

APR 23 2018

REQUEST FOR AGENDA PLACEMENT FORM

Submission Deadline - Tuesday, 12:00 PM before Court Dates

Approved

SUBMITTED BY: Tom Foster
TODAY'S DATE: April 5, 2018

DEPARTMENT: ESD #1

SIGNATURE OF DEPARTMENT HEAD:

REQUESTED AGENDA DATE:

SPECIFIC AGENDA WORDING: Consideration of the Johnson County Emergency Service District #1 audit report of the District's fiscal accounts and records.

PERSON(S) TO PRESENT ITEM: Tom Foster

SUPPORT MATERIAL: (Must enclose supporting documentation)

TIME:	ACTION ITEM: <u> x </u>
	WORKSHOP _____
(Anticipated number of minutes needed to discuss item)	CONSENT: _____
	EXECUTIVE: _____

STAFF NOTICE:

COUNTY ATTORNEY:	IT DEPARTMENT:
AUDITOR: _____	PURCHASING DEPARTMENT: _____
PERSONNEL: _____	PUBLIC WORKS: _____
BUDGET COORDINATOR:	OTHER: _____

*****This Section to be Completed by County Judge's Office*****

ASSIGNED AGENDA DATE: _____

REQUEST RECEIVED BY COUNTY JUDGE'S OFFICE _____

COURT MEMBER APPROVAL

[Signature] Date 4/5/18

**JOHNSON COUNTY
EMERGENCY SERVICE DISTRICT #1
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2017**

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2017

AND

AUDITORS' REPORT

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1**

FINANCIAL
STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

BOARD MEMBERS:

R.C. McFall

Rick Cumins

Gerald Miller

Darren Yancy

Wes Shipley

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1**

**Annual Financial Statements for
the Year Ended September 30, 2017**

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FINANCIAL SECTION

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INSTITUTE OF CERTIFIED PUBLIC
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, 2017, 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, 2017, 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

March 5, 2018



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, 2017. 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 \$5,527,211 at September 30, 2017.
- During the year, the District's expenses were \$1,002,398 more than the \$ 3,975,195 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$ 3,527,649.

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

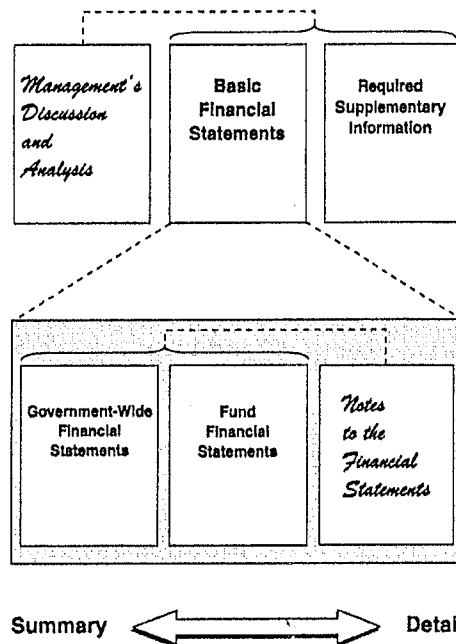


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

Fund Statements		
Type of Statements	Government-Wide	Governmental Funds
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 accrual 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 \$5,527,211 at September 30, 2017. (See Table A-1).

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

	Governmental Activities		Total		Total Percentage Change
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017-2016</u>
Current assets:					
Cash and cash equivalents	\$3,086	\$3,765	\$3,086	\$3,765	(18)
Investments	655	690	655	690	(5)
Taxes receivable	291	279	291	279	4
Due from other governments	3	2	3	2	(50)
Prepaid expenses	1	5	1	5	(80)
Other receivables	12	4	12	4	200
Restricted cash	<u>141</u>	<u>325</u>	<u>141</u>	<u>325</u>	(57)
Total current assets:	<u>4,189</u>	<u>5,070</u>	<u>4,189</u>	<u>5,070</u>	(17)
Noncurrent assets:					
Fixed Assets	4,446	4,402	4,446	4,402	1
Less accumulated depreciation	<u>(2,587)</u>	<u>(2,237)</u>	<u>(2,587)</u>	<u>(2,237)</u>	16
Total noncurrent assets	<u>1,859</u>	<u>2,165</u>	<u>1,859</u>	<u>2,165</u>	(14)
Total Assets	<u>6,048</u>	<u>7,235</u>	<u>6,048</u>	<u>7,235</u>	(16)
Current liabilities:					
Accounts payable and accrued liabilities	248	429	248	429	(42)
Deferred revenue	<u>273</u>	<u>260</u>	<u>273</u>	<u>260</u>	5
Total current liabilities	<u>521</u>	<u>689</u>	<u>521</u>	<u>689</u>	(24)
Total Liabilities	<u>521</u>	<u>689</u>	<u>521</u>	<u>689</u>	(24)
Net Assets:					
Invested in capital assets	1,859	2,165	1,859	2,165	(14)
Committed	141	325	141	325	(57)
Unassigned	<u>3,527</u>	<u>4,056</u>	<u>3,527</u>	<u>4,056</u>	(13)
Total Net Assets	<u>\$5,527</u>	<u>\$6,546</u>	<u>\$5,527</u>	<u>\$6,546</u>	(16)

The \$3,527,649 of unrestricted net assets represents resources available for use next year.

Changes in net assets. The District's total revenues were \$ 3,975,195. A significant portion, 93%, 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 \$ 4,977,594; 54% 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017-2016</u>
Revenues:					
Taxes receivable	3,691	4,051	3,691	4,051	(9)
Charges for services	29	41	29	41	(29)
Investment Income	42	23	42	23	83
Other receivables	213	4	213	4	522
Total Revenues	<u>3,975</u>	<u>4,119</u>	<u>3,975</u>	<u>4,119</u>	3

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 \$ 4,977,594.
- The amount that taxpayers paid for these activities through property taxes \$ 3,690,555.
- 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>2017</u>	<u>2016</u>	<u>2017-2016</u>	<u>2017</u>	<u>2016</u>	<u>2017-2016</u>
Distributions to fire departments	2,688	1,914	40	2,688	1,914	40
Administration and general government	689	656	5	689	656	5
Facility activities & Dispatch	1,250	987	27	1,250	987	27

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Total revenues decreased approximately \$149,908 from the previous year. The decrease was mainly attributable to the decrease in tax collections and decreased inter department funding.

General Fund Budgetary Highlights

Expenditures exceeded appropriations by \$6,682 for the year ended September 30, 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested or acquired through donations \$4,445,879 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017-2016</u>
Land	77	77	77	77	0
Buildings and improvements	1,621	1,614	1,621	1,614	1
Vehicles	1,103	1,103	1,103	1,103	0
Equipment	1,645	1,608	1,645	1,608	2
Totals at historical cost	4,446	4,402	4,446	4,402	1
Total accumulated depreciation	<u>(2,587)</u>	<u>(2,237)</u>	<u>(2,587)</u>	<u>(2,237)</u>	16
Net capital assets	<u>1,859</u>	<u>2,164</u>	<u>1,859</u>	<u>2,164</u>	(15)

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, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 3,085,308	\$ 3,085,308
Investments	655,290	655,290
Prepaid Expenses	1,179	1,179
Due from other governments	3,184	3,184
Delinquent taxes receivable	291,128	291,128
Other receivables	12,228	12,228
Temporarily restricted assets:		
Cash and cash equivalents	140,601	140,601
Capital assets:		
Land	76,473	76,473
Building	1,621,405	1,621,405
Machinery & equipment	1,141,975	1,141,975
Office equipment	502,727	502,727
Transportation equipment	1,103,299	1,103,299
Accumulated depreciation	<u>(2,586,918)</u>	<u>(2,586,918)</u>
 Total Assets	 <u>6,047,878</u>	 <u>6,047,878</u>
LIABILITIES		
Accounts payable	16,529	16,529
Accrued expenses	231,175	231,175
Deferred revenue	272,963	272,963
Capital leases payable	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>520,667</u>	 <u>520,667</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,858,961	1,858,961
Committed for:		
Replacement fund	140,601	140,601
Unassigned	<u>3,527,649</u>	<u>3,527,649</u>
 Total Net Assets	 <u>5,527,211</u>	 <u>5,527,211</u>
 Total Liabilities and Net Assets	 <u>\$ 6,047,878</u>	 <u>\$ 6,047,878</u>

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, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Government Activities
Governmental activities:				
General government	\$ 4,959,158	\$ -	15,901	\$ (4,975,059)
Facility/School activities	18,436	29,241	-	10,805
Total governmental activities	4,977,594	29,241	15,901	\$ (4,964,254)
General revenues:				
Property taxes				3,690,555
Investment income				41,900
Miscellaneous				213,499
Total general revenues				3,945,954
Change in net assets				
Net assets - beginning				(1,018,300)
Net assets - ending				6,545,511
				\$ 5,527,211

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, 2017**

	General	Total Governmental Funds
ASSETS		
Cash in bank	\$ 3,085,308	\$ 3,085,308
Investments	655,290	655,290
Due from other governments	3,184	3,184
Delinquent taxes receivable	291,128	291,128
Other receivables	13,407	13,407
Restricted cash	140,601	140,601
Total Assets	4,188,917	4,188,917
LIABILITIES AND FUND BALANCES		
Accounts payable	16,529	16,529
Accrued expenses	231,175	231,175
Deferred revenue	272,963	272,963
Total Liabilities	520,667	520,667
Fund balances		
Committed for:		
Replacement fund	140,601	140,601
Unassigned	3,527,649	3,527,649
Total Fund Balance	3,668,250	3,668,250
Total Liabilities and Fund Balance	4,188,917	
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.		1,858,961
Net Assets of Governmental Activities		\$ 5,527,211

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, 2017**

Revenues	General	Total Governmental Funds
Taxes	\$ 3,641,745	\$ 3,641,745
Penalty and interest - Taxes	48,810	48,810
Interest income	41,900	41,900
Facility income	29,241	29,241
Other income	213,499	213,499
Total revenues	3,975,195	3,975,195
Expenditures		
Administration	690,071	690,071
Service providers	2,687,808	2,687,808
ESD fire services	719,782	719,782
Emergency medical services	54,264	54,264
Dispatch	475,876	475,876
Capital Outlays	60,154	60,154
Total expenditures	4,687,955	4,687,955
Net change in fund balance	(712,760)	(712,760)
Fund balance - beginning	4,381,010	
Fund balance - ending	\$ 3,668,250	

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 depreciation expense exceeded capital outlays in the current period.

(289,638)

Change in net assets of governmental activities

\$ (1,002,398)

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, 2017**

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, 2017**

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, 2017**

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.

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, 2017**

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 lapse 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, 2017**

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, 2017 was \$.06 per \$100 of assessed valuation.

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017**

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 \$ 3,225,908 and the bank balance was \$3,281,974. 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, 2017**

**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	3,069	3,222,839		3,225,908
Investments	_____	_____	<u>655,290</u>	<u>655,290</u>
Total Cash & Inv.	3,069	3,222,839	655,290	3,881,198
Amounts Insured by Bank	<u>3,069</u>	<u>3,222,839</u>	<u>655,290</u>	<u>3,881,198</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, 2017**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 76,473			\$ 76,473
Capital assets being depreciated:				
Buildings	1,613,755	7,650	-	1,621,405
Equipment, furniture, fixtures & vehicles	<u>2,711,399</u>	<u>36,603</u>		<u>2,748,002</u>
Total capital assets being depreciated	<u>4,325,154</u>	<u>44,253</u>		<u>4,369,407</u>
Less accumulated depreciation for:				
Buildings	446,121	43,043	-	489,164
Equipment, furniture, fixtures & vehicles	<u>1,791,004</u>	<u>306,749</u>		<u>2,097,753</u>
Total accumulated depreciation	<u>2,237,125</u>	<u>349,792</u>		<u>2,586,917</u>
Total capital assets being depreciated, net	<u>2,088,029</u>	<u>(305,539)</u>		<u>1,782,490</u>
Governmental activities capital assets, net	\$ <u>2,164,502</u>	<u>(305,539)</u>		\$ <u>1,858,963</u>

Depreciation expense was charged to the funds as follows:

Governmental activities	
Building	\$ 43,043
Equipment, furniture, fixtures & vehicles	<u>306,749</u>
Total depreciation expense - governmental activities	\$ <u>349,792</u>

Depreciable Capital Additions	\$ 44,253
Permanent Fund Released	<u>15,901</u>
Total Capital Expenditures	\$ <u>60,154</u>

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4: RESTRICTED ASSETS:

A portion of net assets that had been permanently restricted by the Board of Directors was released to be used by the district. The Johnson County Fire Training Association funds were used for improvements to the training facility. The balance of the restricted cash account was \$15,901 and was moved to capital outlays.

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 2017 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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	3,654,635	3,641,085	3,641,745	660
Penalty and interest - Taxes	0	55,000	48,810	(6,190)
Interest income	18,000	20,000	41,900	21,900
Facility income	25,000	30,000	29,241	(759)
Other Income	0	0	247	247
Funding from Reserves	<u>952,099</u>	<u>1,158,679</u>	<u>213,253</u>	<u>(945,426)</u>
 Total revenues	<u>4,649,734</u>	<u>4,902,763</u>	<u>3,975,196</u>	<u>(929,568)</u>
 Expenditures				
Administration	685,441	703,202	690,071	13,131
Service providers	2,702,000	2,945,719	2,687,808	257,911
ESD fire services	699,926	744,901	719,781	25,120
Emergency medical services	77,280	63,889	54,264	9,625
Dispatch services	477,437	468,948	475,876	(6,928)
Capital Outlay	<u>7,650</u>	<u>44,253</u>	<u>60,154</u>	<u>(15,901)</u>
Total expenditures	<u>4,649,734</u>	<u>4,970,912</u>	<u>4,687,954</u>	<u>282,958</u>
 Net change in fund balance	0	(68,149)	(712,758)	(646,610)
 Fund balance - beginning	<u>4,381,010</u>	<u>4,381,010</u>	<u>4,381,010</u>	
 Fund balance - ending	<u>4,381,010</u>	<u>4,312,861</u>	<u>3,668,252</u>	

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