

**Approved**

Commissioners Court

MAR 27 2017

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**SEPTEMBER 30, 2016**

**AND**

**AUDITORS' REPORT**

# JOHNSON COUNTY EMERGENCY SERVICE DISTRICT #1

FINANCIAL
STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

## BOARD MEMBERS:

R.C. McFall

Rick Cumins

Gerald Miller

Jack Watson

Darren Yancy

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1**

**Annual Financial Statements for  
the Year Ended September 30, 2016**

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## **FINANCIAL SECTION**

# Estes · Armstrong · Earley · LLC

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ACCOUNTANTS

TEXAS SOCIETY OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

To the Honorable Commissioners  
Johnson County Emergency Service District #1  
2451 Service Drive  
Cleburne, Texas 76033

We have audited the accompanying financial statements of the governmental activities, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Johnson County Emergency Service District #1's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with auditing standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

#### **Opinions.**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Johnson County Emergency Service District #1, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectively submitted,

*Estes Armstrong Earley LLC*  
February 28, 2017



Estes · Armstrong · Earley · LLC

**MANAGEMENT'S DISCUSSION**

**AND**

**ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Johnson County Emergency Service District #1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$6,545,511 at September 30, 2016.
- During the year, the District's expenses were \$ 177,904 more than the \$ 4,119,103 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$ 4,056,099.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure A-1F, Required Components of the City's Annual Financial Report**

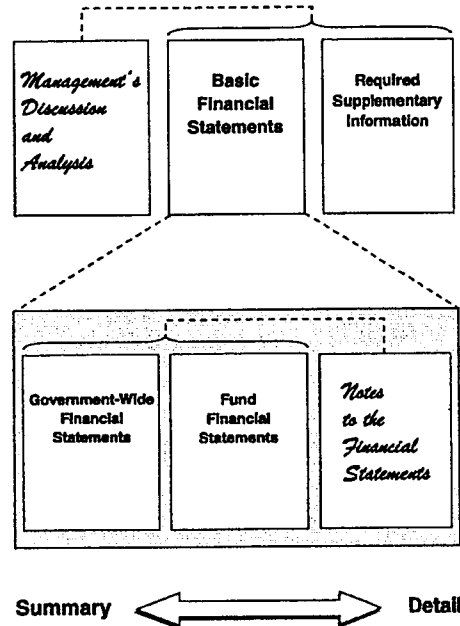


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

#### **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.



<b>Fund Statements</b>		
<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>
Scope	Entire Agency's government	The activities of the District that are not proprietary or fiduciary
Required financial Statements	Statement of net assets	Balance sheet
	Statement of activities	Statement of revenues, expenditures & changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified actual accounting and current financial resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$6,545,511 at September 30, 2016. (See Table A-1).

**Table A-1**  
**District's Net Assets**  
*(in thousands dollars)*

	Governmental Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016-2015
<b>Current assets:</b>					
Cash and cash equivalents	\$3,765	\$3,809	\$3,765	\$3,809	(1)
Investments	690	687	690	687	(.4)
Taxes receivable	279	289	279	289	(3)
Due from other governments	2	13	2	13	(84)
Prepaid expenses	5	80	5	80	(94)
Other receivables	4	279	4	279	(98)
Restricted cash	325	324	325	324	(.3)
<b>Total current assets:</b>	<u>5,070</u>	<u>5,481</u>	<u>5,070</u>	<u>5,481</u>	(7)
<b>Noncurrent assets:</b>					
Fixed Assets	4,402	4,089	4,402	4,089	7
Less accumulated depreciation	<u>(2,237)</u>	<u>(1,873)</u>	<u>(2,237)</u>	<u>(1,873)</u>	19
<b>Total noncurrent assets</b>	<u>2,165</u>	<u>2,216</u>	<u>2,165</u>	<u>2,216</u>	(2)
<b>Total Assets</b>	<u>7,235</u>	<u>7,697</u>	<u>7,235</u>	<u>7,697</u>	(6)
<b>Current liabilities:</b>					
Accounts payable and accrued liabilities	429	694	429	694	(38)
Deferred revenue	260	278	260	278	4
<b>Total current liabilities</b>	<u>689</u>	<u>973</u>	<u>689</u>	<u>973</u>	(29)
<b>Total Liabilities</b>	<u>689</u>	<u>973</u>	<u>689</u>	<u>973</u>	(29)
<b>Net Assets:</b>					
Invested in capital assets	2,165	2,216	2,165	2,216	(2)
Committed	325	324	325	324	.3
Unassigned	4,056	4,184	4,056	4,184	(3)
<b>Total Net Assets</b>	<u>\$6,546</u>	<u>\$6,724</u>	<u>\$6,546</u>	<u>\$6,724</u>	(3)

The \$4,056,099 of unrestricted net assets represents resources available for use next year.

**Changes in net assets.** The District's total revenues were \$ 4,119,103. A significant portion, 98%, of the District's revenue comes from taxes. Other revenue sources consist of facility use fees and interest income. The total cost of all programs and services was \$ 4,297,007; 45% of these costs were distributed to various fire departments in Johnson County.

**Governmental Activities**

**Table A-2**  
Changes in District's Net Assets  
(thousands dollars)

	Governmental Activities		Total		Total Percentage Change
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>
<b>Revenues:</b>					
Taxes receivable	4,051	4,057	4,051	4,057	(.1)
Charges for services	41	47	41	47	(12)
Investment Income	23	25	23	25	(8)
Other receivables	4	34	4	34	(88)
<b>Total Revenues</b>	<u>4,119</u>	<u>4,163</u>	<u>4,119</u>	<u>4,163</u>	(1)

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities).

- The cost of all *governmental* activities this year was \$ 4,297,007.
- The amount that taxpayers paid for these activities through property taxes \$ 4,050,647.
- Some of the cost was paid by fees generated from the use of the training facility.

**Table A-3**  
Net Cost of District Functions  
(thousands dollars)

	Total Cost of Services			Net Cost of Services		
	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>
Distributions to fire departments	1,914	2,162	(11)	1,914	2,162	(11)
Administration and general government	656	633	4	656	633	4
Facility activities & Dispatch	987	1,092	(10)	987	1,092	(10)

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Total revenues decreased approximately \$43,968 from the previous year. The decrease was mainly attributable to the decrease in tax collections and decreased interdepartment funding..

**General Fund Budgetary Highlights**

Appropriations exceeded expenditures by \$238,517 for the year ended September 30, 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2016, the District had invested or acquired through donations \$4,401,626 in a broad range of capital assets, including equipment, buildings, and vehicles.

**Table A-4**  
**District's Capital Assets**  
*(thousands of dollars)*

	Governmental Activities		Total		Total Percentage Change
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>
Land	77	77	77	77	0
Buildings and improvements	1,614	1,334	1,614	1,334	21
Vehicles	1,103	1,103	1,103	1,103	0
Equipment	<u>1,608</u>	<u>1,575</u>	<u>1,608</u>	<u>1,575</u>	2
Totals at historical cost	4,402	4,089	4,402	4,089	8
Total accumulated depreciation	<u>(2,237)</u>	<u>(1,873)</u>	<u>(2,237)</u>	<u>(1,873)</u>	19
Net capital assets	<u>2,164</u>	<u>2,216</u>	<u>2,164</u>	<u>2,216</u>	(2)

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tommy Foster at (817) 556-2212.

## **BASIC FINANCIAL STATEMENTS**

**JOHNSON COUNTY EMERGENCY SERVICE DISTRICT #1**  
**STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,765,211	\$ 3,765,211
Investments	689,771	689,771
Prepaid Expenses	5,379	5,379
Due from other governments	2,199	2,199
Delinquent taxes receivable	279,022	279,022
Other receivables	4,438	4,438
Temporarily restricted assets:		
Cash and cash equivalents	309,009	309,009
Permanently restricted assets:		
Cash and cash equivalents	15,901	15,901
Capital assets:		
Land	76,473	76,473
Building	1,613,755	1,613,755
Machinery & equipment	1,141,975	1,141,975
Office equipment	466,124	466,124
Transportation equipment	1,103,299	1,103,299
Accumulated depreciation	(2,237,126)	(2,237,126)
Total Assets	7,235,431	7,235,431
<b>LIABILITIES</b>		
Accounts payable	11,106	11,106
Accrued expenses	418,320	418,320
Deferred revenue	260,494	260,494
Capital leases payable	0	0
Total Liabilities	689,920	689,920
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	2,164,501	2,164,501
Committed for:		
Annual schools	15,901	15,901
Replacement fund	309,010	309,009
Unassigned	4,056,099	4,056,100
Total Net Assets	6,545,511	6,545,511
Total Liabilities and Net Assets	\$ 7,235,431	\$ 7,235,431

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

**JOHNSON COUNTY EMERGENCY SERVICE DISTRICT #1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Charges for Services	Capital Grants and Contributions	Government Activities
Governmental activities:			
General government	\$ 4,285,245	\$ -	\$ (4,285,245)
Facility/School activities	11,762	41,252	29,490
Total governmental activities	4,297,007	41,252	(4,255,755)
General revenues:			
Property taxes			4,050,647
Investment income			22,765
Miscellaneous			4,440
Total general revenues			4,077,852
Change in net assets			(177,903)
Net assets - beginning			6,723,414
Net assets - ending			6,545,511

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

**JOHNSON COUNTY EMERGENCY SERVICE DISTRICT #1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>General</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash in bank	\$ 3,765,211	\$ 3,765,211
Investments	689,771	689,771
Due from other governments	2,199	2,199
Delinquent taxes receivable	279,022	279,022
Other receivables	9,817	9,817
Restricted cash	324,910	324,910
Total Assets	5,070,930	5,070,930
<b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable	11,106	11,106
Accrued expenses	418,320	418,320
Deferred revenue	260,494	260,494
Total Liabilities	689,920	689,920
Fund balances		
Committed for:		
Annual schools	15,901	15,901
Replacement fund	309,009	309,009
Unassigned	4,056,100	4,056,100
Total Fund Balance	4,381,010	4,381,010
Total Liabilities and Fund Balance	5,070,930	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

2,164,501

Net Assets of Governmental Activities

\$ 6,545,511

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



**JOHNSON COUNTY EMERGENCY SERVICE DISTRICT #1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<b>General</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Taxes	\$ 3,996,735	\$ 3,996,735
Penalty and interest - Taxes	53,912	53,912
Interest income	22,765	22,765
Facility income	41,252	41,252
Other income	4,439	4,439
Total revenues	4,119,103	4,119,103
 <b>Expenditures</b>		
Administration	655,794	655,794
Service providers	1,913,952	1,913,952
ESD fire services	781,539	781,539
Emergency medical services	86,874	86,874
Dispatch	449,940	449,940
Capital Outlays	357,653	357,653
Total expenditures	4,245,752	4,245,752
 Net change in fund balance	(126,649)	(126,649)
 <b>Fund balance - beginning</b>	4,507,659	
 <b>Fund balance - ending</b>	\$ 4,381,010	

Amounts reported for governmental activities in the statement of activities 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 expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

(51,255)

Change in net assets of governmental activities

\$ (177,904)

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

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Johnson County Emergency Service District #1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the reporting entity:

The District does not have control over any other governmental organizations; thus no other governmental organizations are included within the District's reporting entity.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Johnson County Emergency Service District #1 is a governmental entity governed by a five-member Commission appointed by the Johnson County Commissioner's Court. These financial statements present the financial operations of Johnson County Emergency Service District #1.

*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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

**C. 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 fund and fiduciary fund 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 EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 government 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, in prior years, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, were recorded only when payment was due.

Due to the growth of the ESD, increasing in size with the addition of the dispatch center and two staffed fire stations, the size and materiality of compensated absences was such that, as of September 30, 2011, they began accruing a liability along with the related expense. Accruals were also made for the lease liability for the two new engines acquired for the staffed fire stations.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**D. Budgets**

Annual appropriated budget is adopted for the general fund. All annual appropriations lapsed at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

The ESD follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Executive Director submits to the Board members a proposed operating budget for the fiscal year commencing the following October 1. The annual appropriated budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, the budget is legally exacted through passage of a resolution.
3. The ESD Commissioners must vote on line item transfers within a cost center and transfers between cost centers they also must vote to approve any amendments that increase the total expenditures of any fund. Budget appropriations lapse at year end.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons are presented on the GAAP basis.

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits and time deposit, as well as short-term investments with a maturity date within three months of the date acquired by the District.

Cash equivalents are defined as short-term highly liquid investments that are both:

- a. Readily convertible to known amounts of cash, and
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

The District invests its funds in accordance with Section 2 of Texas House Bill 1488. The authorized investments include U.S. Treasury certificates of deposit and repurchase agreements. The District normally invests funds in certificates of deposits.

**F. Property Taxes**

Property taxes attach as liens on property as of January 1. Taxes are levied on October 1, are due by January 31 and become delinquent on February 1. District property tax revenues are recognized when levied to the extent that they result in available spendable resources. The District is permitted by the Texas Constitution to levy taxes up to a maximum of \$.10 per \$100 of assessed valuation for health and safety services. This rate may be obtained only by approval of the voters. The tax rate to finance health and safety services for the year ended September 30, 2016 was \$.06 per \$100 of assessed valuation.

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Fixed assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchases or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Office equipment	7
Computer equipment	5
Equipment	5-10

The District has no infrastructure assets to report.

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Restricted fund balances are amounts constrained to specific purposes by their providers. Committed fund balances are amounts a government intends to use for a specific purpose. Unassigned funds are amounts available for any purpose. On March 24, 2016 the commissioners elected to adopt a position stating a required minimum unassigned fund balance in the amount of \$3,000,000 is to be maintained.

**NOTE 2: EQUITY IN POOLED CASH & INVESTMENTS, CASH & INVESTMENTS**

**Deposits.** At year-end, the carrying amount of the District's deposits were \$ 4,074,221 and the bank balance was \$ 4,144,213. All of the bank balance was covered by federal depository insurance and pledged securities.

**Investments.** The District's investments are categorized as the following to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 includes uninsured, unregistered with securities held by the counterparty or its trust department or agent, but not in the District's name.



**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 2: EQUITY IN POOLED CASH & INVESTMENTS, CASH & INVESTMENTS**  
**(cont.)**

The District's cash and investments are Category 2 type of investments.

The District's cash and investments, including restricted amounts, consists of the following types and balances:

	<u>Demand Deposits</u>	<u>Money Market Accounts.</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Cash	18,252	4,055,969		4,074,221
Investments	—	—	<u>689,771</u>	<u>689,771</u>
Total Cash & Inv.	18,252	4,055,969	689,771	4,763,992
Amounts Insured by Bank	<u>18,252</u>	<u>4,055,969</u>	<u>689,771</u>	<u>4,763,992</u>
Uninsured	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**



# Johnson County ESD #1

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March 20, 2017

**Approved**  
Commissioners Court

Commissioners Court, County of Johnson  
2 N. Main  
Cleburne, Texas 76033

MAR 27 2017

Honorable Roger Harmon,

Each year the Johnson County Emergency Services District #1 is required to submit our annual audit to the Commissioners Court by June 1. Last year our audit was presented at the March 14, 2017 Commissioners Court meeting. I am pleased to that the JCESD #1 has once again completed its required audit and finds that our financial status is sound. A copy of this year's audit is attached. I am requesting that this issue be put on the Commissioners Court agenda at your convenience so that we may formally present the audit to the Commissioners Court.

Thank you for your assistance in this matter and please feel free to contact me if you require any further information.

Sincerely,

Tom E Foster  
Executive Director  
tfoster@johnsoncountyfire.org

**JOHNSON COUNTY EMERGENCY  
SERVICE DISTRICT #1  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 4: RESTRICTED ASSETS:**

A portion of net assets has been permanently restricted by the Board of Directors. The Johnson County Fire Training Association funds are to be used for future training schools and improvements or repairs to the training facility. All income and expenses associated with training classes and schools are posted to this restricted cash account. An Annual School was not held during the fiscal year ending September 30, 2016. The balance of the restricted cash account as of September 30, 2016 was \$15,901.

**NOTE 5: LEASES**

In 1990, the District entered into an agreement with the City of Cleburne to lease 11.5 acres of land for the Johnson County Fire Protection District. The lease is for a period of 25 years at the cost of \$25 per year. The District signed a new the lease, with the same terms, on April 1, 2010 for an additional 25 years expiring on March 31, 2035.

Rental expenditures in fiscal year 2016 were \$25.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**JOHNSON COUNTY EMERGENCY SERVICE DISTRICT #1  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	3,947,795	3,947,795	3,996,735	48,940
Penalty and interest - Taxes	0	0	53,912	53,912
Interest income	15,000	15,000	22,765	7,765
Facility income	20,000	20,000	41,252	21,252
Other Income	6,500	6,500	4,439	(2,061)
Funding from Reserves	494,973	494,973	0	(494,973)
	4,484,268	4,484,268	4,119,103	(365,165)
<b>Total revenues</b>				
<b>Expenditures</b>				
Administration	728,303	744,042	655,794	88,248
Service providers	2,123,817	1,922,204	1,913,952	8,252
ESD fire services	798,182	807,932	781,539	26,393
Emergency medical services	80,190	80,190	86,874	(6,684)
Dispatch services	466,438	466,438	449,940	16,498
Capital Outlay	440,184	476,451	357,653	118,798
Total expenditures	4,637,114	4,497,257	4,245,752	251,505
Net change in fund balance	(152,846)	(12,989)	(126,699)	(113,660)
Fund balance - beginning	4,507,659	4,507,659	4,507,659	
Fund balance - ending	4,354,813	4,494,670	4,381,010	

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