination for outdoor enthusiasts.

The County’s varied terrain and proximity to lakes and rivers make it well-suited for hunting, fishing, kayaking, trail riding, and other outdoor activities. Community recreation programs, youth sports leagues, and seasonal events hosted in local parks contribute to a strong quality of life and sense of community throughout the region.

EMPLOYMENT RATES

	Johnson County (Average Annual)				
	2025 ⁽¹⁾	2024	2023	2022	2021
Civilian Labor Force	105,531	104,446	101,593	96,499	91,084
Total Employed	101,783	100,653	98,048	93,209	86,823
Total Unemployed	3,748	3,793	3,545	3,290	4,261
Unemployment Rate	3.6%	3.6%	3.5%	3.4%	4.7%

(1) As of March 2025.

APPENDIX B

EXCERPTS FROM THE
JOHNSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the Johnson County, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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JOHNSON COUNTY, TEXAS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended
September 30, 2024

JOHNSON COUNTY, TEXAS
JOHNSON COUNTY AUDITOR'S OFFICE
#2 North Main Street
Cleburne, Texas 76033



JOHNSON COUNTY, TEXAS

Annual Comprehensive Financial Report For the Year Ended September 30, 2024

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JOHNSON COUNTY, TEXAS

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INTRODUCTORY SECTION





JOHNSON COUNTY AUDITOR

JOHNSON COUNTY COURTHOUSE

#2 N. MAIN

CLEBURNE, TEXAS 76033

Telephone (817) 556-6305 ~ Fax (817) 556-6075

Steven E. Watson
County Auditor

Jennifer R. Lyon
First Assistant County Auditor

March 18, 2025

Citizens of Johnson County
The Honorable District Judges and
The Honorable Commissioners Court:

In compliance with the statutory duties of the County Auditor as prescribed by Section 114.025 of the Local Government Code of the State of Texas, the Annual Comprehensive Financial Report of Johnson County, Texas (County), for the fiscal year ended September 30, 2024, is submitted herewith. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. This report has been prepared using generally accepted accounting principles and guidelines promulgated by the Governmental Accounting Standards Board. We have attempted to conform substantially to the high standards of public financial reporting as recommended by the Government Finance Officers Association of the United States and Canada. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

GAAP requires management to provide a narrative description of an introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in alongside of it. Johnson County's MD&A can be found immediately following the report of the independent auditors.

The County is required to undergo an annual single audit in conformity with the provisions of the *Uniform Guidance* and Texas Grant Management Standards for federal and state awards, respectively. Information related to this single audit, and the independent auditors' reports of the internal control structure and compliance with applicable laws and regulations are included in the single audit section of this report.

In developing the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The County Auditor's Office continually assesses its ability to ensure that adequate internal accounting controls are in place to safeguard assets and provide reasonable assurance of proper recording of financial transactions. With this ongoing effort, and growth of the County, the internal audit function becomes a larger task each year, addressing the needs that change and growth dictate.

The County Auditor's role in the budget process is to project revenues for the ensuing fiscal year. The County Judge serves as the Budget Officer for Johnson County and compiles all of the proposed expenditures for the proposed budget. Upon adoption of the budget, budgetary controls rest with the Commissioners Court, insofar as any line-item transfers or other changes to the adopted budget must be made and approved by the Commissioners Court in accordance with Texas statutes. The County Auditor enforces budgetary policies and regulations.

ECONOMIC CONDITION AND OUTLOOK

Johnson County is strategically located in North Central Texas and is considered a part of the Fort Worth metropolitan area. Johnson County is a member of the North Central Texas Council of Governments which is comprised of sixteen counties. The area has experienced steady growth, which is expected to continue for several years due to the influence of Dallas and Fort Worth, adjacent to our northern border, and improved transportation routes.

Johnson County is experiencing growth with obvious signs of significant future growth. The region has a varied manufacturing and industrial tax base that contributes to the relatively favorable unemployment rate.

With the creation of the Johnson County Economic Development Commission (JCEDC) in September 1989, the County continues to be a competitive area for creating a favorable business climate. The JCEDC has a goal of attracting new business to the area, resulting in new jobs and significant increases to the tax rolls.

Population growth is noticeable throughout all sections of the County. Even the smaller communities have experienced very impressive residential development. Several years ago, construction of new residential developments began, and new neighborhoods continue to be built today. Combined efforts of the cities and county government have proven to be effective in attracting industry as well. Several communities, including the Cities of Cleburne, Burleson, Godley and Venus continue to experience growth in residential building. Godley, Texas currently has several subdivisions underway, in which, many are valued significantly above the average for the County. The tollway is certainly considered as a contributing factor for this development. Additionally, it has added a measurable quality of life to citizens that must commute to Fort Worth, as the travel time is about half of what it was prior to the tollway.

The County provides a full range of services authorized by statute. These services include general governmental services such as recording and licensing, sustaining the District, County and Justice Court systems, maintaining public facilities, ensuring public safety, preserving public health and welfare, aiding conservation, and maintaining County roads and bridges.

MAJOR INITIATIVES

Johnson County, because of its continued growth, is faced with many challenges in delivering services to its citizens while maintaining a conservative financial approach. The Commissioners Court has been committed to meeting increasing needs for services and facilities. The following initiatives reflect the County's commitment to ensuring that its citizens are able to live and work in an enviable environment.

For the Year

Construction for one significant project was completed; A new 911 telecommunications center is now in use. The County began exploring the remodel of other buildings to better serve the community.

FINANCIAL CONDITION

Current Condition. Johnson County continues to be well positioned financially, with above average fund balances. This financial strength has been maintained with no hardship, even with decisions to fund capital projects with available cash. The County's Fund Balance Policy, with the minimum balances established by the policy, is taken seriously. Fund balances will continue to exceed the popular rules of thumb. The unassigned fund balance of the General Fund has been at a healthy level for consecutive years, and the County has always used prudence in the decisions to use cash to finance qualifying projects.

Long Range Financial Planning. Johnson County has a determination to manage funds in a conservative and judicious manner. One initiative adopted by the County includes a separate "Operating Reserve" line-item in the budget which ensures that unexpected situations do not create unmanageable conditions. With the knowledge that mineral royalty revenues and mineral values will fluctuate with the price of natural gas, the County has never and will not put itself in a position to depend upon such revenue.

Significant Financial Policy. It is the policy of Johnson County to maintain an above-average fund balance as evidenced by the Fund Balance Policy. To ensure fund balances remain at these levels the County will strive to balance the General Fund budget each year or use only a minimum amount of the fund balance to finance the budget. This conservative practice will ensure that the County has adequate funding in future years if it faces economic challenges.

Administration. The officials having responsibility for the financial administration of the County are the County Judge and four County Commissioners (the "Commissioners Court"), the County Treasurer (all of whom are elected for four-year terms), and the County Auditor who is appointed for a two-year term by the State District Judges having jurisdiction within the County. The governing body of the County is the Commissioners Court. It has only those powers expressly granted to it by the legislature and powers necessarily implied from such grant. Among other things, it approves the County budget, determines the County tax rate, approves contracts in the name of the County, determines whether a proposition to issue bonds should be submitted to the voters, conducts official business of the County at designated meeting times, and appoints certain individuals to manage various departments.

The County Judge is the presiding officer of the Commissioners Court. Each Commissioner represents one of the four precincts into which the County is divided and is elected by the voters of the precinct. The County Commissioners supervise construction and maintenance of the County road systems as well as perform other administrative duties.

The County Treasurer is the custodian of funds and has the sole authority to disburse funds for the County. This includes receipting and depositing all funds paid to the County. The Treasurer is also the designated County Investment Officer and confers with the County Auditor regarding investments of County funds. The Commissioners Court has adopted an investment policy in compliance with the Public Funds Investment Act.

The County Auditor is responsible for substantially all County financial and accounting control functions. The responsibilities of the County Auditor include those of accounting, auditing, accounts payable and financial operations and reporting. Also, the County Auditor works with the Treasurer to determine the type, terms, and amounts of investments of County funds.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit. The County's financial statements have been audited by KM&L, LLC., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Johnson County, Texas financial statements for the fiscal year ended September 30, 2024 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Johnson County for its annual comprehensive financial report for fiscal year ended September 30, 2023. This was the thirty-third consecutive year that the County has earned this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The production of this report is attributable to the dedication and work of the County Auditor's Office staff and KM&L, LLC, our independent auditor. I would like to thank all Johnson County Elected Officials, Department Heads, and their staffs for their cooperation and leadership in conducting the financial affairs of the County. A special thanks is extended to my staff that dedicate themselves so fully throughout the year.

Respectfully submitted,



Steven E. Watson
Johnson County Auditor



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Johnson County
Texas**

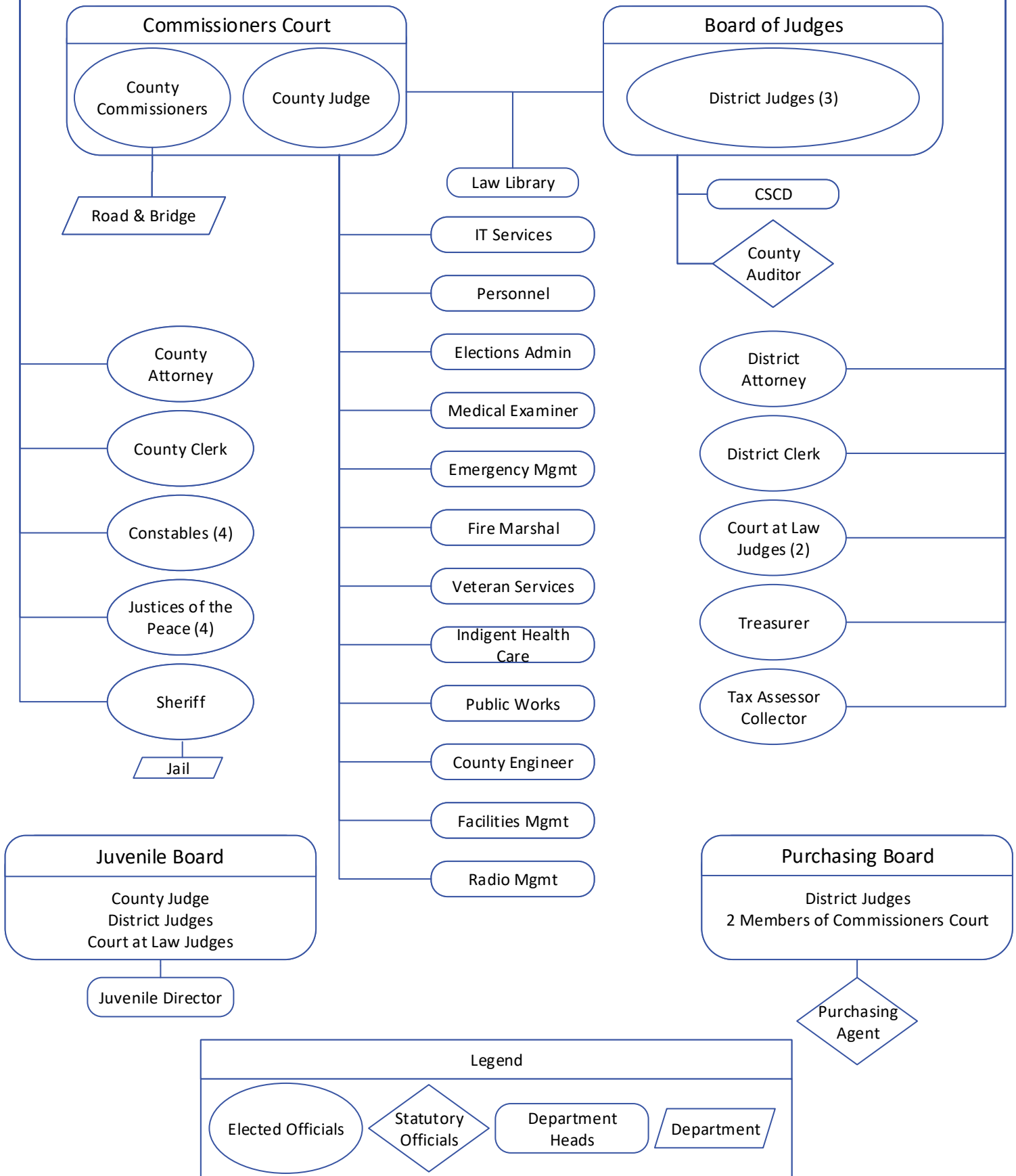
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO

Johnson County Voters



JOHNSON COUNTY, TEXAS

PRINCIPAL OFFICIALS

COMMISSIONERS COURT

COUNTY JUDGE

Christopher Boedeker

COUNTY COMMISSIONERS

Precinct 1

Rick Bailey

Precinct 2

Kenny Howell

Precinct 3

Mike White

Precinct 4

Larry Woolley

JUDICIAL

DISTRICT JUDGE

18th Judicial District

Sydney B. Hewlett

249th Judicial District

Tiffany Strother

413th Judicial District

William C. Bosworth, Jr.

COUNTY COURT-AT-LAW I

John Neill

COUNTY COURT-AT-LAW II

Steve McClure

JUSTICE OF THE PEACE

Precinct 1

Ronald R. McBroom

Precinct 2

Jeff Monk

Precinct 3

Andrew Nolan

Precinct 4

Robert Shaw

LAW ENFORCEMENT AND LEGAL

DISTRICT ATTORNEY

Dale Hanna

COUNTY ATTORNEY

Bill Moore

SHERIFF

Adam King

CONSTABLES

Precinct 1

Matt Wylie

Precinct 2

Adam Crawford

Precinct 3

Steve Williams

Precinct 4

Troy Fuller

COMMUNITY SUPERVISION DIRECTOR*

Diane Crowe

CHIEF JUVENILE PROBATION OFFICER*

Steve Gant

FINANCIAL ADMINISTRATION

COUNTY AUDITOR*

Steven Watson

COUNTY TREASURER

Kathy Blackwell

TAX ASSESSOR - COLLECTOR

Scott Porter

PURCHASING AGENT*

Lance Anderson

COURT CLERKS

DISTRICT CLERK

David Lloyd

COUNTY CLERK

April Long

*Denotes appointed officials. All others are elected officials.



FINANCIAL SECTION





Independent Auditor's Report

To the Honorable County Judge
and Members of Commissioners Court
Johnson County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Texas (the "County"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County'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, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof 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 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 County 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.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



The Honorable County Judge,
and Members of Commissioners Court
Johnson County, Texas

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 County'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 County'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 County'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.

The Honorable County Judge,
and Members of Commissioners Court
Johnson County, Texas

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, required pension schedules and required OPEB schedules on pages 5 through 17 and 76 through 85 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of state awards as required by the Texas Grant Management Standards are presented for purposes of additional analysis and are 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 information 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 combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

The Honorable County Judge,
and Members of Commissioners Court
Johnson County, Texas

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2025, on our consideration of the County'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 County'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 County's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
March 18, 2025

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024

As management of Johnson County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year for governmental activities by \$ 193,340,716 (net position). Of this amount, \$ 82,032,207 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors with the County's fund designation.
- The County's total net position increased for governmental activities by \$ 38,667,031.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 96,928,010. 67.57% of this amount, \$ 65,494,612 (unassigned fund balance), was available for use within the County's fund designations. Of the governmental funds amount, \$ 1,763,403 is nonspendable and \$ 29,669,995 has been restricted for specific uses.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 65,514,829 or 74.70% of the total general fund expenditures.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four 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 County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

JOHNSON COUNTY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the County include general government, administration of justice, financial administration, elections, law enforcement, highways and streets, health and welfare, culture and recreation, and conservation. The County has no *business-type activities*.

The government-wide financial statements can be found on pages 20 through 21 of this report.

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 County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **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 current sources and uses 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The County maintains sixty-seven (67) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the Road & Bridge Fund, the General Debt Service Fund and the American Rescue Plan Act (ARPA) Fund; all of which are considered to be major funds. Data from the other sixty-three (63) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 22 through 25 of this report.

- **Proprietary Funds.** The County uses internal service funds to report activities that provide services for the County's other programs and activities. The Healthcare Fund is the County's internal service fund. Its purpose is to provide for the accumulation of funds for insurance and employee benefits used in County operations. Since all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 26 through 28 of this report.

JOHNSON COUNTY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

- **Fiduciary Funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's operations. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's basic fiduciary financial statements can be found on pages 29 through 30.

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 32 through 73 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 76 through 85 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 94 through 124 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 County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 193,340,716 as of September 30, 2024. This is an increase in net position of \$ 38,667,031 which is primarily due to a net increase in property taxes, charges for services and investment income.

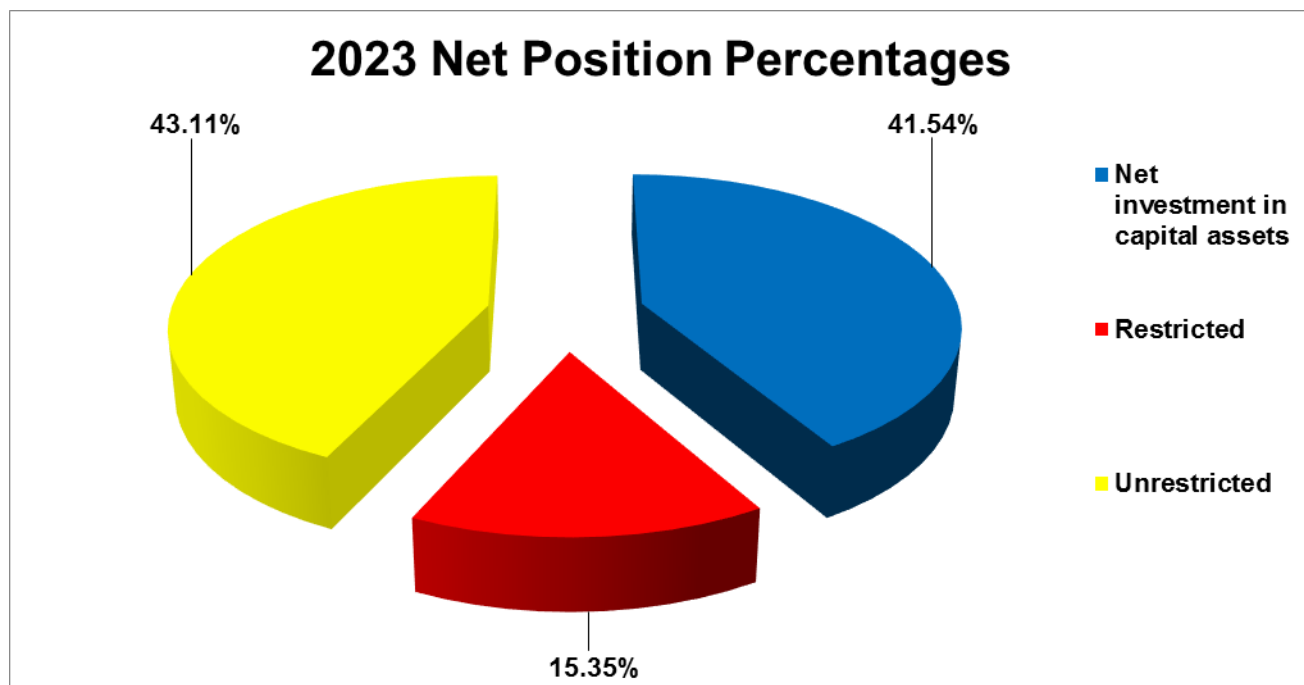
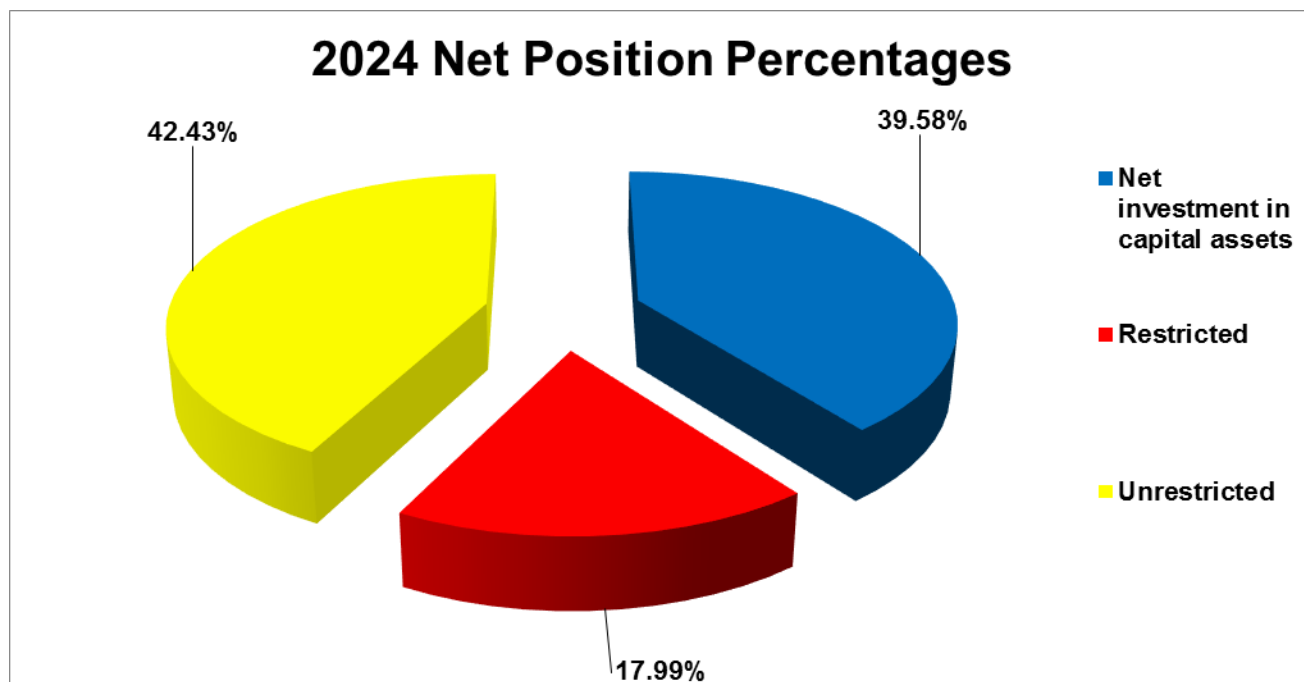
A portion of the County's net position is \$ 76,515,233 (39.58%) which reflects its investments in capital assets (e.g., land; construction in progress, buildings and improvements; furniture, equipment and vehicles; right to use leased assets; subscription based IT assets; and infrastructure) less any debt used to acquire those assets that is still outstanding. The County uses capital assets to provide service to citizens and consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets increased by \$ 12,258,524 due to capital additions exceeding depreciation and amortization expense and the maturity of long-term debt in the current fiscal year.

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024

An additional portion of the County's net position is \$ 34,793,276 (17.99%) which represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 82,032,207 (42.43%) may be used to meet the government's ongoing obligations to citizens and creditors.

JOHNSON COUNTY'S NET POSITION

	<u>Governmental Activities</u>		<u>Net</u>
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Assets:			
Current and other assets	\$ 134,834,660	\$ 121,703,792	\$ 13,130,868
Capital assets	<u>94,185,992</u>	<u>81,890,312</u>	<u>12,295,680</u>
Total assets	<u>229,020,652</u>	<u>203,594,104</u>	<u>25,426,548</u>
Total deferred outflows of resources	<u>7,957,256</u>	<u>12,312,590</u>	<u>(4,355,334)</u>
Liabilities:			
Current and other liabilities	15,600,915	24,849,608	(9,248,693)
Long-term liabilities	<u>26,372,099</u>	<u>35,169,351</u>	<u>(8,797,252)</u>
Total liabilities	<u>41,973,014</u>	<u>60,018,959</u>	<u>(18,045,945)</u>
Total deferred inflows of resources	<u>1,664,178</u>	<u>1,214,050</u>	<u>450,128</u>
Net Position:			
Net investment in capital assets	76,515,233	64,256,709	12,258,524
Restricted	34,793,276	23,738,807	11,054,469
Unrestricted	<u>82,032,207</u>	<u>66,678,169</u>	<u>15,354,038</u>
Total net position	<u>\$ 193,340,716</u>	<u>\$ 154,673,685</u>	<u>\$ 38,667,031</u>



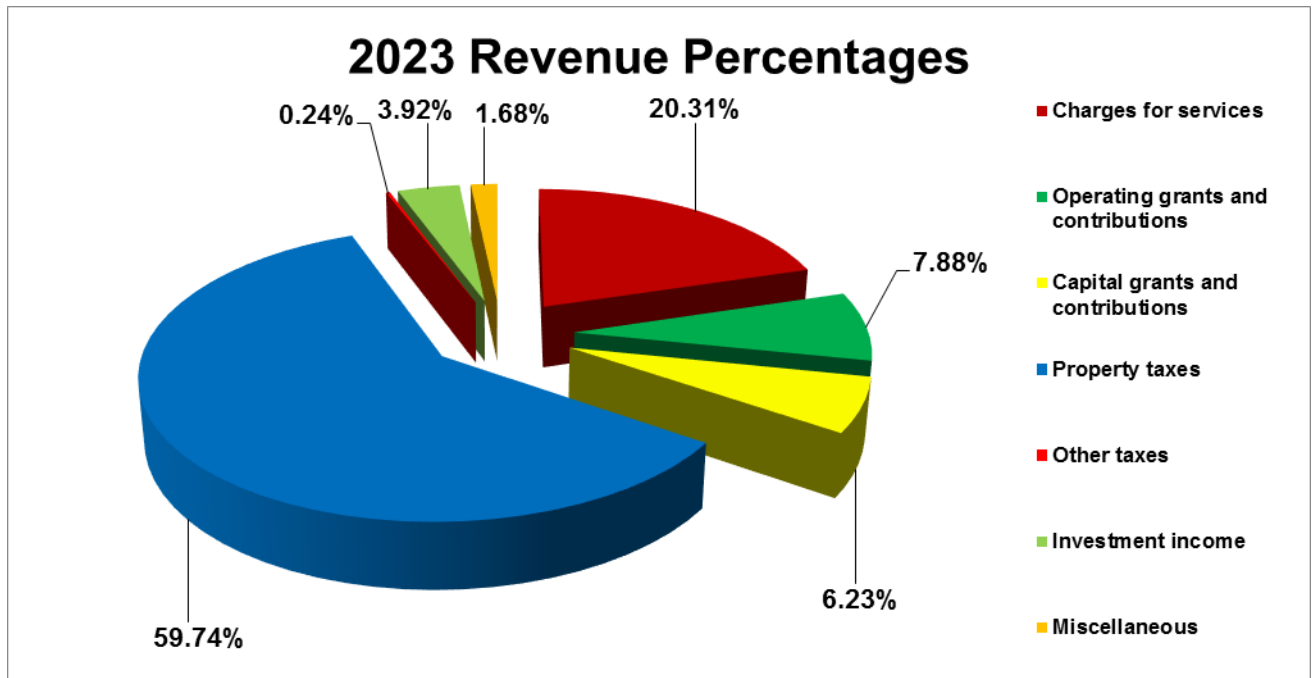
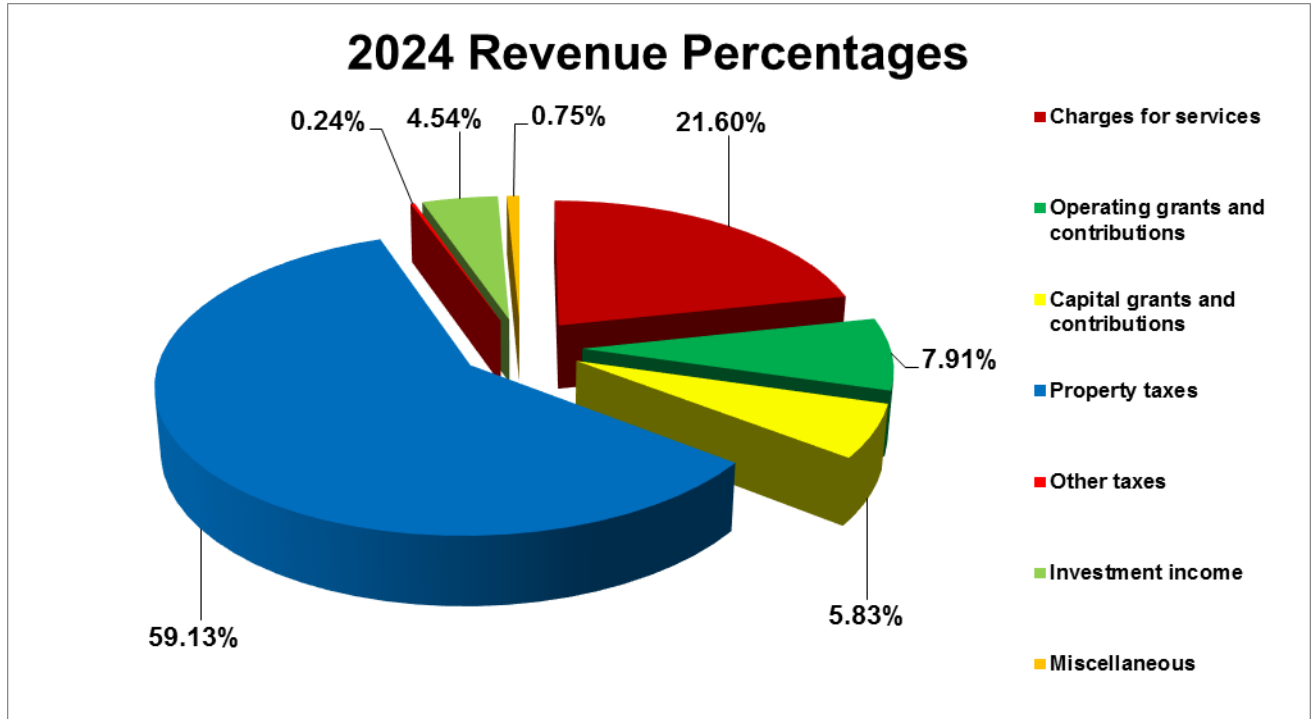
JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024

Analysis of the County's Operations. Governmental activities reported an increase in net position in the amount of \$ 38,667,031 due to increased property taxes, charges for services and investment income. The following table provides a summary of the County's operations for the years ended September 30, 2024 and 2023.

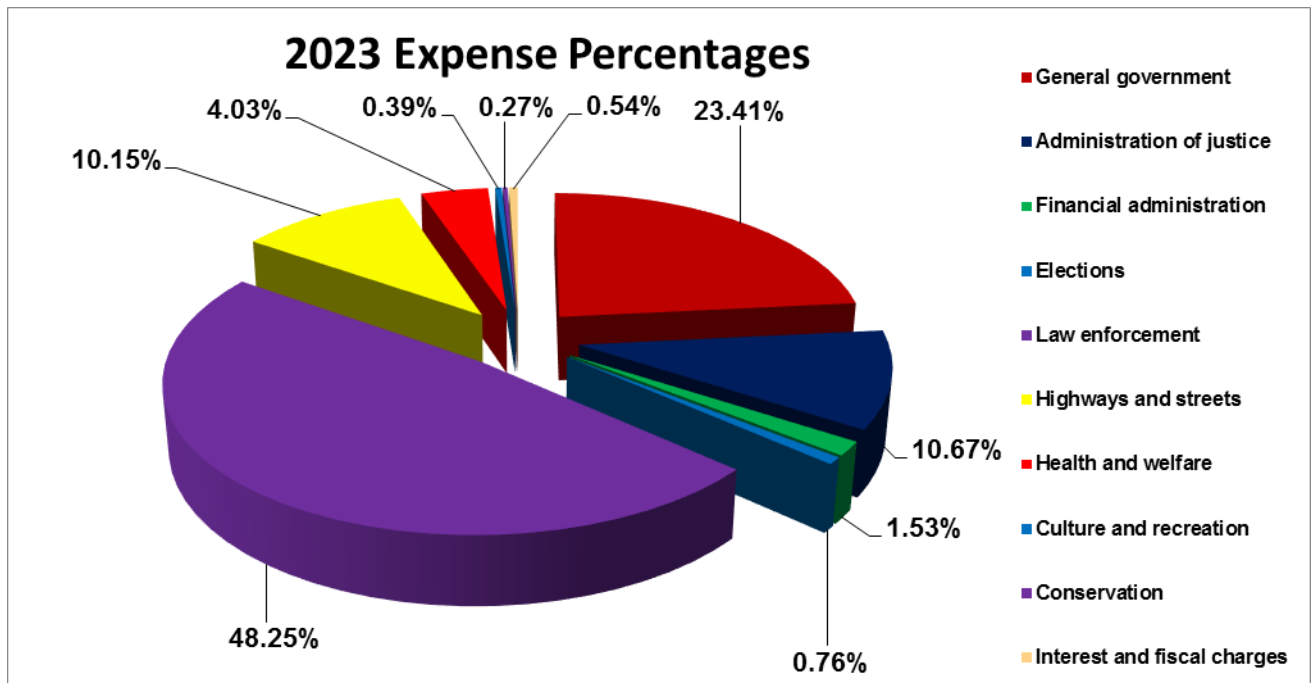
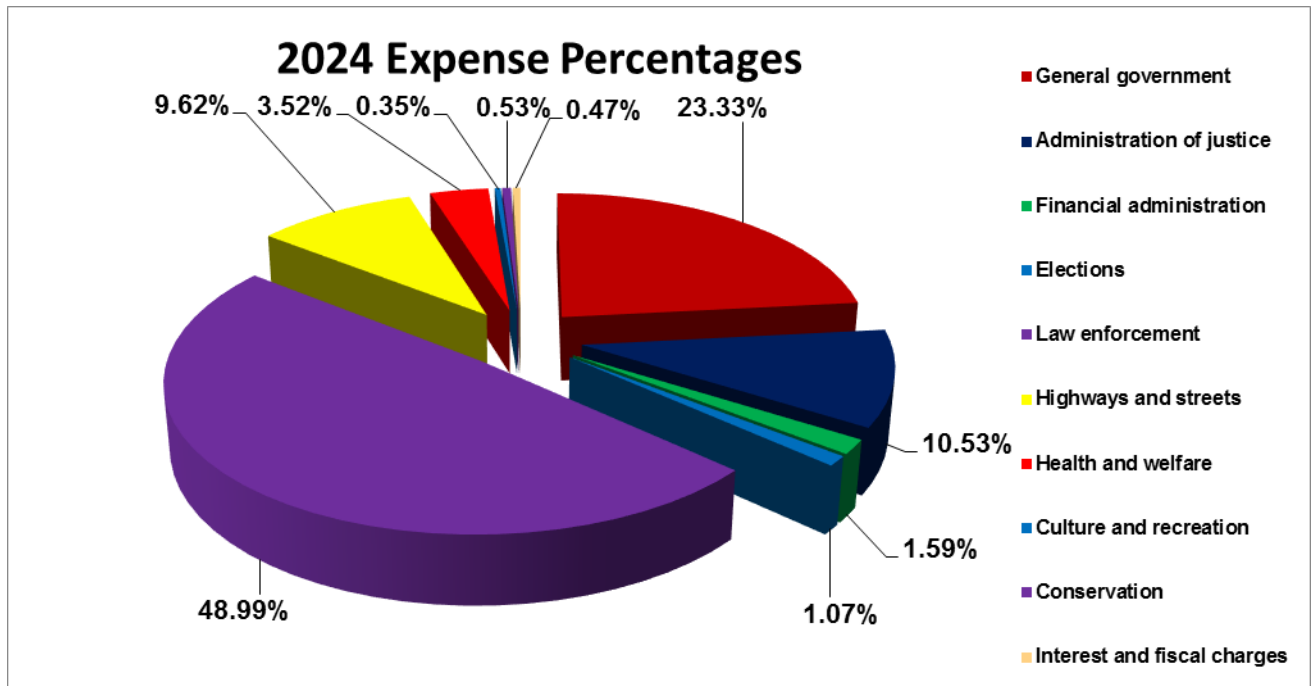
JOHNSON COUNTY'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Net</u>
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 31,770,859	\$ 26,180,375	\$ 5,590,484
Operating grants and contributions	11,628,694	10,161,363	1,467,331
Capital grants and contributions	8,582,211	8,030,066	552,145
General Revenues:			
Property taxes	86,981,945	76,994,098	9,987,847
Other taxes	353,874	312,743	41,131
Investment income	6,672,919	5,047,441	1,625,478
Miscellaneous	<u>1,104,218</u>	<u>2,168,559</u>	<u>(1,064,341)</u>
Total revenues	<u>147,094,720</u>	<u>128,894,645</u>	<u>18,200,075</u>
Expenses:			
General government	25,297,397	23,304,470	1,992,927
Administration of justice	11,414,276	10,623,732	790,544
Financial administration	1,719,894	1,524,166	195,728
Elections	1,158,923	756,577	402,346
Law enforcement	53,122,181	48,035,051	5,087,130
Highways and streets	10,433,115	10,101,391	331,724
Health and welfare	3,814,072	4,009,672	(195,600)
Culture and recreation	379,019	389,618	(10,599)
Conservation	574,976	273,176	301,800
Interest and fiscal charges	<u>513,836</u>	<u>532,946</u>	<u>(19,110)</u>
Total expenses	<u>108,427,689</u>	<u>99,550,799</u>	<u>8,876,890</u>
Change in net position	38,667,031	29,343,846	9,323,185
Net position - beginning	<u>154,673,685</u>	<u>125,329,839</u>	<u>29,343,846</u>
Net position - ending	<u>\$ 193,340,716</u>	<u>\$ 154,673,685</u>	<u>\$ 38,667,031</u>

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024



JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024



JOHNSON COUNTY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County'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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 96,928,010. The unassigned fund balance of \$ 65,494,612 constitutes 67.57% of ending fund balance. The fund balance is categorized as 1) nonspendable of \$ 1,763,403, 2) restricted of \$ 29,669,995, and 3) unassigned of \$ 65,494,612.

Fund balance of the General Fund increased by \$ 15,823,807; the Road & Bridge Fund increased by \$ 3,851,750; the General Debt Service Fund increased by \$ 212,603, the American Rescue Plan Act (ARPA) Fund had no change and Other Governmental Funds increased by \$ 1,975,006.

The increase in fund balance in the General Fund is a result of actual revenue exceeding actual expenditures by \$ 16,056,755 with a net of other financing sources and uses of (\$232,948). As for the Road & Bridge Fund (special revenue fund), the increase in fund balance was the result of revenue exceeding expenditures by \$ 1,813,915 with a net of other financing sources and uses of \$ 82,153. The increase in fund balance for other governmental funds is primarily due to transfers into the funds from the General Fund for capital expenditures.

General Fund Budgetary Highlights. The County budget is prepared by the County Judge's Office and presented to Commissioners Court for approval. The County operates within this budget for the fiscal year with expenditure amendments made as needed.

The difference between the General Fund original expenditure budget and the revised budget was an increase of \$ 2,634,696 primarily due to amendments due to revenue that was unforeseeable during the budgeting process and were budgeted during the fiscal year for building improvements and to begin a new software project implementation, and the use of fund balance to purchase necessary voting equipment.

During the year, revenues exceeded budget while expenditure was less than the budget. Revenues were higher across the board. Lower than budgeted expenditures resulted in many areas, primarily in the areas of general government and law enforcement.

Total General Fund revenue exceeded the amended budget by approximately 9.45% and total General Fund expenditures were under the amended budget by approximately 8.23%.

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024

Capital Assets

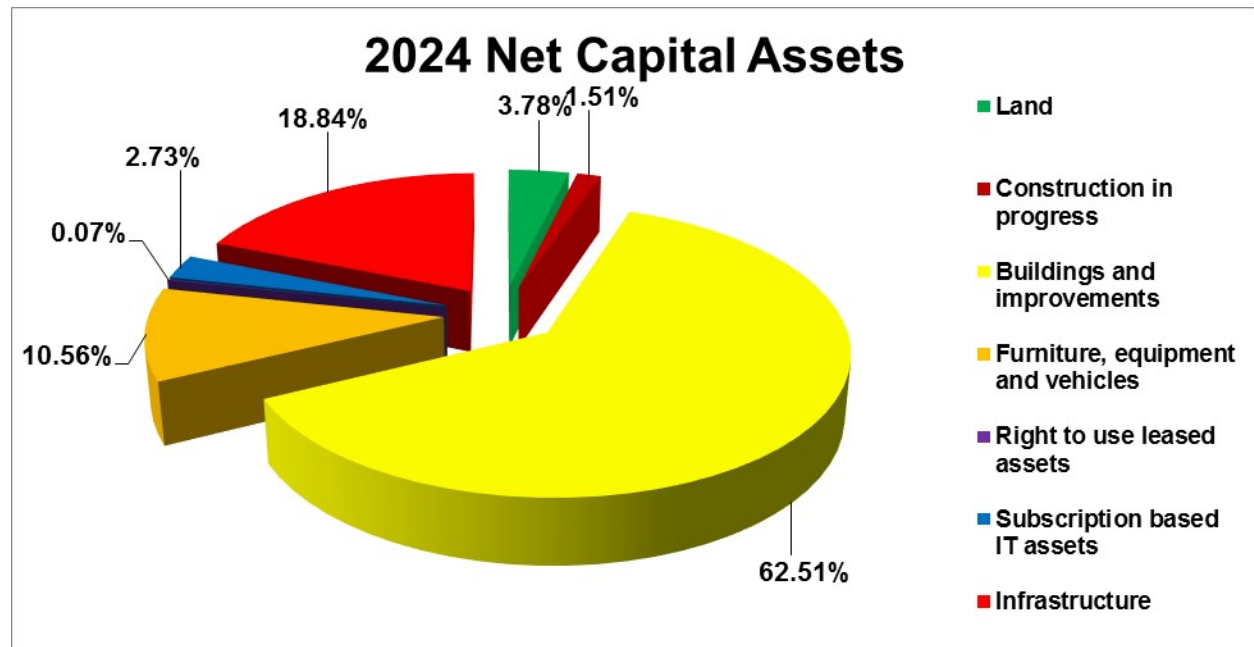
This investment in capital assets includes land; construction in progress; buildings and improvements; furniture, equipment and vehicles; right to use leased assets, subscription based IT assets, and infrastructure.

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

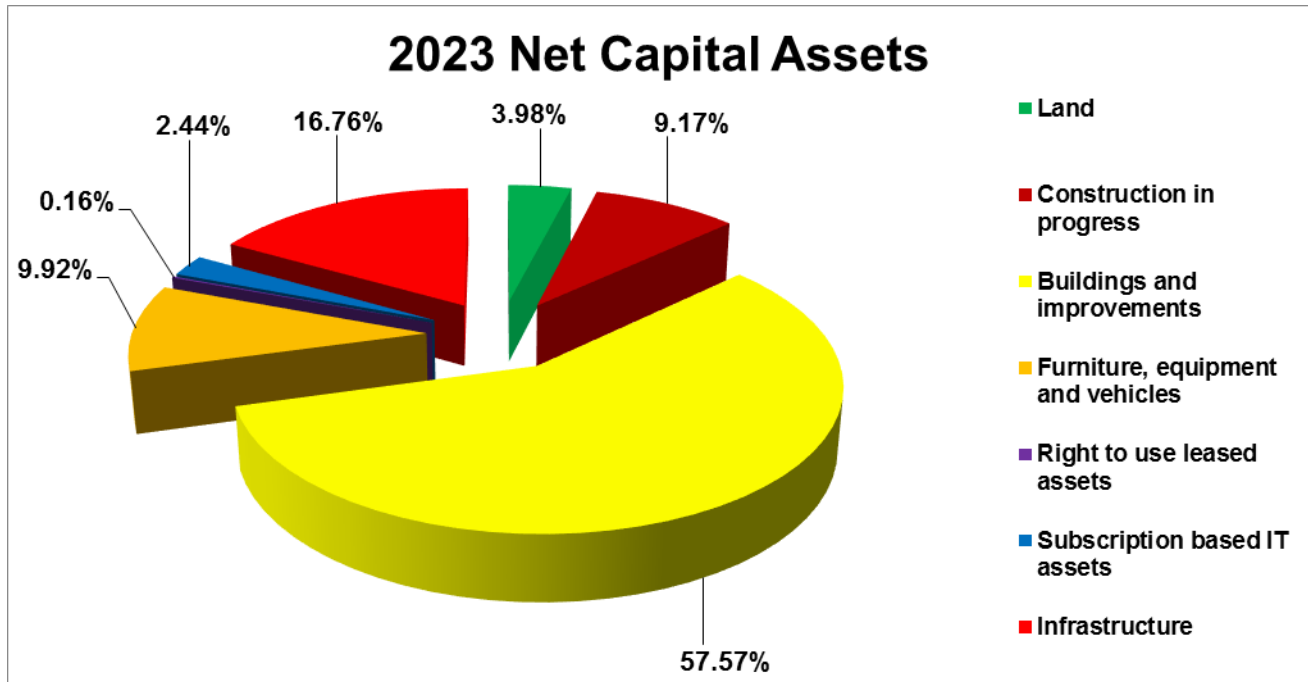
- Acquisition of new vehicles, various road and bridge equipment, and technology equipment.
- Renovation of existing buildings placed in service during the current fiscal year.
- Resurfacing of roads.

JOHNSON COUNTY'S CAPITAL ASSETS
Net of Accumulated Depreciation/Amortization

	<u>Governmental Activities</u>		<u>Net</u>
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 3,559,403	\$ 3,259,403	\$ 300,000
Construction in progress	1,417,939	7,510,145	(6,092,206)
Buildings and improvements	58,872,040	47,140,666	11,731,374
Furniture, equipment and vehicles	9,950,807	8,127,517	1,823,290
Right to use leased assets	65,310	132,540	(67,230)
Subscription based IT assets	2,571,826	1,997,928	573,898
Infrastructure	<u>17,748,667</u>	<u>13,722,113</u>	<u>4,026,554</u>
Total	<u>\$ 94,185,992</u>	<u>\$ 81,890,312</u>	<u>\$ 12,295,680</u>



JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024



Additional information on the County's capital assets can be found in Note 6 on pages 54 through 56 of this report.

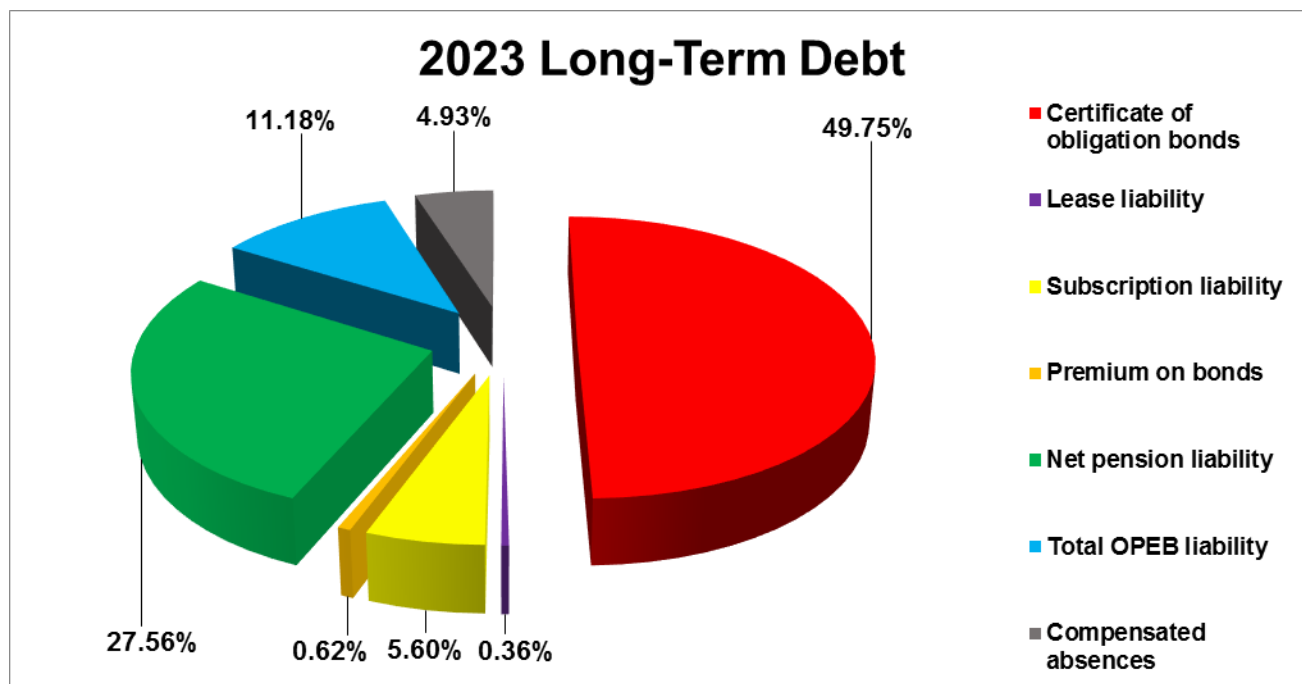
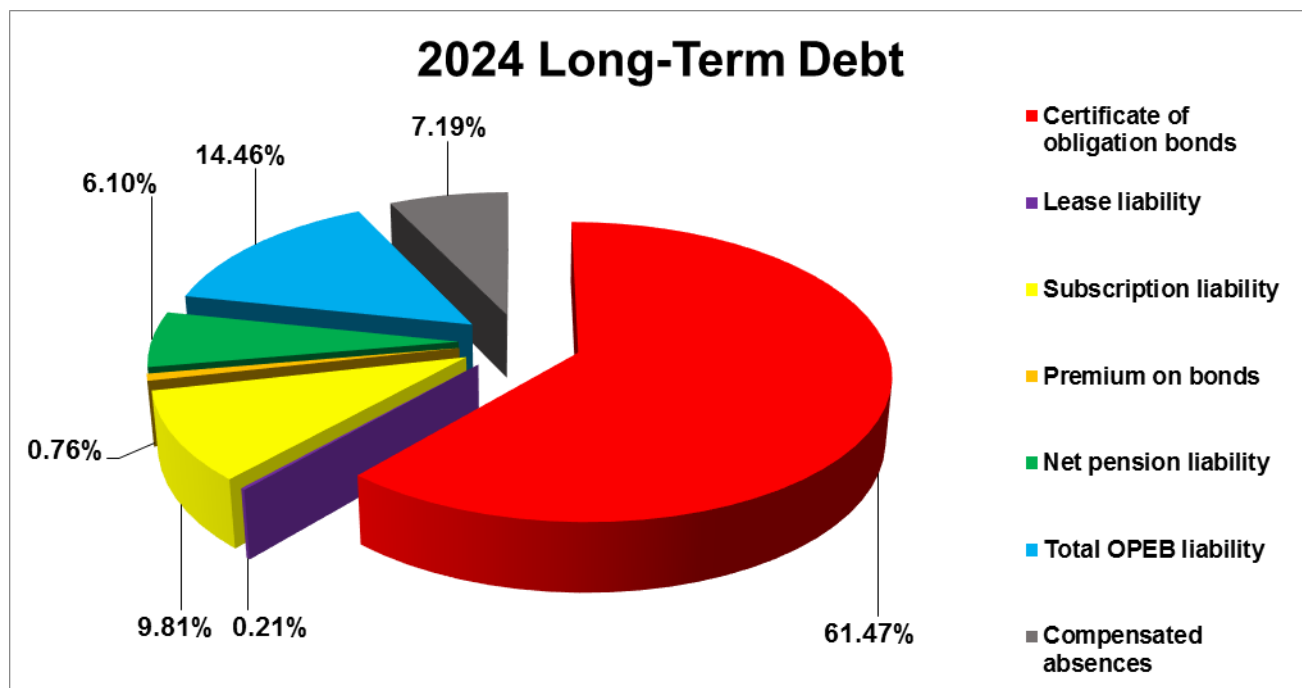
DEBT ADMINISTRATION

At the end of the current fiscal year, the County had a total bonded and note debt of \$ 16,210,000, which, comprises bonded and debt backed by the full faith and credit of the County agreement. The bonds will be retired with revenues from property taxes.

JOHNSON COUNTY'S LONG-TERM DEBT

	Governmental Activities		Net
	2024	2023	Change
Certificates of obligation bonds	\$ 16,210,000	\$ 17,495,000	\$ (1,285,000)
Lease liability	57,035	127,191	(70,156)
Subscription liability	2,587,049	1,970,146	616,903
Premiums on bonds	199,596	218,834	(19,238)
Net pension liability	1,609,673	9,691,098	(8,081,425)
Total OPEB liability	3,813,207	3,932,768	(119,561)
Compensated absences	<u>1,895,539</u>	<u>1,734,314</u>	<u>161,225</u>
Total	<u>\$ 26,372,099</u>	<u>\$ 35,169,351</u>	<u>\$ (8,797,252)</u>

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2024



JOHNSON COUNTY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2024

During the fiscal year, the County's total debt decreased \$ 8,797,252 or 25.01%. The net decrease was due primarily to the reductions of the net pension liability.

All of the outstanding Bonds of the County payable from its limited taxes are insured and are, therefore, rated "AAA" by Fitch Ratings ("Fitch"), and "AA" by Standard & Poor's ("S&P"). State statutes limit the amount of general obligation debt a government may issue to 25% of its total assessed valuation. The current limitation for the County significantly exceeds the outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note 8 on pages 57 through 58 of this report.

Economic Factors and Next Year's Budgets and Rates

The annual budget is the means by which Commissioners Court sets the direction of the County, and allocates its resources. In considering the budget for FY 2025, Commissioners Court considered the following factors:

Property tax rate was \$ 0.385000, a \$0.03 decrease from the previous year and was under the Voter Approval Tax Rate by \$ 0.014629. It appears the County will continue to see increases in unassigned fund balances in the General Fund, primarily due to conservative revenue projections and consistently underspending the budget. Employees received an average of a 5% increase in compensation for the cost of living with an additional \$600 per employee to defray the cost of a change in health insurance. The increase in positions budgeted represents less than 5% of our total employment.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Johnson County Auditor, #2 N. Main Street, Cleburne, Texas, 76033, or call (817) 556-6305.



BASIC FINANCIAL STATEMENTS

JOHNSON COUNTY, TEXAS*Statement of Net Position**September 30, 2024*

Exhibit 1

	Governmental Activities
Assets:	
Cash and temporary investments	\$ 95,159,694
Investments	23,750,441
Receivables (net of allowance for uncollectibles):	
Taxes	1,353,722
Accounts	12,638,375
Due from other governments	169,025
Inventories	588,382
Prepaid expenses	1,175,021
Capital Assets:	
Land	3,559,403
Construction in progress	1,417,939
Buildings and improvements (net)	58,872,040
Furniture, equipment and vehicles (net)	9,950,807
Right to use leased assets (net)	65,310
Subscription based IT assets (net)	2,571,826
Infrastructure (net)	<u>17,748,667</u>
Total assets	<u>229,020,652</u>
Deferred Outflows of Resources:	
Deferred outflows of resources	<u>7,957,256</u>
Total deferred outflows of resources	<u>7,957,256</u>
Liabilities:	
Accounts and accrued liabilities payable	9,637,511
Estimated claims payable	528,158
Accrued interest payable	42,203
Unearned revenue	5,393,043
Noncurrent Liabilities:	
Due within one year	3,876,482
Due in more than one year:	
Other noncurrent liabilities	17,072,737
Net pension liability	1,609,673
Total OPEB liability	<u>3,813,207</u>
Total liabilities	<u>41,973,014</u>
Deferred Inflows of Resources:	
Deferred inflows of resources	<u>1,664,178</u>
Total deferred inflows of resources	<u>1,664,178</u>
Net Position:	
Net investment in capital assets	76,515,233
Restricted:	
Public transportation	13,804,340
Records management	5,253,868
Other purposes	15,735,068
Unrestricted	<u>82,032,207</u>
Total net position	<u>\$ 193,340,716</u>

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

JOHNSON COUNTY, TEXAS*Statement of Activities**For the Year Ended September 30, 2024*

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change In Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 25,297,397	\$ 8,728,638	\$ 1,484,348	\$ 2,370,745	\$ (12,713,666)
Administration of justice	11,414,276	3,469,751	1,844,405	-	(6,100,120)
Financial administration	1,719,894	37,765	15,128	-	(1,667,001)
Elections	1,158,923	13,110	122,283	10,000	(1,013,530)
Law enforcement	53,122,181	16,924,586	1,701,929	1,070,638	(33,425,028)
Highways and streets	10,433,115	2,440,557	83,060	4,941,620	(2,967,878)
Health and welfare	3,814,072	23,229	6,354,005	60,556	2,623,718
Culture and recreation	379,019	128,776	23,536	9,088	(217,619)
Conservation	574,976	4,447	-	119,564	(450,965)
Interest and fiscal charges	<u>513,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(513,836)</u>
Total governmental activities	<u>\$ 108,427,689</u>	<u>\$ 31,770,859</u>	<u>\$ 11,628,694</u>	<u>\$ 8,582,211</u>	<u>(56,445,925)</u>
General Revenues:					
Property taxes					86,981,945
Other taxes					353,874
Investment income					6,672,919
Miscellaneous					<u>1,104,218</u>
Total general revenues					<u>95,112,956</u>
Change in net position					38,667,031
Net position - beginning					<u>154,673,685</u>
Net position - ending					<u>\$ 193,340,716</u>

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

JOHNSON COUNTY, TEXAS
Balance Sheet - Governmental Funds
September 30, 2024

Exhibit 3

	Major Funds					
	General Fund	Road & Bridge Fund	General Debt Service Fund	American Rescue Plan Act (ARPA) Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and temporary investments	\$ 47,303,634	\$ 12,114,821	\$ 220,455	\$ 4,737,519	\$ 18,769,849	\$ 83,146,278
Investments	22,262,570	535,097	-	-	952,774	23,750,441
Receivables (net of allowance for uncollectibles):						
Taxes	1,165,994	134,942	23,980	-	28,806	1,353,722
Accounts	1,604,751	100,533	-	-	363,478	2,068,762
Due from other governments	23,434	-	-	-	145,591	169,025
Due from other funds	404,069	-	-	397,620	223,604	1,025,293
Inventories	-	435,313	-	-	153,069	588,382
Prepaid expenditures	1,083,230	41,363	-	10,222	40,206	1,175,021
Total assets	\$ 73,847,682	\$ 13,362,069	\$ 244,435	\$ 5,145,361	\$ 20,677,377	\$ 113,276,924
Liabilities, Deferred Inflows of Resources and Fund Balances:						
Liabilities:						
Accounts and accrued liabilities payable	\$ 6,268,618	\$ 965,227	\$ -	\$ 423,612	\$ 1,126,864	\$ 8,784,321
Due to other funds	12,340	790	-	222,069	797,410	1,032,609
Unearned revenue	-	-	-	4,499,680	893,363	5,393,043
Total liabilities	6,280,958	966,017	-	5,145,361	2,817,637	15,209,973
Deferred Inflows of Resources:						
Deferred inflows of resources	968,665	126,217	20,046	-	24,013	1,138,941
Total deferred inflows of resources	968,665	126,217	20,046	-	24,013	1,138,941
Fund Balances:						
Nonspendable	1,083,230	476,676	-	10,222	193,275	1,763,403
Restricted	-	11,931,159	224,389	-	17,652,447	29,669,995
Unassigned	65,514,829	-	-	(10,222)	(9,995)	65,494,612
Total fund balances	66,598,059	12,269,835	224,389	-	17,835,727	96,928,010
Total liabilities, deferred inflows of resources and fund balances	\$ 73,847,682	\$ 13,362,069	\$ 244,435	\$ 5,145,361	\$ 20,677,377	\$ 113,276,924

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

JOHNSON COUNTY, TEXAS

Exhibit 3R

Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position
September 30, 2024

Total fund balance - governmental funds balance sheet (Exhibit 3) \$ 96,928,010

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds. Those assets consist of:

Capital assets	\$ 202,414,777	
Accumulated depreciation/amortization	<u>(108,228,785)</u>	94,185,992

Some of the County's assets are not available to pay for the current period's expenditures and therefore, are reported as unavailable revenue in the funds. These assets consist of:

Property taxes receivable	\$ 1,138,941	
Judicial receivables (net allowance for uncollectibles)	<u>10,569,613</u>	11,708,554

Some liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Deferred charge on bond refundings	\$ 1,382,921	
Deferred outflows - pension	6,215,665	
Deferred outflows - OPEB	358,670	
Accrued interest on bonds	(42,203)	
Bonds payable	(16,210,000)	
Lease liability	(57,035)	
Subscription liability	(2,587,049)	
Premium on bonds payable	(199,596)	
Compensated absences	(1,895,539)	
Net pension liability	(1,609,673)	
Net OPEB liability	(3,813,207)	
Deferred inflows - pension	(270,740)	
Deferred inflows - OPEB	<u>(1,393,438)</u>	(20,121,224)

Internal service funds are used by the County. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. Internal Service net position is:

10,639,384

Net position of governmental activities - statement of net position (Exhibit 1) \$ 193,340,716

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

JOHNSON COUNTY, TEXAS

Exhibit 4

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended September 30, 2024**

	Major Funds					
	General Fund	Road & Bridge Fund	General Debt Service Fund	American Rescue Plan Act (ARPA) Fund	Other Governmental Funds	Total Governmental Funds
Revenue:						
Taxes	\$ 72,785,193	\$ 11,039,529	\$ 1,448,037	\$ -	\$ 1,764,106	\$ 87,036,865
Intergovernmental	1,684,732	83,060	-	12,395,581	2,978,205	17,141,578
Fees	21,518,763	2,306,509	-	-	1,349,359	25,174,631
Fines	2,234,181	-	-	-	175,433	2,409,614
Licenses and permits	28,000	-	-	-	-	28,000
Investment income	4,665,376	660,356	9,042	-	726,574	6,061,348
Miscellaneous	848,591	261,275	-	-	1,976,199	3,086,065
Total revenues	<u>103,764,836</u>	<u>14,350,729</u>	<u>1,457,079</u>	<u>12,395,581</u>	<u>8,969,876</u>	<u>140,938,101</u>
Expenditures:						
Current:						
General government	20,997,288	-	-	620,010	1,228,967	22,846,265
Administration of justice	9,828,270	-	-	1,687	1,927,829	11,757,786
Financial administration	1,559,320	-	-	15,128	-	1,574,448
Elections	1,064,451	-	-	-	86,487	1,150,938
Law enforcement	48,400,959	-	-	592,810	3,043,741	52,037,510
Highways and streets	-	8,728,958	-	-	-	8,728,958
Health and welfare	1,644,083	-	-	930,350	731,992	3,306,425
Culture and recreation	366,315	-	-	23,536	-	389,851
Conservation	270,275	-	-	-	-	270,275
Capital outlay	2,805,100	1,852,174	-	5,008,327	6,919,704	16,585,305
Debt service:						
Principal	728,148	-	1,285,000	5,355	5,522	2,024,025
Interest and fiscal charges	43,872	-	359,476	45	1,460	404,853
Total expenditures	<u>87,708,081</u>	<u>10,581,132</u>	<u>1,644,476</u>	<u>7,197,248</u>	<u>13,945,702</u>	<u>121,076,639</u>
Excess (deficiency) of revenues over expenditures	<u>16,056,755</u>	<u>3,769,597</u>	<u>(187,397)</u>	<u>5,198,333</u>	<u>(4,975,826)</u>	<u>19,861,462</u>
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	40,984	34,153	-	-	4,870	80,007
Issuance of subscription based IT arrangements	1,921,697	-	-	-	-	1,921,697
Transfers in	524,787	48,000	400,000	-	7,470,749	8,443,536
Transfers out	(2,720,416)	-	-	(5,198,333)	(524,787)	(8,443,536)
Total other financing sources (uses)	<u>(232,948)</u>	<u>82,153</u>	<u>400,000</u>	<u>(5,198,333)</u>	<u>6,950,832</u>	<u>2,001,704</u>
Net change in fund balances	15,823,807	3,851,750	212,603	-	1,975,006	21,863,166
Fund balances - beginning	<u>50,774,252</u>	<u>8,418,085</u>	<u>11,786</u>	<u>-</u>	<u>15,860,721</u>	<u>75,064,844</u>
Fund balances - ending	<u>\$ 66,598,059</u>	<u>\$ 12,269,835</u>	<u>\$ 224,389</u>	<u>\$ -</u>	<u>\$ 17,835,727</u>	<u>\$ 96,928,010</u>

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

JOHNSON COUNTY, TEXAS

Exhibit 4R

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance - Governmental Funds to Governmental Activities Statement of Activities
For the Year Ended September 30, 2024*

Net change in fund balance - total governmental funds (Exhibit 4) \$ 21,863,166

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay	\$	16,585,305	
Capital contributions		3,357,814	
Depreciation/amortization expense		<u>(6,942,211)</u>	13,000,908

Governmental funds report the entire sales price (proceeds) from the sale of an asset as revenue because it provides current resources. In contrast, in the statement of activities, only the gain/loss on the sale of capital assets is reported. Thus, the change in net position differs from the change in the fund balance by the book value of capital assets disposed and the termination of subscription based IT arrangements. (69,303)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect on premiums and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.

Issuance of subscription based IT arrangement	\$	(1,921,697)	
Principal payments on bonds payable		1,285,000	
Principal payments on lease liability		70,156	
Principal payments on subscription liability		668,869	
Change in accrued interest		5,073	
Change in compensated absences		(161,225)	
Amortization of bond premium		19,238	
Amortization of deferred charge on bond refundings		<u>(133,294)</u>	(167,880)

The net change in net pension liability, deferred outflows and deferred inflows is reported in the statement of activities but does not require the use of current resources and, therefore, is not reported as an expenditure in the governmental funds. The net change consists of the following:

Net pension liability decreased	\$	8,081,425	
Deferred outflows decreased		(4,325,649)	
Deferred inflows increased		<u>(109,893)</u>	3,645,883

The net change in total OPEB liability, deferred outflows and deferred inflows is reported in the statement of activities but does not require the use of current resources and, therefore, is not reported as an expenditure in the governmental funds. The net change consists of the following:

Total OPEB liability decreased	\$	119,561	
Deferred outflows increased		103,609	
Deferred inflows increased		<u>(340,235)</u>	(117,065)

Because some property taxes receivable, and judicial receivables will not be collected for several months after the County's fiscal year ends, they are not considered available revenues in the governmental funds. 471,938

Internal service funds are used by the County. The net revenue of the internal service funds are reported with the governmental activities. 39,384

Change in net position of governmental activities (see Exhibit 2) \$ 38,667,031

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

JOHNSON COUNTY, TEXAS*Statement of Net Position - Proprietary Fund**September 30, 2024*

Exhibit 5

	Internal Service Fund
Assets:	
Cash and temporary investments	\$ 12,013,416
Due from other funds	<u>12,780</u>
Total assets	<u>12,026,196</u>
Liabilities:	
Accounts and accrued liabilities payable	853,190
Estimated claims payable	528,158
Due to other funds	<u>5,464</u>
Total liabilities	<u>1,386,812</u>
Net Position:	
Unrestricted	<u>10,639,384</u>
Total net position	<u>\$ 10,639,384</u>

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

JOHNSON COUNTY, TEXAS

Exhibit 6

*Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2024*

	Internal Service Fund
Operating Revenues:	
Contributions for self insurance	\$ <u>11,319,472</u>
Total operating revenues	<u>11,319,472</u>
Operating Expenses:	
Health claims expenses	9,999,749
Administrative expenses	<u>1,891,910</u>
Total operating expenses	<u>11,891,659</u>
Operating loss	<u>(572,187)</u>
Non-Operating Revenues:	
Investment income	<u>611,571</u>
Total non-operating revenues	<u>611,571</u>
Change in net position	39,384
Net position - beginning	<u>10,600,000</u>
Net position - ending	\$ <u><u>10,639,384</u></u>

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

JOHNSON COUNTY, TEXAS*Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2024*

Exhibit 7

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash flows received from customers and others	\$ 11,319,472
Cash paid to and on behalf of employees	(8,565,027)
Cash paid to suppliers and others	(1,945,284)
Cash paid to other funds	<u>(7,316)</u>
Net cash provided by operating activities	<u>801,845</u>
Cash Flows from Investing Activities:	
Investment income	<u>611,571</u>
Net cash provided by investment activities	<u>611,571</u>
Net change in cash and temporary investments	1,413,416
Cash and temporary investments - beginning	<u>10,600,000</u>
Cash and temporary investments - ending	<u>\$ 12,013,416</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Activities:	
Operating loss	\$ (572,187)
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Due from other funds	(12,780)
Increase (Decrease) in:	
Accounts and accrued liabilities payable	853,190
Estimated claims payable	528,158
Due to other funds	<u>5,464</u>
Net cash provided by operating activities	<u>\$ 801,845</u>

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

JOHNSON COUNTY, TEXAS*Statement of Net Position - Fiduciary Funds**September 30, 2024*

Exhibit 8

	<u>Custodial Funds</u>
Assets:	
Cash and temporary investments	\$ 15,423,882
Accounts receivable	<u>132,709</u>
Total assets	<u>15,556,591</u>
Liabilities:	
Accounts and accrued liabilities payable	470,789
Held for others	7,917,595
Unearned revenue	<u>351,625</u>
Total liabilities	<u>8,740,009</u>
Net Position:	
Individuals, organizations and other governments	<u>6,816,582</u>
Total net position	<u>\$ 6,816,582</u>

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

JOHNSON COUNTY, TEXAS

Exhibit 9

*Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended September 30, 2024*

	<u>Custodial Funds</u>
Additions:	
Collections for adult probation	\$ 9,263,004
Tax collections for other governments	54,380,858
Held for others	63,008,640
Earnings of investments	<u>51,459</u>
Total additions	<u>126,703,961</u>
Deductions:	
Payments for adult probation	8,817,065
Payments to individuals	63,067,400
Payments to other governments	<u>54,909,813</u>
Total deductions	<u>126,794,278</u>
Net change in net position	(90,317)
Net position - beginning	<u>6,906,899</u>
Net position - ending	<u>\$ 6,816,582</u>

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

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

Note

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JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Johnson County, Texas (the "County") related to the funds in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity. Financial statements for component units can be obtained from the office of the County Auditor.

Included in the reporting entity:

Johnson County, Texas (Primary Government)

The County is a political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four elected County Commissioners and an elected County Judge. Each of these officials serves a term of four years. The primary activities of the County include: the construction and maintenance of county roads, provision of public safety through a sheriff's department, support of area fire protection and ambulance service, administration of justice, correctional facilities, health and welfare services, culture and recreation, and other social and administrative services.

For the year ended September 30, 2024, no other organizations have been combined for either blended or discrete presentation in the County's financial statements. The following organizations are not considered "related organizations."

Excluded from the reporting entity:

Adult Probation

This entity is considered a separate agency of the State of Texas. While the County provides office space, utilities, telephone and certain supplies, the operations of this unit are primarily provided for by the State. A separate board develops the operating budget, which is also approved and controlled by the State of Texas. Required County expenditures are disclosed as a department within the County function of Administration of Justice. Due to custodial responsibility, the accounts of this entity are reported as a Custodial Fund of the County.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - Continued

Johnson County Appraisal District

This is a separate entity providing property appraisal services to all taxing units within the County. This entity has its own governing board, elected by the various taxing units, which it serves; however, the taxing units do not designate management or significantly influence operations. The entity's cost of operations is divided on a prorated basis among the various taxing units within the County. The County's share of this cost is disclosed within the General Fund under the general government function.

Other entities within the County, which provide similar services but are not included in the reporting entity because they do not meet the criteria, are: municipalities, school districts, drainage districts, hospital districts, water districts and various non-profit organizations.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. For the most part, interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The County has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary funds financial statements. 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.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from taxes, intergovernmental, prisoner housing services, fees, fines, and investment income associated with the current fiscal period are all considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment income is recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The County has presented the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

The *Road & Bridge Fund* accounts for the property taxes and fees from auto registration, certificates of title, gross weight and axle fees, and approved expenditures for public transportation projects.

The *General Debt Service Fund* is utilized to account for the accumulation of resources from property tax collections for the repayment of general obligation bonded debt, interest and related costs of the County.

The *American Rescue Plan Act (ARPA) Fund* accounts for the federal grant funds received by the County to 1) respond to or mitigate the public health emergency with respect to the COVID-19 emergency or its negative impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel and hospitality; 2) provide government services to the extent of the reduction in revenue due to the public health emergency; 3) make necessary investments in water, sewer, or broadband infrastructure; 4) state and local governments can transfer the funds to a private nonprofit organization, a public benefit corporation involved in the transportation of passengers or cargo or a special-purpose unit of State or local government; 5) respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the County that perform such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work.

Additionally, the County reports the following fiduciary funds:

The internal service fund is used to account for the County's employee benefits for employees and their dependents, including medical and dental. The principal source of revenue is contributions paid by individual funds.

The *custodial funds* account for assets that the government holds on behalf of others as their agent. The County's custodial funds include Sheriff Seizures, Special Crimes Operations Seizures, Unclaimed Property, District Clerk Jury, Sheriff Escrow, Constable, Sheriff Inmate, County Clerk, District Clerk, Releasee Restitution, District & County Attorney Deposits, Juvenile Probation Restitution, Johnson & Somervell County Supervision, Tax Collector and Adult Probation.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 100 "Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62" was issued in June 2022. The statement was implemented and did not have a material effect on the financial statements of the County. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB Statement No. 101 "Compensated Absences" was issued in June 2022. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 "Certain Risk Disclosures" was issued in December 2023. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

GASB Statement No. 103 "Financial Reporting Model Improvements" was issued in April 2024. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104 "Disclosure of Certain Capital Assets" was issued in September 2024. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

Budgetary Data

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The legal level of budgetary control is at the category or line item level (salaries and wages and employee benefits, and operating expenditures) within departments of each fund. Any expenditure, which alters the total budgeted amounts of a fund must be approved by Commissioners Court, and the budget amended. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted for the General Fund, certain special revenue funds (Road & Bridge Fund, Law Library Fund, Records Management & Preservation County Clerk Fund, Records Management & Preservation District Clerk Fund, Records Management & Preservation Recording Fund, Vital Statistics Preservation Fund, Election Services Contract Fund, District Attorney Forfeiture Fund, STOP SCU Forfeiture Fund, Juvenile Justice Alternative Education Fund, Juvenile Case Manager Fund, Juvenile Probation Fees Fund, Justice of the Peace Technology Fund, County Specialty Court Fund, Courthouse Security Fund, Justice Court Building Security Fund, Court Facility Fund, Guardianship Fee Fund, Language Access Fund, Court Reporter Service Fund, Judicial Education & Support Fund, Record Archives - County Clerk Fund, Record Archives - District Clerk Fund, County/District Court Technology Fund, Court Records Preservation Digital Fund, District Court Records Technology Fund, Indigent Health Care Fund, Right of Way Fund, Historical Commission Fund, Veteran's Service Juror Donations Fund, Pre-Trial Bond Supervision Fund, STOP SCU Operations Fund), and the General Debt Service Fund.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

Prior to May 1 of each year, or as soon thereafter as practical, the County Judge, assisted by the County Auditor, prepares a proposed operating budget for the subsequent fiscal year beginning the following October 1st. The proposed operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues, other resources, and available fund balances.

Subsequent to May 15 and after proper publication of notice, a public hearing is conducted by the Commissioners Court to obtain taxpayer comments. If an increase to the effective tax rate of more than 3% is proposed as a result of the proposed budget, additional notices and public hearings are required.

After the public hearing(s) the Commissioners Court makes appropriate budget changes and adopts the budget through the passage of an order at a regularly scheduled meeting. A separate order is adopted to levy the taxes necessary to finance the budgeted expenditures.

Although the level of budgetary control is total revenues plus available fund balance, the County adopts its budget at a line-item level for managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditure purposes by department and type of expenditures (salaries and wages, and employee benefits; operating expenses/expenditures; and capital outlay).

At the discretion of Commissioners Court, transfers of line item budgets within a fund may be made. Amendments to provide for items not included in the original budget may be made by the Commissioners Court upon finding and declaration of the existence of an emergency sufficient to require action. County management has no prerogative to amend the budget without the approval of Commissioners Court. Appropriations not exercised in the current year lapse at the end of the year. Numerous supplemental budget amendments in the general and special revenue funds were deemed necessary due to the timing of planned expenditures and construction projects.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. As of September 30, 2024, the County had no encumbrances outstanding.

Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and temporary investments under each fund's caption. Funds are allowed to exceed the amount of their equity in the pooled cash account. Funds with overdrawn accounts are disclosed as an interfund payable in the liability section of the balance sheet.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes

Property taxes are levied as of October 1st of each year with statements prepared and mailed at that date or soon thereafter. The tax levy is based upon appraised property values as of each previous January 1st for all taxable property within the County. Payments are due and payable when taxes are levied and may be timely paid through January 31st. On February 1st, taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs. The lien date for property taxes is July 1st.

The appraisal of property within the county is the responsibility of the Johnson County Appraisal District. The Texas Legislature established the Appraisal District and the related Appraisal Review Board in 1979 through the adoption of a comprehensive Property Tax Code. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Real property is reappraised at least every four years. Under certain circumstances, taxpayers and taxing units including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Under the Code, the Commissioners Court will continue to set annual tax rates on the property. The Code also provides that, if approved by the qualified voters in the Appraisal District, collection functions may be placed with the Appraisal District. The County bills and collects its property taxes and those of certain other taxing entities. Collections of those taxes pending distribution are accounted for in a custodial fund.

The County is permitted by Article VIII, Section 9 of the State of Texas Constitution to levy taxes up to \$ 0.80 per \$ 100 assessed valuation for general governmental services including payment of principal and interest on general long-term debt and maintenance of roads and bridges. Article 6790 of Vernon's Civil Statutes permits the County to collect an additional \$ 0.15 per \$ 100 valuation for road and bridge purposes. Article 7048a of Vernon's Civil Statutes permits the County to collect \$ 0.30 per \$ 100 valuation for road, bridge and flood control purposes.

The County's 2023 tax levy, supporting the 2024 fiscal period budget, totaled \$ 0.385000 per \$ 100 valuation and was comprised as follows:

General Fund	\$ 0.320812
Indigent Health Care Fund	0.007792
Road & Bridge Fund	0.050000
General Debt Service Fund	<u>0.006396</u>
Combined tax rate	<u>\$ 0.385000</u>

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The County had no advances between funds. All activity between funds was for short-term cash flow requirements. See Note 5 for additional discussion of interfund receivables and payables.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories and Prepaid Items

The County utilizes the consumption method to account for inventory and prepaid items. Under this method, inventory and prepaid items are considered an expenditure/expense when used rather than when purchased. Significant inventories are reported on the balance sheet at cost, using the first-in, first-out method, with an offsetting reservation of fund balance in the governmental fund financial statements since they do not constitute "available spendable resources" even though they are a component of current assets. Inventories in the governmental funds are comprised of road materials, bulk fuel, parts, and chemicals.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in government-wide and prepaid expenditures in the fund financial statements.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment and vehicles, infrastructure, and construction in progress are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their acquisition value on the date of donation. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year ended September 30, 2024, no capitalized interest was included in the cost of capital assets under construction.

Assets capitalized have an original cost of \$ 5,000 or more and over two years of useful life. Depreciation/amortization has been calculated on each class of depreciable/amortizable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	5-50 Years
Furniture, equipment and vehicles	5-20 Years
Right to use leased assets	5 Years
Subscription based IT assets	2-7 Years
Infrastructure	20-35 Years

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

Employees are allowed paid absences due to sickness and vacation time. Sick leave benefits are earned by all full time employees at a rate of 96 hours annually. The leave policy allows employees to accumulate up to ninety days of sick leave benefit. Sick leave benefits are recognized in the period in which time off is actually taken. Vacation benefits accrue monthly at rates depending upon an employee's length of service. Employees may accumulate a maximum of 18 months of vacation credits based on the earning rate and length of service. Employees who reach the maximum accumulated rate will not accrue additional time until they use sufficient vacation to bring their accumulated rate below the maximum level.

The liability for compensated absences disclosed in the financial statements represents accumulated vacation and compensatory time at September 30, 2024, computed at pay rates in effect at that time was \$ 1,895,539.

Compensated absence liabilities for governmental activities have been paid from the general fund and various special revenue funds.

Leases

Lessee: The County is a lessee for noncancellable leases of equipment. The County recognizes a lease liability and an intangible right-to-use leased asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial individual value of \$ 5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subscription Based Information Technology Arrangements

The County adopted GASB 96 - Subscription Based Information Technology Arrangements (SBITA). The County recognizes a liability and corresponding right to use the information technology software in the government-wide financial statements. The County recognizes subscription liabilities with an initial, individual value of \$ 5,000 or more and a contract term of twelve months or more.

At the commencement of a subscription, the County initially measures the liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement dates, plus certain initial direct costs. The subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the County determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The County generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The County monitors changes to circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pension Plans

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 and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The general fund is used to liquidate any future liabilities.

Other Post-Employment Benefits

The fiduciary net position of the Johnson County Retiree Health Care Plan (the "Plan") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the Plan's total OPEB liability. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no assets as this is a pay-as-you-go plan. The general fund is used to liquidate any future liabilities.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as interest and fiscal charge expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

The County's Commissioners Court meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The County's unassigned General Fund Balance is maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the County's Commissioners Court. Fund Balance of the County may be committed for a specific source by formal action of the County's Commissioners Court. Amendments or modifications of the committed fund balance must also be approved by formal action by the County's Commissioners Court. When it is appropriate for fund balance to be assigned, the County's Commissioners Court has delegated authority to the County Judge or the County Auditor. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended are as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

Fund Balance Classifications:

The *nonspendable* fund balance includes a portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include inventories, prepaid expenditures and long-term receivables.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, and contributors), laws and regulations of other governments, or through enabling legislation.

The enabling legislation authorizes the County to access, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The County's fee revenue generated through enabling legislations include auto registration fees, birth/death certificate fees, adult bond supervision fees, child abuse protection fees, court technology fees, election service fees, family protection fees, financial security fees, juvenile case management fees, law library fees, records archive fees, and records management and preservation fees reported under Non-Major Special Revenue Funds, and auto registration fees, certificates of title, and gross weight and axle fees reported under the Road & Bridge Fund.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Commissioners Court actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources. At September 30, 2024, there are no commitments of fund balance.

The *assigned* fund balance includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by Commissioners Court or its designated officials to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Commissioners Court actions. At September 30, 2024, there are no assignments of fund balance.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports a positive unassigned fund balance amount.

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued****Fund Equity - Continued**

The following schedule presents details of fund balance components at September 30, 2024:

	Major Funds					
	General Fund	Road & Bridge Fund	General Debt Service Fund	American Rescue Plan Act (ARPA) Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance:						
Nonspendable:						
Inventories	\$ -	\$ 435,313	\$ -	\$ -	\$ 153,069	\$ 588,382
Prepaid expenditures	1,083,230	41,363	-	10,222	40,206	1,175,021
Restricted:						
Capital projects	-	-	-	-	1,207,965	1,207,965
Contributor purposes	-	-	-	-	46,684	46,684
Court improvements and operations	-	-	-	-	1,211,878	1,211,878
Debt service	-	-	224,389	-	-	224,389
Election services	-	-	-	-	894,178	894,178
Health services	-	-	-	-	4,031,878	4,031,878
Inmate services	-	-	-	-	1,249,266	1,249,266
Juvenile services	-	-	-	-	97,187	97,187
Library services	-	-	-	-	174,942	174,942
Public safety personnel training	-	-	-	-	37,088	37,088
Public transportation projects	-	11,793,159	-	-	1,408,288	13,201,447
Records management	-	-	-	-	5,253,868	5,253,868
Special crimes operations	-	-	-	-	1,126,155	1,126,155
County/District attorney services	-	-	-	-	206,226	206,226
Sheriff services	-	-	-	-	6,447	6,447
Other	-	-	-	-	700,397	700,397
Unassigned	65,514,829	-	-	(10,222)	(9,995)	65,494,612
Total fund balance	\$ 66,598,059	\$ 12,269,835	\$ 224,389	\$ -	\$ 17,835,727	\$ 96,928,010

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

	<u>Governmental Activities</u>
Net Position:	
Net investment in capital assets	\$ 76,515,233
Restricted:	
Public transportation	13,804,340
Records management	5,253,868
Other:	
Capital projects	1,207,965
Contributor purposes	46,684
Court improvements and operations	1,229,668
Debt service	202,232
Election services	894,178
Health services	4,055,891
Inmate services	1,405,035
Juvenile services	97,187
Library services	174,942
Pension	4,335,252
Public safety personnel training	37,088
Special crime operations	1,135,876
County/District attorney services	206,226
Sheriff services	6,447
Other	700,397
Unrestricted	<u>82,032,207</u>
Total net position	<u>\$ 193,340,716</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

The County classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. Investments are classified as either short-term investments or investments. Short-term investments have a maturity of one year or less and investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments as reported on the financial statements at September 30, 2024 are as follows:

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Cash and Temporary Investments:				
Cash (petty cash accounts)	\$ 18,889	\$ -	\$ -	\$ 18,889
Financial Institution Deposits:				
Demand deposits	55,834,624	12,013,416	15,423,882	83,271,922
Local Government Investment Pools:				
Texas CLASS	4,628,004	-	-	4,628,004
Texas CLASS Government	4,383,828	-	-	4,383,828
Texpool	14,866,775	-	-	14,866,775
Texpool Prime	3,414,158	-	-	3,414,158
Sub-total	<u>83,146,278</u>	<u>12,013,416</u>	<u>15,423,882</u>	<u>110,583,576</u>
Investments:				
Broker Dealer:				
Government Securities	248,203	-	-	248,203
U.S. Agency Securities	7,522,883	-	-	7,522,883
Certificates of deposit	15,979,355	-	-	15,979,355
Sub-total	<u>23,750,441</u>	<u>-</u>	<u>-</u>	<u>23,750,441</u>
Total Cash and Temporary Investments and Investments	<u>\$ 106,896,719</u>	<u>\$ 12,013,416</u>	<u>\$ 15,423,882</u>	<u>\$ 134,334,017</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to them. The County requires that all deposits with financial institutions be collateralized in an amount equal to 103 percent of uninsured balances.

At year-end, in addition to petty cash accounts of \$ 18,889, the carrying amount of the County's financial institution deposits, was \$ 99,251,277, while the financial institution balances totaled \$ 100,447,644. Of these balances, \$ 3,596,251 represents amounts controlled by County courts and held by various financial institutions jointly under the name of the County and the court's beneficiaries and carrying the identification number of the beneficiaries. These accounts are entirely covered by federal deposit insurance. Of the remaining balances, \$ 15,979,355 was covered by federal depository insurance coverage and \$ 80,872,038 was covered by collateral held by the County's agent in the County's name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under written investment policy (the "investment policy"). The investment policy primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

The County's deposits and investments are invested pursuant to the investment policy, which is approved by Commissioners Court. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the County will deposit funds is addressed. The County's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The County's management believes it complied with the requirements of the PFIA and the County's investment policy.

The County's Investment Officer submits an investment report each quarter to the Commissioners Court. The report details the investment positions of the County and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. No-load money market mutual funds: regulated by SEC, with a dollar-weighted average stated maturity of 90 days or less, includes in its investment objectives the maintenance of a stable \$ 1.00 net asset value per each share, and limited in quantity to the requirements, set forth in Chapter 2256, Government Code Section 2256.014;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit if issued by a state or national bank and is: guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, secured in any manner and amount provided by law for deposits of the County;
7. Eligible investment pools if the Commissioners Court by resolution authorizes investment in the particular pool. An investment pool shall invest funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

The County is invested in certificates of deposit at various financial institutions to provide its liquidity needs. This investment is insured, registered, or the County's agent holds the securities in the County's name; therefore, the County is not exposed to custodial credit risk with these deposits.

Texas CLASS and Texas CLASS Government were created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Per State Code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds and maximize yield. The Texas CLASS and Texas CLASS Government agreements are agreements of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. Texas CLASS and Texas CLASS Government seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texas CLASS and Texas Class Government are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

TexPool and TexPool Prime are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool and TexPool Prime are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool and TexPool Prime are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At September 30, 2024 Texas CLASS, Texas CLASS Government, TexPool and TexPool Prime has a weighted average maturity of 36 days, 12 days, 31 days and 38 days, respectively. Although the pools have a weighted average maturity, the County considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

As of September 30, 2024, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Texas CLASS	\$ 4,628,004	36
Texas CLASS Government	4,383,828	12
TexPool	14,866,775	31
TexPool Prime	3,414,158	38
Government Securities	248,203	92
U.S. Agency Securities	7,522,883	521
Certificates of Deposit	<u>15,979,355</u>	521
Total	<u>\$ 51,043,206</u>	256

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Credit Risk - As of September 30, 2024, the LGIP's (which represent approximately 53.52% of the investment portfolio) are rated AAAM by Standard and Poor's, the U.S. Agency securities and government securities (which represent 15.22% of the investment portfolio) were covered by private insurance and the certificates of deposit (which represents 31.31% of the investment portfolio) were covered by Federal Depository Insurance coverage, respectively, therefore, the County does not have a significant exposure to credit risk.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of three years or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities may be purchased, which complement each other in a structured manner that minimizes risk and meets the County's cash flow requirements.

Fair Value Measures

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**Fair Value Measures - Continued

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value as of September 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Securities	\$ 248,203	\$ -	\$ -	\$ 248,203
U.S. Agency Securities	<u>7,522,883</u>	<u>-</u>	<u>-</u>	<u>7,522,883</u>
Total assets at fair value	\$ <u>7,771,086</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,771,086</u>

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTSReceivables and Allowances

Receivables as of September 30, 2024, for the government's individual governmental major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Major Funds</u>			<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Road &</u>	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Bridge</u>	<u>Debt Service</u>	<u>Funds</u>	<u>Funds</u>
Receivables:					
Property taxes	\$ 2,803,488	\$ 347,896	\$ 108,472	\$ 82,048	\$ 3,341,904
Accounts	1,604,751	100,533	-	363,478	2,068,762
Due from other governments	<u>23,434</u>	<u>-</u>	<u>-</u>	<u>145,591</u>	<u>169,025</u>
Gross receivables	4,431,673	448,429	108,472	591,117	5,579,691
Less Allowance for Uncollectibles:					
Property taxes	<u>(1,637,494)</u>	<u>(212,954)</u>	<u>(84,492)</u>	<u>(53,242)</u>	<u>(1,988,182)</u>
Total net receivables	\$ <u>2,794,179</u>	\$ <u>235,475</u>	\$ <u>23,980</u>	\$ <u>537,875</u>	\$ <u>3,591,509</u>
					<u>Fiduciary</u>
					<u>Fund</u>
Receivables:					
Accounts:					
Adult probationers					\$ <u>132,709</u>
Net total receivables					\$ <u>132,709</u>

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS - Continued**Receivables From Other Governments

The County participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the County receives entitlements from the State through the legislative actions and taxes collected by the State on behalf of the County (other taxes). All federal grants shown below are either direct or passed through state or local agencies and are reported on the financial statements as due from other governments.

Amounts due from federal and state as of September 30, 2024 are summarized below:

	Federal Grants	State Grants	Total
Major Governmental Funds:			
General fund	\$ 2,891	\$ 20,543	\$ 23,434
Other governmental funds	<u>19,010</u>	<u>126,581</u>	<u>145,591</u>
Total	\$ <u>21,901</u>	\$ <u>14,124</u>	\$ <u>169,025</u>

Judicial Receivables

Judicial receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to the County's various court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The following is a summary of the receivable and allowance for uncollectible as of September 30, 2024:

	Judicial Receivable	Allowance for Uncollectible Accounts	Net Receivable
Justice of the peace	\$ 452,689	\$ (135,807)	\$ 316,882
County courts	1,530,993	(382,748)	1,148,245
District courts	<u>18,208,972</u>	<u>(9,104,486)</u>	<u>9,104,486</u>
Total	\$ <u>20,192,654</u>	\$ <u>(9,623,041)</u>	\$ <u>10,569,613</u>

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 4 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUE**Governmental Funds

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2024, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Major Funds					
	General Fund	Road & Bridge Fund	General Debt Service Fund	American Rescue Plan Act (ARPA) Fund	Other Governmental Funds	Total
Deferred Inflows of Resources:						
Delinquent property taxes receivable	\$ 968,665	\$ 126,217	\$ 20,046	\$ -	\$ 24,013	\$ 1,138,941
Unearned Revenue:						
Federal grants	-	-	-	4,499,680	-	4,499,680
State grants	-	-	-	-	860,088	860,088
State allocations	-	-	-	-	24,577	24,577
Other	-	-	-	-	8,698	8,698
	<u>\$ 968,665</u>	<u>\$ 126,217</u>	<u>\$ 20,046</u>	<u>\$ 4,499,680</u>	<u>\$ 917,376</u>	<u>\$ 6,531,984</u>

Governmental Activities

Governmental activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2024 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 4 - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUE - Continued**Governmental Activities - Continued

As of September 30, 2024, the various components of deferred outflows and inflows of resources and unearned revenue reported in the governmental activities were as follows:

<u>Governmental Activities:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Bond refunding cost (net of accumulated amortization)	\$ 1,382,921	\$ -	\$ -
Pension Related:			
Differences between expected and actual experience	180,747	242,092	-
Net difference between projected and actual investment earnings	946,108	-	-
Changes in assumptions	-	28,648	-
Subsequent contributions	5,088,810	-	-
OPEB Related:			
Changes in assumptions	332,990	373,613	-
Differences between expected and actual experience	25,680	1,019,825	-
Unearned Revenue:			
Federal grants	-	-	4,499,680
State grants	-	-	860,088
State Allocations	-	-	24,577
Other	-	-	8,698
Totals	<u>\$ 7,957,256</u>	<u>\$ 1,664,178</u>	<u>\$ 5,393,043</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2024 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>09-30-24</u>
General Fund	Other Governmental Funds	\$ 398,815
General Fund	Internal Service Fund	5,254
American Rescue Plan Act (ARPA) Fund	Other Governmental Funds	397,620
Other Governmental Funds	General Fund	350
Other Governmental Funds	American Rescue Plan Act (ARPA) Fund	222,069
Other Governmental Funds	Other Governmental Funds	975
Other Governmental Funds	Internal Service Fund	210
Internal Service Fund	General Fund	11,990
Internal Service Fund	Road & Bridge Fund	790
Total		<u>\$ 1,038,073</u>

Interfund receivables and payables represent short-term borrowings primarily for cash flow purposes. These include short-term borrowings for reimbursement grants and some revenue or expenditures/expense adjustments between funds at or near year-end.

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued**

Interfund transfers for the year ended September 30, 2024 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>09-30-24</u>
General Fund	Road & Bridge Fund	\$ 48,000
General Fund	General Debt Service Fund	400,000
General Fund	Other Governmental Funds	2,272,416
American Rescue Plan Act (ARPA) Fund	Other Governmental Funds	5,198,333
Other Governmental Funds	General Fund	<u>524,787</u>
Total		<u>\$ 8,443,536</u>

The Commissioners Court approved these transfers, as transfers of operational funds to cover planned expenditures/expenses.

NOTE 6 - CAPITAL ASSETSCapital Transactions

	<u>Balance 10-01-23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments & Transfers</u>	<u>Balance 09-30-24</u>
Governmental Activities:					
Capital Assets, Not Depreciated/					
Amortized:					
Land	\$ 3,259,403	\$ -	\$ -	\$ 300,000	\$ 3,559,403
Construction in progress	<u>7,510,145</u>	<u>9,072,487</u>	<u>(10,884)</u>	<u>(15,153,809)</u>	<u>1,417,939</u>
Total capital assets not being depreciated/amortized	<u>10,769,548</u>	<u>9,072,487</u>	<u>(10,884)</u>	<u>(14,853,809)</u>	<u>4,977,342</u>
Capital Assets, Being Depreciated/					
Amortized:					
Buildings and improvements	91,444,106	1,202,570	-	13,449,903	106,096,579
Furniture, equipment and vehicles	36,581,765	3,691,577	(1,444,959)	407,906	39,236,289
Right to use leased assets	257,961	-	(14,125)	-	243,836
Subscription based IT assets	2,518,216	1,921,697	(858,996)	-	3,580,917
Infrastructure	<u>43,627,655</u>	<u>4,054,788</u>	<u>(398,629)</u>	<u>996,000</u>	<u>48,279,814</u>
Total capital assets being depreciated/amortized	<u>174,429,703</u>	<u>10,870,632</u>	<u>(2,716,709)</u>	<u>14,853,809</u>	<u>197,437,435</u>

(continued)

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 6 - CAPITAL ASSETS - Continued**Capital Transactions - Continued

	Balance 10-01-23	Additions	Retirements	Adjustments & Transfers	Balance 09-30-24
Less Accumulated Depreciation/ Amortization For:					
Buildings and improvements	\$ 44,303,440	\$ 2,921,099	\$ -	\$ -	\$ 47,224,539
Furniture, equipment and vehicles	28,454,248	2,219,848	(1,388,614)	-	29,285,482
Right to use leased assets	125,421	67,230	(14,125)	-	178,526
Subscription based IT assets	520,288	709,800	(220,997)	-	1,009,091
Infrastructure	<u>29,905,542</u>	<u>1,024,234</u>	<u>(398,629)</u>	<u>-</u>	<u>30,531,147</u>
Total accumulated depreciation/ amortization	<u>103,308,939</u>	<u>6,942,211</u>	<u>(2,022,365)</u>	<u>-</u>	<u>108,228,785</u>
Total capital assets being depreciated/amortized, net	<u>71,120,764</u>	<u>3,928,421</u>	<u>(694,344)</u>	<u>14,853,809</u>	<u>89,208,650</u>
Governmental activities capital assets, net	<u>\$ 81,890,312</u>	<u>\$ 13,000,908</u>	<u>\$ (705,228)</u>	<u>\$ -</u>	<u>\$ 94,185,992</u>

During the year ended September 30, 2024, the County received equipment and roads from various sources totaling \$ 3,357,814.

Depreciation

Depreciation expense was charged as direct expense to functional categories of the County as follows:

	<u>09-30-24</u>
Governmental Activities:	
General government	\$ 2,248,466
Administration of justice	55,349
Financial administration	73,067
Elections	27,202
Law enforcement	2,556,252
Highways and streets	1,764,563
Health and welfare	199,196
Culture and recreation	<u>18,116</u>
Total depreciation expense	<u>\$ 6,942,211</u>

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 6 - CAPITAL ASSETS - Continued**Construction Commitments

Construction in progress for various projects at September 30, 2024 is as follows.

	Contract Value	Expended To Date	Commitment
Governmental Activities:			
Service Center Renovations	\$ 21,100	\$ -	\$ 21,100
Law Enforcement Software	888,275	(666,206)	222,069
Fleet Maintenance Renovation	<u>911,566</u>	<u>(237,120)</u>	<u>674,446</u>
Total	<u>\$ 1,820,941</u>	<u>\$ (903,326)</u>	<u>\$ 917,615</u>

NOTE 7 - DISAGGREGATION OF ACCOUNTS AND ACCRUED LIABILITIES PAYABLE

Accounts and accrued liabilities payable as of September 30, 2024, for the government's individual governmental major and nonmajor funds, and fiduciary funds in the aggregate are as follows:

	Major Funds				
	General Fund	Road & Bridge Fund	American Rescue Plan Act (ARPA) Fund	Other Governmental Funds	Total
Accounts and Accrued Liabilities Payable:					
Vendors	\$ 2,225,753	\$ 686,633	\$ 399,170	\$ 966,971	\$ 4,278,527
Accrued compensation	3,481,743	278,594	24,442	142,686	3,927,465
Due to other governments	4,677	-	-	-	4,677
Due to others	<u>556,445</u>	<u>-</u>	<u>-</u>	<u>17,207</u>	<u>573,652</u>
Totals	<u>\$ 6,268,618</u>	<u>\$ 965,227</u>	<u>\$ 423,612</u>	<u>\$ 1,126,864</u>	<u>\$ 8,784,321</u>
				Internal Service Fund	Fiduciary Funds
Accounts and Accrued Liabilities Payable:					
Vendors				\$ 853,190	\$ 26,770
Bonds payable				-	214,849
Accrued compensation				-	228,823
Due to others				-	347
Estimated claims payable				<u>528,158</u>	<u>-</u>
Total				<u>\$ 1,381,348</u>	<u>\$ 470,789</u>

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 8 - LONG-TERM DEBT**Bonded Debt

Bonds payable at September 30, 2024, are summarized as follows:

	Interest Rate %	Series Dates			Bonds Outstanding 09-30-24
		Issued	Maturity	Callable	
Certificates of Obligation Bonds Taxable Series 2015	1.704 - 4.627	2015	2025	--	\$ 1,120,000
General Obligation Refunding Bonds Taxable Series 2021	1.800 - 3.000	2021	2035	2031	<u>15,090,000</u>
Total					<u>\$ 16,210,000</u>

General obligation and certificates of obligation bond transactions for the year ended September 30, 2024 was as follows:

Bonds outstanding, October 1, 2023	\$ 17,495,000
Maturities	<u>(1,285,000)</u>
Bonds outstanding, September 30, 2024	<u>\$ 16,210,000</u>

The bond ordinances require that a tax be levied sufficient to pay current interest and create a sinking fund of not less than the amount to pay current principal and interest. For the year ended September 30, 2024, the amount of ad valorem taxes collected for interest and sinking was \$ 1,448,037, while the debt service requirements for principal and interest was \$ 1,644,476. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

Certificate of Obligation Bonded Debt

The following is a summary of general obligation and certificate of obligation bond requirements by year as of September 30, 2024:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2025	\$ 1,325,000	\$ 316,016	\$ 1,641,016
2026	1,360,000	280,290	1,640,290
2027	1,390,000	252,790	1,642,790
2028	1,415,000	224,740	1,639,740
2029	1,445,000	196,140	1,641,140
2030-2034	7,655,000	541,590	8,196,590
2035	<u>1,620,000</u>	<u>16,605</u>	<u>1,636,605</u>
Total	<u>\$ 16,210,000</u>	<u>\$ 1,828,171</u>	<u>\$ 18,038,171</u>

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 8 - LONG-TERM DEBT - Continued**Changes in Long-Term Debt

Transactions for the year ended September 30, 2024 are summarized as follows:

	<u>Balance 10-01-23</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 09-30-24</u>	<u>Due Within One Year</u>
Governmental Activities:					
Certificates of obligation bonds	\$ 17,495,000	\$ -	\$ (1,285,000)	\$ 16,210,000	\$ 1,325,000
Lease liability	127,191	-	(70,156)	57,035	17,362
Subscription liability	1,970,146	1,921,697	(1,304,794)	2,587,049	688,642
Net pension liability	9,691,098	19,272,754	(27,354,179)	1,609,673	-
Total OPEB liability	3,932,768	751,025	(870,586)	3,813,207	-
Compensated absences	1,734,314	2,262,949	(2,101,724)	1,895,539	1,826,240
Premium on bonds	<u>218,834</u>	<u>-</u>	<u>(19,238)</u>	<u>199,596</u>	<u>19,238</u>
Total governmental activities	<u>\$ 35,169,351</u>	<u>\$ 24,208,425</u>	<u>\$ (33,005,677)</u>	<u>\$ 26,372,099</u>	<u>\$ 3,876,482</u>

NOTE 9 - LEASES

In November 2021, the County entered a five year lease agreement for the lease of a copier. Based on this agreement, the County is required to make quarterly payments of \$ 509. There are no renewal options included in this lease agreement and the County will not purchase the copier at the end of the lease term. An initial lease liability was recorded in the amount of \$ 9,428 using 3.00% discount rate.

In January 2022, the County entered a five year lease agreement for the lease of a copier. Based on this agreement, the County is required to make quarterly payments of \$ 1,515. There are no renewal options included in this lease agreement and the County will not purchase the copier at the end of the lease term. An initial lease liability was recorded in the amount of \$ 28,040 using 3.00% discount rate.

In October 2021, the County entered a three year lease agreement for the lease of a phone system. Based on this agreement, the County is required to make monthly payments of \$ 4,115. There are no renewal options included in this lease agreement and the County will not purchase the phone system at the end of the lease term. An initial lease liability was recorded in the amount of \$ 152,730 using 3.00% discount rate.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 9 - LEASES - Continued

In January 2022, the County entered a five year lease agreement for the lease of public safety equipment. Based on this agreement, the County is required to make annual payments of \$ 8,989. There are no renewal options included in this lease agreement and the County will not purchase the public safety equipment at the end of the lease term. An initial lease liability was recorded in the amount of \$ 55,715 using 3.00% discount rate.

In October 2022, the County entered a two year lease agreement for the lease of a administration of justice building. Based on this agreement, the County is required to make monthly payments of \$ 600. There are no renewal options included in this lease agreement and the County will not purchase the administration of justice building at the end of the lease term. An initial lease liability was recorded in the amount of \$ 12,369 using 2.024% discount rate during the current fiscal year.

In March 2023, the County entered a five year lease agreement for the lease of public safety equipment. Based on this agreement, the County is required to make monthly payments of \$ 155. There are no renewal options included in this lease agreement and the County will not purchase the public safety equipment at the end of the lease term. An initial lease liability was recorded in the amount of \$ 8,714 using 2.682% discount rate during the current fiscal year.

The future principal and interest lease payments as of September 30, 2024, were as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2025	\$ 17,362	\$ 1,585	\$ 18,947
2026	17,880	1,067	18,947
2027	12,296	578	12,874
2028	<u>9,497</u>	<u>267</u>	<u>9,764</u>
Totals	\$ <u>57,035</u>	\$ <u>3,497</u>	\$ <u>60,532</u>

NOTE 10 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The County has entered into subscription based information technology arrangements (SBITAs) for the right to use the other party's information technology software which have been accounted for in accordance with GASB 96. The County is required to make annual payments on each arrangement at the County's incremental borrowing rate or the interest rate stated or implied in the subscription term which ranges from 0.582% to 3.591%. The value of the right to use subscription assets as of September 30, 2024 is \$ 3,580,917 with accumulated amortization of \$ 1,009,091.

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 10 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS - Continued**

The future principal and interest SBITA payments for governmental activities as of September 30, 2024 are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2025	\$ 688,642	\$ 64,397	\$ 753,039
2026	542,917	47,979	590,896
2027	495,700	33,966	529,666
2028	485,214	20,436	505,650
2029	263,516	7,127	270,643
2030	<u>111,060</u>	<u>1,360</u>	<u>112,420</u>
Totals	\$ <u>2,587,049</u>	\$ <u>175,265</u>	\$ <u>2,762,314</u>

NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN

Plan Description - The County provides retirement, disability, and death benefits for all of 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 more than 870 non-traditional defined benefit plans. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 79768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 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 8 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 their employer.

All eligible employees of the County are required to participate in TCDRS.

The plan provisions are adopted by Commissioners Court of the County, within the options available in the state statutes governing TCDRS. Plan provisions for the County were as follows:

	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>
Employee deposit rate	7.00%	7.00%
Employer deposit rate	12.45%	12.45%
Matching ratio (County to employee)	2 to 1	2 to 1
Years required for vesting	8	8
Service retirement eligibility (expressed as age/years of service)	60/8, 0/20	60/8, 0/20

NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Employees Covered by Benefit Terms:

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	435
Inactive employees entitled to but not yet receiving benefits	693
Active employees	<u>862</u>
	<u>1,990</u>

Contributions - The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee compensation, and the employer matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the employer. Under the state laws governing TCDRS, the contribution rate for each employer is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. Participating employers are required to contribute at the actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Employees of the County were required to contribute 7.00% of their annual compensation during the fiscal year. The County's required contribution rates of 10.23% and 10.52% in calendar years 2024 and 2023, respectively. The County's contributions to TCDRS for the year ended September 30, 2024 were \$ 6,903,008.

Net Pension Liability - The County's Net Pension Liability was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Except where indicated in the section of this GASB 68 report entitled “Actuarial Methods and Assumptions Used for GASB Calculations”, the assumptions used in this analysis for the December 31, 2023 financial reporting metrics are the same as those used in the December 31, 2023 actuarial valuation analysis for the County.

Following is a description of the assumptions used in the December 31, 2023 actuarial valuation analysis for the County. This information may also be found in the Johnson County December 31, 2023 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment return of 7.50% is net after investment and administrative expenses and is expected to enable the system to credit each employer’s Subdivison Accumulation Fund (SAF) with a nominal annual rate of 7.50% on the combined Employee Savings Fund (ESF) and SAF funds, less the amount credited to the County’s ESF. Under the TCDRS Act, the ESF is credited with a nominal annual rate of 7.00%. It is assumed interest will be credited at the nominal annual rate of 7.50% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.50% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.70% per year for a career employee.

Employer Specific Economic Assumptions

Growth in membership	0.00%
Payroll growth	3.00%

The payroll growth assumption is for the aggregate covered payroll of an employer.

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 are based on January 2024 information for a 10-year time horizon.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

The valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, and is set 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

⁽¹⁾ Target asset allocation adopted at the March 2024 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.20%, per Cliffwater's 2024 capital market assumptions

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not include in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments

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 of the employer 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 for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as of December 31, 2022	\$ 163,401,648	\$ 153,710,550	\$ 9,691,098
Changes for the Year:			
Service cost	6,560,918	-	6,560,918
Interest on total pension liability ⁽¹⁾	12,621,607	-	12,621,607
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(253,755)	-	(253,755)
Effect of assumptions changes or inputs	-	-	-
Refunds of contributions	(911,983)	(911,983)	-
Employer contributions	-	6,413,870	(6,413,870)
Member contributions	-	3,606,194	(3,606,194)
Net investment income	-	16,913,706	(16,913,706)
Benefit payment,	(7,010,657)	(7,010,657)	-
Administrative expense	-	(90,229)	90,229
Other changes ⁽³⁾	-	166,654	(166,654)
Balance as of December 31, 2023	<u>\$ 174,407,778</u>	<u>\$ 172,798,105</u>	<u>\$ 1,609,673</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.⁽²⁾ No plan changes valued.⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis - The following presents the net pension liability of the county, calculated using the discount rate of 7.60%, as well as what the County's net pension liability would be if it were calculated using a discount rate of 1 percentage-point lower (6.60%) or 1 percentage-point higher (8.60%) than the current rate:

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued**

	1% Decrease In Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase In Discount Rate (8.60%)
Total pension liability	\$ 197,995,858	\$ 174,407,778	\$ 154,752,779
Fiduciary net position	<u>172,798,105</u>	<u>172,798,105</u>	<u>172,798,105</u>
Net pension liability / (asset)	\$ <u>25,197,753</u>	\$ <u>1,609,673</u>	\$ <u>(18,045,326)</u>

	Year Ended 12-31-23
<i>Pension Expense:</i>	
Service cost	\$ 6,560,918
Interest on total pension liability ⁽¹⁾	12,621,607
Administrative expenses	90,229
Member contributions	(3,606,194)
Expected investment return net of investment expenses	(11,763,095)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	174,345
Recognition of assumption changes or inputs	1,998,969
Recognition of investment gains or losses	(2,653,002)
Other ⁽²⁾	<u>(166,654)</u>
Pension expense	\$ <u>3,257,123</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.⁽²⁾ Related to allocation of system-wide items.

Deferred Inflows and Outflows - At September 30, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 180,747	\$ 242,092
Net difference between projected and actual investment earnings	946,108	-
Changes in assumptions	-	28,648
Contributions subsequent to the measurement date ⁽³⁾	<u>5,088,810</u>	<u>-</u>
Totals	\$ <u>6,215,665</u>	\$ <u>270,740</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 11 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

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 expenses as follows:

Year Ended September 30,	
2025	\$ (1,005,790)
2026	(398,737)
2027	3,290,765
2028	(1,030,123)
2029	-
Thereafter ⁽⁴⁾	-

⁽³⁾ Any eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year end, the employer should reflect these contributions, adjusted as outlined in GASB No. 71.

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional deferred inflows and outflows of resources may impact these numbers.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description - The County's defined benefit OPEB plan, Johnson County Retiree Health Care Plan (JCRHCP), provides medical benefits to plan members of the County. JCRHCP is a single-employer defined benefit OPEB plan administered by the County. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioners Court. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided - Plan participants are full-time regular employees who, at the time they leave County employment, are:

1. Eligible for retirement benefits under Texas County and District Retirement guidelines, and
2. Have a total of 20 years of service with Johnson County, of which at least 10 years are continuous service, and
3. Are covered under the County group health insurance program at the time of the separation, and
4. Are not Medicare eligible, or

Elected officials who, at the time they leave Johnson County employment, are:

1. Eligible for retirement benefits under Texas County and District Retirement guidelines, and
2. Have a total of 16 years of service with the County, of which at least 10 years are continuous service, and
3. Are covered under the County group health insurance program at the time of their separation, and
4. Are not Medicare eligible.

Members retiring under TCDRS disability retirement provisions must satisfy social security disability requirements that are therefore Medicare eligible. Disabled retirees are not eligible for the County's health insurance. Retiree healthcare ceases when a covered retiree becomes eligible for Medicare coverage.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Coverage for dependents who are not Medicare eligible and who are participants in the County's group health insurance plan at the time of the employee's separation may also be continued. Premiums will be paid for by the retiree and are to be made to the County Treasurer no later than the 10th day of each month. In the event of the retiree's death, covered dependents may continue coverage until they become Medicare eligible provided they make required premium payments on a timely basis. The County will pay for the retiree's vision coverage for 3 years or until the age 65. Any dependent coverage the retiree may have will be at the retiree's cost.

The following table provides a summary of the number of participants in the plan as of September 30, 2024:

Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>542</u>
	<u>552</u>

Contributions - Local Government Code Section 157.102 assigns to Commissioners Court the authority to establish and amend contribution requirements of the plan members. The County may contribute all, part of, or none of the premium payment. The County's contribution, if any, will be determined annually by Commissioners Court during the County budget process and will be effective on a fiscal year basis. The County does not contribute toward the cost of coverage for retirees who do not meet the eligibility requirements. The County pays no more for retiree healthcare than the premium it pays for active employees for each rate tier structure (retiree only, retiree + spouse, retiree + child, retiree + children, retiree + family).

The plan is funded on a pay-as-you-go basis. For the year ended September 30, 2024, the total benefit payments made to the plan was \$ 203,554. The total benefit payments made include explicit benefit payments made by the County of \$ 109,415 and an implicit benefit payment of \$ 94,139. The implicit subsidy is calculated using a factor which equals the ratio of the expected implicit subsidy to the expected total medical premiums. Since the plan utilizes blended premiums, the benefit payments must include an adjustment for the implicit subsidy. This adjustment reflects the underlying costs of the benefits provided to retirees.

Total OPEB Liability - The County's total OPEB liability of \$ 3,813,207 was measured as of September 30, 2024 utilizing the actuarial valuation performed as of September 30, 2023.

Actuarial assumptions and other inputs - The total OPEB liability in the September 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual Entry Age
Discount rate	4.06%
Inflation	2.50%
Salary increases	3.50%
Health care trend rates	Level 4.50% for medical; level 1.50% for vision
Participation rates	90% for retirees eligible for the County subsidy; 10% for retirees not eligible for the County subsidy

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

The RPH14-2014 Total Mortality Table is used for valuation purposes and the MP-2021 mortality projection is used.

The actuarial assumptions used in the September 30, 2024 valuation were based on the experience study covering the four-year period ending December 31, 2017, as conducted for the Texas County and District Retirement System.

Discount Rate - For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on S&P municipal bond 20 year grade rate index as of the measurement date. For the purpose of this valuation, the municipal bond rate is 4.06%. The discount rate was 4.77% as of the prior measurement date.

Changes in Total OPEB Liability - The changes in the total OPEB liability as of September 30, 2024 are as follows:

	<u>Total OPEB Liability</u>
Service cost	\$ 367,687
Interest on total OPEB liability	200,277
Difference between expected and actual experience	(667,032)
Change of assumptions	183,061
Benefit payments	<u>(203,554)</u>
Net change in total OPEB liability	(119,561)
Total OPEB liability, September 30, 2023	<u>3,932,768</u>
Total OPEB liability, September 30, 2024	\$ <u><u>3,813,207</u></u>

Changes in assumptions reflect a change in the discount rate from 4.77% as of September 30, 2023 to 4.06% as of September 30, 2024.

The benefit payments during the measurement period were determined as follows:

Explicit benefit payments (County's portion of premiums)	\$ 109,415
Implicit benefit payments	<u>94,139</u>
Total benefit payments	\$ <u><u>203,554</u></u>

JOHNSON COUNTY, TEXAS*Notes to the Financial Statements**For the Year Ended September 30, 2024***NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued**

The implicit benefit payments took the total premiums of \$ 203,554 multiplied by a factor of 0.464. The factor equals the ratio of the expected implicit subsidy to the expected explicit costs.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the County, calculated using the discount rate of 4.06%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate of 1 percentage-point lower (3.06%) or 1 percentage-point higher (5.06%) than the current rate:

	1% Decrease In Discount Rate (3.06%)	Discount Rate (4.06%)	1% Increase In Discount Rate (5.06%)
Total OPEB liability	\$ 4,087,072	\$ 3,813,207	\$ 3,558,113

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the County, calculated using the healthcare cost trend rate of 4.50%, as well as what the County's total OPEB liability would be if it were calculated using a healthcare cost trend rate rate of 1 percentage-point lower (3.50%) or 1 percentage-point higher (5.50%) than the current rate:

	1% Decrease In Trend Rate (3.50%)	Trend Rate (4.50%)	1% Increase In Trend Rate (5.50%)
Total OPEB liability	\$ 3,438,660	\$ 3,813,207	\$ 4,250,265

	Year Ended 09-30-24
<i>OPEB Expense:</i>	
Service cost	\$ 367,687
Interest on the total OPEB liability	200,277
Difference between expected and actual experience	(209,817)
Changes in assumptions or other inputs	<u>(32,426)</u>
OPEB expense	<u>\$ 325,721</u>

Deferred Inflows and Outflows - At September 30, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25,680	\$ 1,019,825
Changes in assumptions	<u>332,990</u>	<u>373,613</u>
Totals	<u>\$ 358,670</u>	<u>\$ 1,393,438</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

The County did not have any contributions subsequent to the measurement date due to the measurement date and the date of this report both ending as of September 30, 2024.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>September 30,</u>	
2025	\$ (242,243)
2026	(241,093)
2027	(237,469)
2028	(182,849)
2029	(71,067)
Thereafter	(60,047)

NOTE 13 - SELF INSURANCE

Health Insurance

The County implemented a limited self-insured health care benefit coverage plan that became effective October 1, 2023. The plan was established to provide for the payment or reimbursement of all or a portion of eligible medical and prescription drug expenses incurred by eligible participants and eligible dependents of such participants. The County is the named fiduciary and plan administrator and has the authority to control and manage the operation and administration of the plan. The County has the authority to amend the plan, to determine its policies, to appoint and remove plan supervisors and exercise general administrative authority over them.

The County, under the direction of the plan supervisor, Blue Cross Blue Shield, shall evaluate the cost of the plan and determine the amount to be contributed to the plan. The current contribution to the plan by the County depends on the level of coverage selected by the employee for the period October 1, 2023 through September 30, 2024. The contributions, or interfund premiums paid into the Self Insurance Health Care Fund (Internal Service Fund) are available to pay claims and administrative costs of the plan with a portion of the premiums set aside as reserves for anticipated claims. The total contribution to the plan for the fiscal year ended September 30, 2024 was \$ 11,319,472. The plan provides limited medical care benefits to the eligible participants up to \$ 1,000,000 lifetime maximum benefit. The plan has in place an excess loss insurance policy through SA Benefit Services LLC, which covers claims in excess of \$ 250,000 per participant in any calendar year, with a maximum aggregate benefit of \$ 1,000,000 per coverage period. Estimated claims payable at September 30, 2024 was \$ 528,158.

The following is a reconciliation of changes in the aggregate liabilities for claims for the years ended September 30, 2024.

	<u>2024</u>
Claims payable - October 1,	\$ -
Incurred claims	9,999,749
Payment of claims	<u>(8,618,401)</u>
Claims payable - September 30,	<u>\$ 1,381,348</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 13 - SELF INSURANCE - Continued

The following is a reconciliation of claims payable at September 30, 2024.

	<u>2024</u>
Claims payable:	
Actual	\$ 853,190
Estimated	<u>528,158</u>
 Total claims payable	 \$ <u>1,381,348</u>

NOTE 14 - GRANTS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2024, the County applied for and received federal and state grants related to various activities. The operations of these grants are reported in the general fund, various special revenue funds, and capital projects fund. For the most part, these grants are reimbursement type grants, therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues. The federal financial assistance programs are covered by the requirements of the Single Audit Act and the Uniform Guidance.

The state financial assistance programs are covered by the Texas Grant Management Standards. A single audit was performed on the federal and state financial assistance programs as the federal and state financial assistance programs met the \$ 750,000 threshold.

NOTE 15 - BAIL BOND COLLATERAL

The County holds, as collateral, time deposits and other cash equivalents and real property pledged toward bail bonds. The County does not have access to the assets unless the bond is violated; therefore, these assets are not reported in the financial statements of the County as of September 30, 2024. As of September 30, 2024, bail bonds outstanding totaled \$ 14,265,833 and collateral pledged against these bonds amounted to \$ 1,810,516, respectively.

NOTE 16 - LITIGATION

The County is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. Such lawsuits include various civil claims that are currently between the stages of discovery and pleadings. The outcome of these lawsuits and other claims are not presently determinable and the resolutions of these matters are not expected to have a material effect on the financial condition of the County. The County does not have any contingent estimated liability as of September 30, 2024.

NOTE 17 - RISK COVERAGE

The County is a participant in the Texas Association of Counties insurance pool for coverage of liability, property, and worker's compensation. The County pays annual premiums to the pool for the coverage stated. Property and liability insurance provide varying and appropriate coverage, with most claims subject to a \$ 5,000 deductible.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For the Year Ended September 30, 2024

NOTE 18 - TAX ABATEMENTS

The County enters into property tax abatement agreements with taxpayers under the State Property Tax Abatement Act, Tax Code Chapter 312. Under the act, the County may enter into a local agreement with a taxpayer that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years. Tax abatements are an economic development tool available to the County to attract new industries and to engage in the retention and development of existing businesses through property tax exemptions or reductions.

For the year ended September 30, 2024, the County abated property taxes totaling \$ 394,133 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 75 percent property tax abatement to a food processor and distributor for the expansion and development of property to include actual construction costs, and other costs of all buildings, structures, improvements, infrastructure, fixed machinery and equipment, and tangible personal property. The abatement in the current fiscal year amounted to \$ 58,954.
- A 75 percent property tax abatement to a manufacturer of tools for the construction of a new facility for increased manufacturing capacity and increased employment. The abatement in the current fiscal year amounts to \$ 101,063.
- A 75 percent property tax abatement to a retail company for the construction of a regional distribution center and increased employment. The abatement in the current fiscal year amounts to \$ 123,785.
- A 75 percent property tax abatement for the construction of a new facility for food processing and packaging and increased employment. The abatement in the current fiscal year amounted to \$ 72,476.

NOTE 19 - EVALUATION OF SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 18, 2025, the date which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY
INFORMATION**

JOHNSON COUNTY, TEXAS

*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund and Road & Bridge Fund
For the Year Ended September 30, 2024*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Taxes	\$ 71,192,836	\$ 71,192,836	\$ 72,785,193	\$ 1,592,357
Intergovernmental	1,607,322	1,607,322	1,684,732	77,410
Fees	18,284,020	18,284,020	21,518,763	3,234,743
Fines	753,000	753,000	2,234,181	1,481,181
Licenses and permits	26,000	26,000	28,000	2,000
Investment income	2,348,300	2,348,300	4,665,376	2,317,076
Miscellaneous	597,287	597,287	848,591	251,304
Total revenues	94,808,765	94,808,765	103,764,836	8,956,071
Expenditures:				
Current:				
General government	32,617,230	24,255,916	20,997,288	3,258,628
Administration of justice	10,305,862	11,346,522	9,828,270	1,518,252
Financial administration	1,552,617	1,750,814	1,559,320	191,494
Elections	932,749	1,329,467	1,064,451	265,016
Law enforcement	44,748,382	51,326,121	48,400,959	2,925,162
Highways and streets	-	-	-	-
Health and welfare	1,631,797	1,699,799	1,644,083	55,716
Culture and recreation	391,052	454,284	366,315	87,969
Conservation	302,699	327,847	270,275	57,572
Capital outlay	428,050	3,054,364	2,805,100	249,264
Debt Service:				
Principal	28,004	28,004	728,148	(700,144)
Interest and fiscal charges	1,687	1,687	43,872	(42,185)
Total expenditures	92,940,129	95,574,825	87,708,081	7,866,744
Excess (deficiency) of revenues over expenditures	1,868,636	(766,060)	16,056,755	16,822,815
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	70,000	70,000	40,984	(29,016)
Issuance of subscription based IT arrangements	-	1,857,039	1,921,697	64,658
Transfers in	579,263	876,943	524,787	(352,156)
Transfers out	(857,717)	(3,180,850)	(2,720,416)	460,434
Total other financing sources (uses)	(208,454)	(376,868)	(232,948)	143,920
Net change in fund balance	1,660,182	(1,142,928)	15,823,807	16,966,735
Fund balance - beginning	50,774,252	50,774,252	50,774,252	-
Fund balance - ending	\$ 52,434,434	\$ 49,631,324	\$ 66,598,059	\$ 16,966,735

Road & Bridge Fund			
Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 10,878,545	\$ 10,878,545	\$ 11,039,529	\$ 160,984
66,800	66,800	83,060	16,260
2,120,000	2,120,000	2,306,509	186,509
-	-	-	-
-	-	-	-
308,500	308,500	660,356	351,856
207,700	207,700	261,275	53,575
<u>13,581,545</u>	<u>13,581,545</u>	<u>14,350,729</u>	<u>769,184</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
15,852,192	15,291,704	8,728,958	6,562,746
-	-	-	-
-	-	-	-
-	-	-	-
1,731,992	2,234,580	1,852,174	382,406
-	-	-	-
-	-	-	-
<u>17,584,184</u>	<u>17,526,284</u>	<u>10,581,132</u>	<u>6,945,152</u>
<u>(4,002,639)</u>	<u>(3,944,739)</u>	<u>3,769,597</u>	<u>7,714,336</u>
-	-	34,153	34,153
-	-	-	-
48,000	48,000	48,000	-
-	(75,000)	-	75,000
<u>48,000</u>	<u>(27,000)</u>	<u>82,153</u>	<u>109,153</u>
(3,954,639)	(3,971,739)	3,851,750	7,823,489
<u>8,418,085</u>	<u>8,418,085</u>	<u>8,418,085</u>	<u>-</u>
<u>\$ 4,463,446</u>	<u>\$ 4,446,346</u>	<u>\$ 12,269,835</u>	<u>\$ 7,823,489</u>

JOHNSON COUNTY, TEXAS

Texas County and District Retirement System

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios For the Last Ten Measurement Years Ended December 31,

	2023	2022	2021	2020
Total Pension Liability				
Service cost	\$ 6,560,918	\$ 5,829,990	\$ 4,594,581	\$ 3,983,381
Interest on total pension liability	12,621,607	11,756,529	10,987,082	10,246,724
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	-	(114,592)	8,110,474
Effect of economic/demographic (gains) or losses	(253,755)	361,493	(207,101)	796,747
Benefit payments/refunds of contributions	<u>(7,922,640)</u>	<u>(6,692,544)</u>	<u>(6,061,159)</u>	<u>(5,315,194)</u>
Net Change in Total Pension Liability	11,006,130	11,255,468	9,198,811	17,822,132
Total Pension Liability - beginning	<u>163,401,648</u>	<u>152,146,180</u>	<u>142,947,369</u>	<u>125,125,237</u>
Total Pension Liability - ending (a)	<u>\$ 174,407,778</u>	<u>\$ 163,401,648</u>	<u>\$ 152,146,180</u>	<u>\$ 142,947,369</u>
Fiduciary Net Position				
Employer contributions	\$ 6,413,870	\$ 5,808,389	\$ 3,979,341	\$ 3,596,528
Member contributions	3,606,194	3,265,769	2,424,284	2,191,101
Investment income net of investment expense	16,913,706	(9,615,677)	28,894,667	12,264,209
Benefit payments/refunds of contributions	(7,922,640)	(6,692,544)	(6,061,159)	(5,315,194)
Administrative expense	(90,229)	(90,077)	(86,867)	(96,125)
Other	<u>166,654</u>	<u>469,529</u>	<u>45,997</u>	<u>21,157</u>
Net Change in Fiduciary Net Position	19,087,555	(6,854,611)	29,196,263	12,661,676
Fiduciary Net Position - beginning	<u>153,710,550</u>	<u>160,565,161</u>	<u>131,368,898</u>	<u>118,707,222</u>
Fiduciary Net Position - ending (b)	<u>\$ 172,798,105</u>	<u>\$ 153,710,550</u>	<u>\$ 160,565,161</u>	<u>\$ 131,368,898</u>
Net Pension Liability/(Asset) - ending (a)-(b)	<u>\$ 1,609,673</u>	<u>\$ 9,691,098</u>	<u>\$ (8,418,981)</u>	<u>\$ 11,578,471</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	99.08%	94.07%	105.53%	91.90%
Pensionable covered payroll	\$ 51,517,055	\$ 46,653,839	\$ 34,632,632	\$ 31,301,448
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	3.12%	20.77%	(24.31%)	36.99%

2019	2018	2017	2016	2015	2014
\$ 3,590,557	\$ 3,466,432	\$ 3,602,644	\$ 3,686,376	\$ 3,356,710	\$ 3,228,313
9,554,779	8,924,763	8,331,782	7,591,733	7,131,530	6,593,390
-	-	-	-	(605,396)	-
-	-	409,272	-	1,024,387	-
313,482	393,570	(183,883)	291,215	(1,277,227)	63,386
(5,303,269)	(4,965,130)	(4,450,589)	(4,014,436)	(3,799,131)	(3,231,425)
8,155,549	7,819,635	7,709,226	7,554,888	5,830,873	6,653,664
116,969,688	109,150,053	101,440,827	93,885,939	88,055,066	81,401,402
<u>\$ 125,125,237</u>	<u>\$ 116,969,688</u>	<u>\$ 109,150,053</u>	<u>\$ 101,440,827</u>	<u>\$ 93,885,939</u>	<u>\$ 88,055,066</u>
\$ 3,175,837	\$ 2,886,381	\$ 2,704,447	\$ 2,617,668	\$ 2,511,927	\$ 2,470,381
2,041,377	1,867,348	1,873,863	1,805,291	1,703,829	1,688,738
16,767,350	(1,946,155)	13,284,062	6,229,109	(616,199)	5,292,764
(5,303,269)	(4,965,130)	(4,450,589)	(4,014,436)	(3,799,131)	(3,231,425)
(90,459)	(82,009)	(69,388)	(67,695)	(60,576)	(62,523)
13,906	4,182	1,058	409,118	199,540	(138,000)
16,604,742	(2,235,383)	13,343,453	6,979,055	(60,610)	6,019,935
102,102,480	104,337,863	90,994,410	84,015,355	84,075,965	78,056,030
<u>\$ 118,707,222</u>	<u>\$ 102,102,480</u>	<u>\$ 104,337,863</u>	<u>\$ 90,994,410</u>	<u>\$ 84,015,355</u>	<u>\$ 84,075,965</u>
<u>\$ 6,418,015</u>	<u>\$ 14,867,208</u>	<u>\$ 4,812,190</u>	<u>\$ 10,446,417</u>	<u>\$ 9,870,584</u>	<u>\$ 3,979,101</u>
94.87%	87.29%	95.59%	89.70%	89.49%	95.48%
\$ 29,162,524	\$ 26,676,399	\$ 26,104,730	\$ 25,789,868	\$ 24,340,413	\$ 24,124,827
22.01%	55.73%	18.43%	40.51%	40.55%	16.49%

JOHNSON COUNTY, TEXAS

*Texas County And District Retirement System
Schedule Of Employer Contributions
For the Ten Years Ended September 30,*

Exhibit 12

	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2015	\$ 2,492,624	\$ 2,492,624	\$ -	\$ 24,205,219	10.3%
2016	2,707,614	2,707,614	-	26,561,630	10.2%
2017	2,687,041	2,687,041	-	26,059,464	10.3%
2018	2,801,251	2,801,251	-	26,149,000	10.7%
2019	3,139,996	3,139,996	-	28,876,370	10.9%
2020	3,397,114	3,397,114	-	29,926,967	11.4%
2021	3,478,172	3,552,854	(74,682)	30,921,273	11.5%
2022	5,481,255	5,520,861	(39,606)	45,269,691	12.2%
2023	5,553,167	6,266,209	(713,042)	50,330,993	12.5%
2024	5,714,368	6,903,008	(1,188,640)	55,445,846	12.5%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.



JOHNSON COUNTY, TEXAS

Johnson County Retiree Health Care Plan

Schedule of Changes in Total OPEB Liability and Related Ratios

Fiscal Year Ending September 30,

	2024	2023	2022	2021
Total OPEB Liability:				
Service cost	\$ 367,687	\$ 367,687	\$ 331,882	\$ 331,882
Interest on the Total OPEB Liability	200,277	183,527	101,088	98,711
Difference between expected and actual experience	(667,032)	-	(376,519)	48,981
Changes of assumptions	183,061	-	(664,048)	70,005
Benefit payments	<u>(203,554)</u>	<u>(196,579)</u>	<u>(196,579)</u>	<u>(194,407)</u>
Net Change in Total OPEB Liability	(119,561)	354,635	(804,176)	355,172
Total OPEB Liability - beginning	<u>3,932,768</u>	<u>3,578,133</u>	<u>4,382,309</u>	<u>4,027,137</u>
Total OPEB Liability - ending	<u>\$ 3,813,207</u>	<u>\$ 3,932,768</u>	<u>\$ 3,578,133</u>	<u>\$ 4,382,309</u>
Covered-Employee Payroll	<u>\$ 40,782,470</u>	<u>\$ 35,235,254</u>	<u>\$ 35,235,254</u>	<u>\$ 28,665,295</u>
Net OPEB Liability as a Percentage of Covered-Employee Payroll	<u>9.35%</u>	<u>11.16%</u>	<u>10.15%</u>	<u>15.29%</u>

Notes to Schedule:

There are no assets accumulated in a trust that meets the criteria of GASB to pay related benefits for the OPEB plan.

For the year ending September 30, 2024, the health care trend rates were reset to better reflect the plan's anticipated experience and to reflect the repeal of the excise tax on high-cost employer health plans.

Changes of assumptions reflect the effects of changes in the discount rates each period. The following are the discount rates used in each period.

Fiscal Year Ending	Discount Rate
2024	4.06%
2023	4.77%
2022	4.77%
2021	2.19%
2020	2.41%
2019	2.76%
2018	3.83%
2017	3.50%

This schedule is presented to illustrate the requirements to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74, they should not be shown. Therefore, we have shown only years for which the new GASB statements have been implemented.

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 407,464	\$ 311,838	\$ 319,478
116,430	138,249	118,225
(541,872)	(7,941)	-
96,586	284,814	(78,374)
<u>(163,135)</u>	<u>(138,030)</u>	<u>(109,424)</u>
(84,527)	588,930	249,905
<u>4,111,664</u>	<u>3,522,734</u>	<u>3,272,829</u>
\$ <u>4,027,137</u>	\$ <u>4,111,664</u>	\$ <u>3,522,734</u>
\$ <u>27,456,551</u>	\$ <u>26,417,574</u>	\$ <u>22,612,390</u>
<u>14.67%</u>	<u>15.56%</u>	<u>15.58%</u>

JOHNSON COUNTY, TEXAS

*Notes to the Required Supplementary Information
For the Year Ended September 30, 2024*

NOTE 1 - BUDGETARY INFORMATION

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The fund budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles. The major funds, General Fund and Road & Bridge Fund, budget and actual comparisons are presented as Required Supplementary Information at the fund level.

Although the level of budgetary control is total revenues plus available fund balance, the County adopts its budget at a line-item level for managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditures purposes by department and type of expenditures (salaries and wages and employee benefits; operating expenditures; and capital outlay). Budget amendments to transfer budgeted amounts from one line item to another may be made at the discretion of the Commissioners Court.

NOTE 2 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSETS) AND RELATED RATIOS

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	6.6 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed fair value
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.

JOHNSON COUNTY, TEXAS

*Notes to the Required Supplementary Information
For the Year Ended September 30, 2024*

NOTE 2 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSETS) AND RELATED RATIOS - Continued

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*

2015: New inflation, mortality and other assumption were reflected.
2017: New mortality assumptions were reflected.
2019: New inflation, mortality and other assumptions were reflected.
2022: New investment return and inflation assumptions were reflected.

Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*

2015: No changes in plan provisions were reflected in the Schedule.
2016: No changes in plan provisions were reflected in the Schedule.
2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.
2018: No changes in plan provisions were reflected in the Schedule.
2019: No changes in plan provisions were reflected in the Schedule.
2020: No changes in plan provisions were reflected in the Schedule.
2021: No changes in plan provisions were reflected in the Schedule.
2022: No changes in plan provisions were reflected in the Schedule.
2023: No changes in plan provisions were reflected in the Schedule.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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*An opinion in substantially the following form will be delivered by McCall,
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the
Bonds, assuming no material changes in facts or law.*

\$30,605,000
JOHNSON COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS
SERIES 2025

AS BOND COUNSEL for JOHNSON COUNTY, TEXAS, the Issuer (the “Issuer”) of the Bonds described above (the “Bonds”), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or prior redemption, at the rates and payable on the dates as stated in the text of the Bonds, and maturing on the dates and subject to redemption as specified in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law, and that said Bonds, except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors’ rights or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, without legal limit as to rate or amount, on all taxable property within the Issuer.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.



EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"). Rather, our opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, might result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.



OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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