

**REQUEST FOR AGENDA PLACEMENT FORM**

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

SUBMITTED BY: CJO

TODAY'S DATE: June 22, 2021

DEPARTMENT: CJO

SIGNATURE OF DEPARTMENT HEAD: \_\_\_\_\_

REQUESTED AGENDA DATE: June 28, 2021

**SPECIFIC AGENDA WORDING:**

Consideration of the Johnson County Emergency Services District #1 Audit of the District's 2020 Annual Financial Report

COMMISSIONERS COURT

JUN 28 2021

**Approved**

**PERSON(S) TO PRESENT ITEM:**

Tom Foster

**SUPPORT MATERIAL:** (Must enclose supporting documentation)

**TIME:** 5 min

(Anticipated number of minutes needed to discuss item)

**ACTION ITEM:** ✓

**WORKSHOP:**

**CONSENT:**

**EXECUTIVE:**

**STAFF NOTICE:**

**COUNTY ATTORNEY:**

**AUDITOR:**

**PERSONNEL:**

**BUDGET COORDINATOR:**

**IT DEPARTMENT:**

**PURCHASING DEPARTMENT:**

**PUBLIC WORKS:**

**OTHER:**

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

ASSIGNED AGENDA DATE: \_\_\_\_\_

REQUEST RECEIVED BY COUNTY JUDGE'S OFFICE:

\_\_\_\_\_  
**COURT MEMBER APPROVAL:**

\_\_\_\_\_  
**DATE:**

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**JOHNSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2020**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
**Certified Public Accountants**

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**JOHNSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2020**

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# McCALL GIBSON SWEDLUND BARFOOT PLLC

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Johnson County Emergency  
Services District No. 1  
Johnson County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Johnson County Emergency Services District No. 1 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 accounting principles generally accepted in the United States of America; this includes 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.

### **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 from 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 on the effectiveness of the 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.

Board of Commissioners  
Johnson County Emergency  
Services District No. 1

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

June 17, 2021

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Management's discussion and analysis of Johnson County Emergency Services District No. 1's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2020. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.



**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, costs of assessing and collecting taxes, and general expenditures.

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”). The budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$5,894,658 as of September 30, 2020.

The following is a comparative analysis of government-wide changes in net position:

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 4,222,847	\$ 3,952,467	\$ 270,380
Capital Assets	2,246,948	2,616,128	(369,180)
Total Assets	<u>\$ 6,469,795</u>	<u>\$ (98,800)</u>	<u>\$</u>
Long-Term Liabilities	\$ 377,892	\$ 456,192	\$ 78,300
Current and Other Liabilities	<u>298,335</u>	31,110	<u></u>
Total Liabilities	<u>\$ 676,227</u>	<u>\$ 109,410</u>	<u>\$</u>
Net Position:			
Net Investment in Capital Assets	\$ 1,790,979	\$ 2,085,201	\$ (294,222)
Unrestricted	<u>4,103,679</u>	<u>3,798,847</u>	<u>304,832</u>
Total Net Position	<u>\$ 5,894,658</u>	<u>\$ 10,610</u>	<u>\$</u>

The following table provides a summary of the District's operations for the years ended September 30, 2020 and September 30, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,467,448	\$ 4,055,511	\$ 411,937
Other Revenues	<u>190,950</u>	18,967	<u></u>
Total Revenues	\$ 4,658,398	\$ 4,227,461	\$ 430,904
Expenses for Services	<u>4,667,238</u>	(480,477)	<u></u>
Change in Net Position	\$ 10,610	\$ 60,183	\$ (49,573)
Net Position, Beginning of Year	<u>5,884,048</u>	60,183	<u></u>
Net Position, End of Year	<u>\$ 5,894,658</u>	<u>\$ 10,610</u>	<u>\$</u>

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

The District's General Fund fund balance as of September 30, 2020, was \$3,737,842 an increase of \$302,299 from the prior year. The increase was primarily due to property tax revenues and other miscellaneous revenues exceeding operational expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$147,191 more than budgeted revenues primarily due to higher than anticipated property tax collections and facility, investment and miscellaneous income were not budgeted during the year. Actual expenditures were \$117,951 less than budgeted due to lower than anticipated maintenance and lease expenditures.

**CAPITAL ASSETS**

The District's investment in capital assets as of September 30, 2020, amounts to \$2,246,948. This investment in capital assets includes land, buildings, furniture and equipment, office equipment and vehicles.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 76,473	\$ 76,473	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	1,007,386	1,051,023	(43,637)
Machinery and Equipment	432,811	545,539	(112,728)
Office Equipment	23,355	30,784	(7,429)
Vehicles and Trucks	706,923	912,309	(205,386)
Total Net Capital Assets	\$ 2,246,948	\$ (369,180)	\$

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total long-term capital leases payable of \$455,969. The changes during the fiscal year ended September 30, 2020, are summarized as follows:

Capital Leases Payable, October 1, 2019	\$ 530,927
Less: Principal Paid	<u>74,958</u>
Capital Leases Payable, September 30, 2020	<u>\$ 455,969</u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Johnson County Emergency Services District No. 1, 2451 Service Drive, Cleburne, TX 76033.



**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 3,692,819	\$	\$ 3,692,819
Receivables:			
Property Taxes	301,372		301,372
Penalty and Interest on Delinquent Taxes		181,148	181,148
Other	47,508		47,508
Land		76,473	76,473
Capital Assets (Net of Accumulated Depreciation)		<b>2,170,475</b>	
<b>TOTAL ASSETS</b>	<b>\$ 4,041,699</b>	<b>\$ <del>6,468,096</del></b>	<b>\$</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,485	\$	\$ 2,485
Accrued Interest Payable		6,373	6,373
Compensated Absences		110,310	110,310
Capital Leases Payable:			
Due Within One Year		78,077	78,077
Due After One Year		<b>377,892</b>	
<b>TOTAL LIABILITIES</b>	<b>\$ <del>574,862</del></b>	<b>\$ 575,137</b>	<b>\$</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 301,372	\$ (301,372)	\$ - 0 -
<b>FUND BALANCE</b>			
Restricted for Replacement Fund	\$ 88,987	\$ (88,987)	\$
Unassigned	3,648,855	(3,648,855)	
<b>TOTAL FUND BALANCE</b>	<b>\$ 3,737,842</b>	<b>\$ (3,737,842)</b>	<b>\$ - 0 -</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 4,041,699</b>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 1,790,979	\$ 1,790,979
Unrestricted		<b>4,103,679</b>	
<b>TOTAL NET POSITION</b>		<b>\$ 5,894,658</b>	<b>\$</b>

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



**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

Total Fund Balance - Governmental Funds	\$	3,737,842
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		2,246,948
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenues in the governmental activities of the District.		482,520
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:		
Accrued Interest Payable	\$ (6,373)	
Compensated Absences	(110,310)	
Capital Leases Payable Within One Year	(78,077)	
Capital Leases Payable After One Year	<u>(377,892)</u>	<u>(572,652)</u>
Total Net Position - Governmental Activities	\$	<u>5,894,658</u>

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

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 4,458,723	\$ 8,725	\$ 4,467,448
Facility Income	37,865		37,865
Penalty and Interest	67,027	(14,140)	52,887
Investment Revenues	45,235		45,235
Miscellaneous Revenues	54,930	54,930	
<b>TOTAL REVENUES</b>	<b>\$ 4,663,780</b>	<b>\$ <del>4,561,853</del> 65</b>	<b>\$</b>
 <b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Personnel	\$ 1,683,209	\$ 2,269	\$ 1,685,478
Maintenance	111,848		111,848
Supplies	79,909		79,909
Contract Services	2,330,678		2,330,678
Depreciation		425,366	425,366
Capital Outlay	56,186	(56,186)	
Debt Service:			
Capital Leases Principal	74,958	(74,958)	
Capital Lease Interest	24,693	<del>(10,267)</del>	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ <del>2,862,748</del> 1</b>	<b>\$ 4,647,755</b>	<b>\$</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 302,299</b>	<b>\$ (302,299)</b>	<b>\$</b>
<b>CHANGE IN NET POSITION</b>		10,610	10,610
<b>FUND BALANCE/NET POSITION - OCTOBER 1, 2019</b>	<b>3,435,543</b>	<b>2,448,505</b>	<b>5,884,048</b>
<b>FUND BALANCE/NET POSITION - SEPTEMBER 30, 2020</b>	<b>\$ 3,737,842</b>	<b>\$ 2,156,816</b>	<b>\$ 5,894,658</b>

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

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2020**

Net Change in Fund Balance - Governmental Funds	\$	302,299
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		8,725
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.		(14,140)
Compensated Absences are reported as a liability in the Statement of Net Position. Therefore, an expense is recored in the Statement of Activities.		(2,269)
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(425,366)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.		56,186
Governmental funds report principal payments on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected.		74,958
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on long-term debt through the fiscal year-end.		<u>10,217</u>
Change in Net Position - Governmental Activities	\$	<u>10,610</u>

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

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**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1. CREATION OF DISTRICT**

Johnson County Emergency Services District No. 1 (the “District”) was originally formed in the mid-1950’s as a Rural Fire Prevention District. In 2003, the State of Texas required all Rural Fire Prevention Districts to convert into Emergency Service Districts per Chapter 775 of the Health and Safety Code. The District is empowered to provide fire protection, ambulance and rescue services to the persons in its boundaries which will be conducive to their public safety, health, welfare and convenience.

The District is governed by a Board of Commissioners consisting of five individuals appointed by the Johnson County Commissioner’s Court.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Fund Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund; therefore, this fund is a major fund.



**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion. Installation costs, professional fees and certain other costs are capitalized as part of the asset.

Capital assets are capitalized if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

Years	
Buildings and Improvements	40
Office Equipment	7
Computer Equipment	5
Vehicles and Trucks	5-10

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has established a simple IRA pension plan for the employees of District. This is a voluntary plan and the District will match up to 3% of the employee's contribution. The Commissioners do not participate in this plan. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Fund Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:



**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District has restricted \$88,987 for future replacement of capital assets.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3. TAX LEVY**

During the year ended September 30, 2020, the District levied an ad valorem tax at the rate of \$0.06 per \$100 of assessed valuation, which resulted in a tax levy of \$4,467,448 on the adjusted taxable valuation of \$7,464,698,707 for the 2020 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At year-end, the carrying amount of the District's deposits was \$3,692,819 and the bank balance was \$3,768,293. The District was not exposed to custodial risk at year-end.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of September 30, 2020, the District did not have any investments.

**NOTE 5. CAPITAL ASSETS**

	October 1, 2019	Increases	Decreases	September 30, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 76,473	\$ - 0 -	\$ - 0 -	\$ 76,473
<b>Capital Assets Subject to Depreciation</b>				
Buildings and Improvements	\$ 1,627,350	\$ 56,186	\$ 109,507	\$ 1,627,350
Machinery and Equipment	1,587,569	56,186	109,507	1,534,248
Office Equipment	468,066		8,982	459,084
Vehicles and Trucks	1,614,315		100,4215	
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 5,297,300</b>	<b>\$ 56,186</b>	<b>\$ 518,589</b>	<b>\$ 234,897</b>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	\$ 576,327	\$ 43,637	\$	\$ 619,964
Machinery and Equipment	1,042,030	168,914	109,507	1,101,437
Office Equipment	437,282	7,429	8,982	435,729
Vehicles and Trucks	702,006	205,386	900,292	
<b>Total Accumulated Depreciation</b>	<b>\$ 2,757,645</b>	<b>\$ 425,366</b>	<b>\$ 118,589</b>	<b>\$ 3,064,422</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 2,539,655</b>	<b>\$ (369,180)</b>	<b>\$ - 0-</b>	<b>\$ 2,170,475</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 2,616,128</b>	<b>\$ (369,180)</b>	<b>\$ - 0-</b>	<b>\$ 2,246,948</b>



**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 6. CONTRACT FOR PROVIDING FIRE PROTECTION, FIRE SUPPRESSION AND RESCUE SERVICES**

The District has entered into agreements with area volunteer fire departments (the "Departments"), the City of Alvarado, the City of Godley, the City of Joshua and the City of Keene to provide fire protection and suppression services to protect life and property from fire, conserve natural and human resources and provide rescue services to persons and commercial interests located in various areas within the boundaries of the District. The terms of these agreements are one year beginning on October 1, 2020.

**NOTE 7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**NOTE 8. 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 as the costs of \$25 per year. The District signed a new lease, with the same terms, on April 1, 2010 for an additional 25 years expiring on March 31, 2035.

**NOTE 9. CAPITAL LEASE**

On January 17, 2019, the District entered in an Equipment Lease Purchase Agreement with Motorola Solutions, Inc. in the amount of \$376,947 to fund the purchase dispatch equipment. The equipment is recorded as an asset of the District and is being depreciated over the term of the lease. Accumulated depreciation as of September 30, 2020 is \$94,126, of which \$53,997 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$65,617 are due monthly beginning January 1, 2020 and ending January 1, 2026. The incremental borrowing rate is 5.20%.

On March 21, 2019, the District entered in a Municipal Lease Purchase Agreement with Government Capital Corporation in the amount of \$153,980 to fund the purchase of two Spartan 4-door custom tilt aluminum cabs and upgrades. The vehicles are recorded as an asset of the District and is being depreciated over the term of the lease. Accumulated depreciation as of September 30, 2020 is \$200,032, of which \$180,770 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$34,095 are due monthly beginning March 15, 2020 and ending March 15, 2024. The incremental borrowing rate is 3.491%.

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 9. CAPITAL LEASE (Continued)**

The following is a schedule of future minimum lease payments under the capital leases as of September 30, 2020:

Fiscal Year	Principal	Interest	Total
2021	\$ 78,077	\$ 21,575	\$ 99,652
2022	81,631	18,021	99,652
2023	85,351	14,301	99,652
2024	89,247	10,405	99,652
2025	59,290	6,327	65,617
2026	<del>62,433</del>	65,616	
	\$ 455,969	\$ 73,872	\$ 529,841

The following is a summary of transactions regarding capital leases payable for the year ended September 30, 2020:

Capital Leases Payable, October 1, 2019	\$	530,927
Less: Principal Paid		74,958
Capital Leases Payable, September 30, 2020	\$	455,969
Capital Leases Payable:		
Due Within One Year	\$	78,077
Due After One Year		377,892
Capital Leases Payable, September 30, 2020	\$	455,969

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**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2020**

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes, including penalty and interest	\$ 4,516,589	\$ 4,525,750	\$ 9,161
Facilities Income		37,865	37,865
Investment Revenues		45,235	45,235
Miscellaneous Revenues	54,930	54,930	
<b>TOTAL REVENUES</b>	<b>\$ <del>4,616,789</del></b>	<b>\$ 147,191</b>	<b>\$</b>
<b>EXPENDITURES</b>			
Service Operations:			
Personnel:			
Wages	\$ 1,316,851	\$ 1,347,508	\$ (30,657)
Incentives	16,500	20,989	(4,489)
Longevity	8,290	8,140	150
Overtime	50,952	39,305	11,647
Payroll Taxes	148,311	115,052	33,259
Health Insurance	113,783	110,508	3,275
Dental/Vision/AD&D Ins	23,392	20,653	2,739
Retirement	20,127	21,054	(927)
Maintenance:			
Small Tools	9,000	3,351	5,649
Property Maintenance	8,000	3,289	4,711
Building Maintenance	44,000	16,783	27,217
Communications Maintenance	13,480	7,835	5,645
Vehicle Maintenance	57,500	42,413	15,087
Fuel/Lube	34,600	25,218	9,382
Implement/Equipment Maintenance	15,500	12,959	2,541
Supplies:			
Janitorial	2,500	2,627	(127)
Office Supplies	2,750	3,913	(1,163)
EMS Supplies	5,000	7,409	(2,409)
Fire Suppression Chemicals	1,000	1,340	(340)
Postage	700	622	78
Uniforms	8,505	5,139	3,366
Safety Equipment	1,000	1,075	(75)
Computer Supplies	12,250	2,946	9,304
Operating Supplies	15,000	11,040	3,960
Printing Supplies	2,250	477	1,773

See accompanying independent auditor's report.



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**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES (Continued)</b>			
Supplies (Continued):			
Protective Equipment	22,000	33,003	(11,003)
Furniture/Small OFC Equipment	9,100	4,088	5,012
Special Recognition	12,500	4,834	7,666
Training Equipment	6,000	1,396	4,604
Contract Services:			
Pre-Employment	655		655
Dues/Subscriptions	13,520	7,906	5,614
Utilities	42,650	40,721	1,929
Cell Phones	5,100	4,612	488
Telephone/Internet	22,743	41,294	(18,551)
Legal Advertisement	500		500
Training	27,662	13,475	14,187
Travel	15,495	5,456	10,039
Insurance - TML	53,000	49,098	3,902
Miscellaneous Contractual Service	231,518	258,870	(27,352)
Temporary Labor	3,000	2,720	280
Physical/Vaccinations	1,500	1,080	420
Equipment Testing	17,000	3,137	13,863
IT Services	5,000	4,668	332
Lease Expense	104,317	4,505	99,812
Fire Suppression Service Providers	1,661,000	1,661,000	
Service Provider Incentives	236,931	232,136	4,795
Capital Outlay	57,000	56,186	814
Debt Service			
Capital Leases Principal		74,958	(74,958)
Capital Leases Interest	24,693	(24,693)	
<b>TOTAL EXPENDITURES</b>	<b>\$ <del>4,369,482</del></b>	<b>\$ 117,951</b>	<b>\$ _____</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 37,157</b>	<b>\$ 302,299</b>	<b>\$ 265,142</b>
<b>FUND BALANCE - OCTOBER 1, 2019</b>	<b><u>3,435,543</u></b>		
<b>FUND BALANCE - SEPTEMBER 30, 2020</b>	<b><u>\$ 3,472,700</u></b>	<b><u>\$ 3,737,842</u></b>	<b><u>\$ 265,142</u></b>

See accompanying independent auditor's report.