

Approved

Commissioners Court

MAR 28 2016

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1**

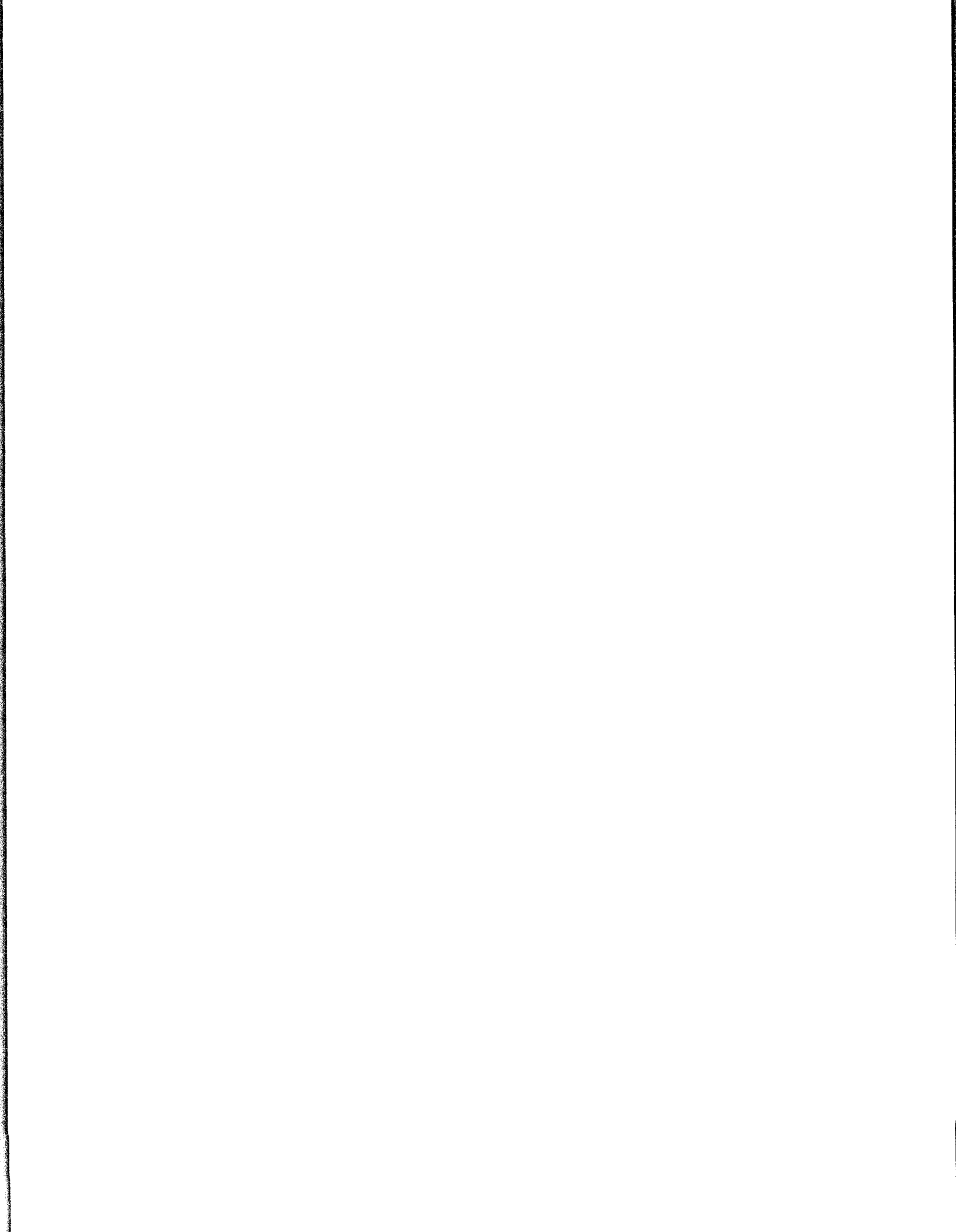
**FINANCIAL STATEMENTS
REVISED AND REISSUED**

FOR THE YEAR ENDED

SEPTEMBER 30, 2015

AND

AUDITORS' REPORT



**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1**

FINANCIAL
STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

BOARD MEMBERS:

Jack Watson

Keith Kelly

Rick Cumins

R.C. McFall

Gerald Miller

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1**

**Annual Financial Statements for
the Year Ended September 30, 2015**

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Report of Independent Auditor	2
Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	13
Notes to the Financial Statements	14
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedule:	
General Fund	25

FINANCIAL SECTION

Estes · Armstrong · Earley · LLC

CERTIFIED PUBLIC ACCOUNTANTS

907-A WEST HENDERSON STREET
CLEBURNE, TEXAS 76033-4898
1-817-645-3962
1-800-303-3962
FAX 1-817-645-0661

GARY ESTES
garestes@eaecpa.com

MELODY ARMSTRONG
melodyarmstrong@eaecpa.com

JUSTIN EARLEY
justinearley@eaecpa.com

MEMBERS OF THE AMERICAN
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, 2015, 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, 2015, 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 19, 2016



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, 2015. 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 \$6,723,414 at September 30, 2015.
- During the year, the District's expenses were \$ 275,644 less than the \$ 4,163,071 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$ 2,310,837.

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

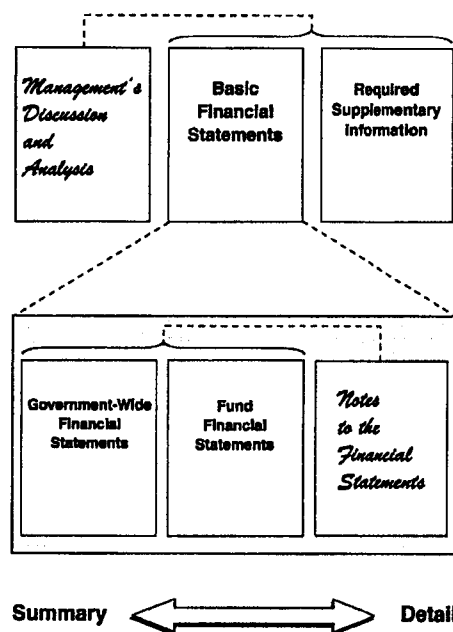


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

Figure A-2, Major Features of the District's Government-wide and Fund Financial Statements

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 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 \$6,723,414 at September 30, 2015. (See Table A-1).

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

	Governmental Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015-2014
Current assets:					
Cash and cash equivalents	\$3,809	\$3,680	\$3,809	\$3,680	4
Investments	687	600	687	600	15
Taxes receivable	289	271	289	271	7
Due from other governments	13	14	13	14	(8)
Prepaid expenses	80	0	80	0	100
Other receivables	279	199	279	199	41
Restricted cash	324	347	324	347	(7)
Total current assets:	5,481	5,111	5,481	5,111	8
Noncurrent assets:					
Fixed Assets	4,089	3,812	4,089	3,812	8
Less accumulated depreciation	(1,873)	(1,519)	(1,873)	(1,519)	24
Total noncurrent assets	2,216	2,293	2,216	2,293	(4)
Total Assets	7,697	7,404	7,697	7,404	4
Current liabilities:					
Accounts payable and accrued liabilities	694	582	694	582	20
Deferred revenue	278	258	278	258	8
Total current liabilities	973	840	973	840	16
Capital leases payable	0	117	0	117	(100)
Total Liabilities	973	957	973	957	2
Net Assets:					
Invested in capital assets	4,089	3,812	4,089	3,812	8
Committed	324	347	324	347	(7)
Unassigned	2,311	2,288	2,311	2,288	1
Total Net Assets	\$6,724	\$6,447	\$6,724	\$6,447	4

The \$ 2,310,837 of unrestricted net assets represents resources available for use next year.

Changes in net assets. The District's total revenues were \$ 4,163,071. 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 \$ 3,887,427; 51% 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015-2014</u>
Revenues:					
Taxes receivable	4,057	4,008	4,057	4,008	2
Charges for services	47	53	47	53	(12)
Investment Income	25	9	25	9	178
Other receivables	34	18	34	18	89
Total Revenues	<u>4,163</u>	<u>4,088</u>	<u>4,163</u>	<u>4,088</u>	2

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 \$ 3,887,427.
- The amount that taxpayers paid for these activities through property taxes \$ 4,057,216.
- 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>2015</u>	<u>2014</u>	<u>2015-2014</u>	<u>2015</u>	<u>2014</u>	<u>2015-2014</u>
Distributions to fire departments	2,162	1,879	15	2,162	1,879	15
Administration and general government	633	964	(35)	633	964	(35)
Facility activities & Dispatch	1,092	788	39	1,092	788	39

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Total revenues increased approximately \$88,978 from the previous year. The increase was mainly attributable to the increase in tax collections and increased investment earnings..

General Fund Budgetary Highlights

Appropriations exceeded expenditures by \$541,368 for the year ended September 30, 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested or acquired through donations \$4,088,973 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015-2014</u>
Land	77	77	77	77	0
Buildings and improvements	1,334	1,334	1,334	1,334	0
Vehicles	1,103	934	1,103	934	18
Equipment	1,575	1,467	1,575	1,467	8
Other	0	0	0	0	0
Totals at historical cost	<u>4,089</u>	<u>3,812</u>	<u>4,089</u>	<u>3,812</u>	10
Total accumulated depreciation	<u>(1,873)</u>	<u>(1,519)</u>	<u>(1,873)</u>	<u>(1,519)</u>	24
Net capital assets	<u><u>2,216</u></u>	<u><u>2,293</u></u>	<u><u>2,216</u></u>	<u><u>2,293</u></u>	(4)

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 Burney Baskett 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, 2015

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 3,808,588	\$ 3,808,588
Investments	686,970	686,970
Due from other governments	12,635	12,635
Delinquent taxes receivable	289,427	289,427
Other receivables	359,291	359,291
Temporarily restricted assets:		
Cash and cash equivalents	307,704	307,704
Permanently restricted assets:		
Cash and cash equivalents	15,901	15,901
Capital assets:		
Land	76,473	76,473
Building	1,333,624	1,333,624
Machinery & equipment	1,124,708	1,124,708
Office equipment	450,869	450,869
Transportation equipment	1,103,299	1,103,299
Accumulated depreciation	<u>(1,873,217)</u>	<u>(1,873,217)</u>
Total Assets	<u>7,696,272</u>	<u>7,696,272</u>
LIABILITIES		
Accounts payable	8,561	8,561
Accrued expenses	685,915	685,915
Deferred revenue	278,381	278,381
Capital leases payable	<u>0</u>	<u>0</u>
Total Liabilities	<u>972,857</u>	<u>972,857</u>
NET ASSETS		
invested in capital assets, net of related debt	4,088,973	4,088,973
Committed for:		
Annual schools	15,901	15,901
Replacement fund	307,704	307,704
Unassigned	<u>2,310,837</u>	<u>2,310,837</u>
Total Net Assets	<u>6,723,415</u>	<u>6,723,415</u>
Total Liabilities and Net Assets	<u>\$ 7,696,272</u>	<u>\$ 7,696,272</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, 2015

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Governmental activities:	Charges for Services	Capital Grants and Contributions	Government Activities
General government	\$ 3,871,366	\$ -	\$ (3,871,366)
Facility/School activities	16,061	45,253	29,192
Total governmental activities	3,887,427	45,253	(3,842,174)
General revenues:			
Property taxes			4,057,216
Investment income			25,359
Miscellaneous			35,243
Total general revenues			4,117,818
Change in net assets			
Net assets - beginning			275,644
Net assets - ending			6,447,770
			\$ 6,723,414

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, 2015**

	General	Total Governmental Funds
ASSETS		
Cash in bank	\$ 3,808,588	\$ 3,808,588
Investments	686,970	686,970
Due from other governments	12,635	12,635
Delinquent taxes receivable	289,427	289,427
Other receivables	359,291	359,291
Restricted cash	323,605	323,605
Total Assets	5,480,516	5,480,516
LIABILITIES AND FUND BALANCES		
Accounts payable	8,561	8,561
Accrued expenses	685,915	685,915
Deferred revenue	278,381	278,381
Lease payable		
Total Liabilities	972,857	972,857
Fund balances		
Committed for:		
Annual schools	15,901	15,901
Replacement fund	307,704	307,704
Unassigned	4,184,054	4,184,054
Total Fund Balance	4,507,659	4,507,659
Total Liabilities and Fund Balance	5,480,516	
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.		2,634,442
Net Assets of Governmental Activities		\$ 6,723,415

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, 2015**

	General	Total Governmental Funds
Revenues		
Taxes	\$ 4,011,346	\$ 4,011,346
Penalty and interest - Taxes	45,870	45,870
Interest income	25,359	25,359
Facility income	46,778	46,778
Other income	33,718	33,718
Total revenues	4,163,071	4,163,071
 Expenditures		
Administration	632,155	632,155
Service providers	1,867,613	1,867,613
ESD fire services	534,408	534,408
Emergency medical services	76,124	76,124
Dispatch	420,335	420,335
Capital Outlays	398,388	398,388
Total expenditures	3,929,023	3,929,023
 Net change in fund balance	 234,048	 234,048
 Fund balance - beginning	 4,273,611	
 Fund balance - ending	 \$ 4,507,659	

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.

	41,596
Change in net assets of governmental activities	\$ 275,644

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, 2015**

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, 2015**

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, 2015**

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, 2015**

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, 2015**

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, 2015 was \$.06 per \$100 of assessed valuation.

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015**

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.

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

Deposits. At year-end, the carrying amount of the District's deposits were \$ 4,093,938 and the bank balance was \$ 4,424,256. 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, 2015**

**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	58,542	4,057,750		4,116,292
Investments	—	—	<u>686,970</u>	<u>686,970</u>
Total Cash & Inv.	58,542	4,057,750	686,970	4,803,262
Amounts Insured by Bank	<u>58,542</u>	<u>4,057,750</u>	<u>686,970</u>	<u>4,803,262</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, 2015**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 1,333,624		-	\$ 1,333,624
Equipment, furniture, fixtures & vehicles	<u>2,401,936</u>	<u>276,941</u>		<u>2,678,877</u>
Total capital assets being depreciated	<u>3,735,560</u>	<u>276,941</u>		<u>4,012,501</u>
Less accumulated depreciation for:				
Buildings	372,624	35,896	-	408,520
Equipment, furniture, fixtures & vehicles	<u>1,146,787</u>	<u>317,910</u>		<u>1,464,697</u>
Total accumulated depreciation	<u>1,519,411</u>	<u>353,806</u>		<u>1,873,217</u>
Total capital assets being depreciated, net	<u>2,216,149</u>	<u>(76,865)</u>		<u>2,139,284</u>
Governmental activities capital assets, net	\$ <u>\$ 2,216,149</u>	<u>(76,865)</u>		\$ <u>2,139,284</u>

Depreciation expense was charged to the funds as follows:

Governmental activities		
Building	\$	35,896
Equipment, furniture, fixtures & vehicles		<u>317,910</u>
Total depreciation expense - governmental activities	\$	<u>353,806</u>

**JOHNSON COUNTY EMERGENCY
SERVICE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 4: RESTRICTED ASSETS:

A portion of net assets has been permanently restricted by the Board of Directors. The Johnson County Fire Training Association increased \$495 to the District as the income of the annual school exceed costs these 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 held during the fiscal year ending September 30, 2015. The balance of the restricted cash account as of September 30, 2015 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 2015 were \$25.

In February, 2011, the District obtained two capital leases thru Government Capital Corporation, to purchase fire engines and related equipment for the two staffed fire stations. The leases are for a period of five years with the initial payment due at signing and an additional four years each, with the final payment due in February, 2015. The leases have a buyout provision beginning at the end of year three and a \$1 buyout at the end of the lease term. The lease payments are \$57,298.29 and \$65,729.44 annually. The district satisfied their lease obligation and exercised the buyout provision.

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	3,825,671	3,825,671	4,011,346	185,675
Penalty and interest - Taxes	0	0	45,871	45,871
Interest income	8,000	8,000	25,359	17,359
Facility income	40,700	40,700	46,778	6,078
Other Income	2,000	2,000	33,717	31,717
Funding from Reserves	378,764	532,960	0	(532,960)
Total revenues	<u>4,255,135</u>	<u>4,409,331</u>	<u>4,163,071</u>	<u>(246,260)</u>
Expenditures				
Administration	744,184	747,174	632,155	115,019
Service providers	1,810,515	1,884,130	1,867,613	16,517
ESD fire services	598,854	546,657	534,408	12,249
Emergency medical services	84,610	84,310	76,124	8,186
Dispatch services	434,422	433,463	420,335	13,128
Capital Outlay	582,526	713,573	398,388	296,613
Total expenditures	<u>4,255,111</u>	<u>4,409,307</u>	<u>3,929,023</u>	<u>480,284</u>
Net change in fund balance	24	24	234,048	234,024
Fund balance - beginning	<u>4,273,611</u>	<u>4,273,611</u>	<u>4,273,611</u>	
Fund balance - ending	<u>4,273,635</u>	<u>4,273,635</u>	<u>4,507,659</u>	

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