

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

JOHNSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

JOHNSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

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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, 2019, 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, 2019, 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
Certified Public Accountants
Houston, Texas

May 21, 2020

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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, 2019. 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, 2019**

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 \$5,884,048 as of September 30, 2019.

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, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 3,952,467	\$ 4,333,358	\$ (380,891)
Capital Assets	<u>2,616,128</u>	<u>1,587,638</u>	<u>1,028,490</u>
Total Assets	<u>\$ 6,568,595</u>	<u>\$ 5,920,996</u>	<u>\$ 647,599</u>
Long-Term Liabilities	\$ 456,192	\$	\$ (456,192)
Current and Other Liabilities	<u>228,355</u>	<u>97,131</u>	<u>(131,224)</u>
Total Liabilities	<u>\$ 684,547</u>	<u>\$ 97,131</u>	<u>\$ (587,416)</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,085,201	\$ 1,587,637	\$ 497,564
Unrestricted	<u>3,798,847</u>	<u>4,236,228</u>	<u>(437,381)</u>
Total Net Position	<u>\$ 5,884,048</u>	<u>\$ 5,823,865</u>	<u>\$ 60,183</u>

*

The following table provides a summary of the District's operations for the years ended September 30, 2019 and September 30, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,055,511	\$ 3,720,442	\$ 335,069
Other Revenues	<u>171,950</u>	<u>157,505</u>	<u>14,445</u>
Total Revenues	\$ 4,227,461	\$ 3,877,947	\$ 349,514
Expenses for Services	<u>4,167,278</u>	<u>4,215,673</u>	<u>48,395</u>
Change in Net Position	\$ 60,183	\$ (337,726)	\$ 397,909
Net Position, Beginning of Year	<u>5,823,865</u>	<u>6,161,591</u>	<u>(337,726)</u>
Net Position, End of Year	<u>\$ 5,884,048</u>	<u>\$ 5,823,865</u>	<u>\$ 60,183</u>

*

* As Adjusted, See Note 10

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of September 30, 2019, was \$3,435,543 a decrease of \$415,470 from the prior year. The decrease was primarily due to service operations and the purchase of capital assets exceeding property tax revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$177,544 more than budgeted revenues. Actual expenditures were \$421,088 more than budgeted expenditures.

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2019, amounts to \$2,616,128. This investment in capital assets includes land, buildings, furniture and equipment, office equipment and vehicles.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 76,473	\$ 76,473	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	1,051,023	1,089,151	(38,128)
Machinery and Equipment	545,539	309,954	235,585
Office Equipment	30,784	38,315	(7,531)
Vehicles and Trucks	912,309	73,745	838,564
Total Net Capital Assets	\$ 2,616,128	\$ 1,587,638	\$ 1,028,490

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term capital leases payable of \$530,927. The changes during the fiscal year ended September 30, 2019, are summarized as follows:

Capital Leases Payable, October 1, 2018	\$ - 0 -
Add: Capital Lease Proceeds	530,927
Less: Principal Paid	
Capital Leases Payable, September 30, 2019	<u>\$ 530,927</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, 2019

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 3,452,206	\$	\$ 3,452,206
Cash with Johnson County	5,723		5,723
Receivables:			
Property Taxes	292,645		292,645
Penalty and Interest on Delinquent Taxes		195,290	195,290
Other	6,603		6,603
Land		76,473	76,473
Capital Assets (Net of Accumulated Depreciation)		2,539,655	2,539,655
TOTAL ASSETS	\$ 3,757,177	\$ 2,811,418	\$ 6,568,595
LIABILITIES			
Accounts Payable	\$ 28,989	\$	\$ 28,989
Accrued Interest Payable		16,590	16,590
Compensated Absences		108,041	108,041
Capital Leases Payable:			
Due Within One Year		74,735	74,735
Due After One Year		456,192	456,192
TOTAL LIABILITIES	\$ 28,989	\$ 655,558	\$ 684,547
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 292,645	\$ (292,645)	\$ - 0 -
FUND BALANCE			
Restricted for Replacement Fund	\$ 75,120	\$ (75,120)	\$
Unassigned	3,360,423	(3,360,423)	
TOTAL FUND BALANCE	\$ 3,435,543	\$ (3,435,543)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,757,177		
NET POSITION			
Net Investment in Capital Assets		\$ 2,085,201	\$ 2,085,201
Unrestricted		3,798,847	3,798,847
TOTAL NET POSITION		\$ 5,884,048	\$ 5,884,048

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, 2019**

Total Fund Balance - Governmental Funds	\$	3,435,543
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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.		2,616,128
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenues in the governmental activities of the District.		487,935
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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	\$	(16,590)	
Compensated Absences		(108,041)	
Capital Leases Payable Within One Year		(74,735)	
Capital Leases Payable After One Year		<u>(456,192)</u>	<u>(655,558)</u>

Total Net Position - Governmental Activities	\$	<u>5,884,048</u>
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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, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 4,049,424	\$ 6,087	\$ 4,055,511
Facility Income	41,287		41,287
Penalty and Interest	51,434	(7,552)	43,882
Investment Revenues	66,405		66,405
Sale of Assets	12,000		12,000
Miscellaneous Revenues	8,376		8,376
TOTAL REVENUES	<u>\$ 4,228,926</u>	<u>\$ (1,465)</u>	<u>\$ 4,227,461</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	\$ 1,441,276	\$ 3,855	\$ 1,445,131
Maintenance	140,089		140,089
Supplies	71,853		71,853
Contract Services	2,216,220		2,216,220
Depreciation		277,395	277,395
Capital Outlay	1,305,885	(1,305,885)	
Debt Service:			
Capital Lease Interest		16,590	16,590
TOTAL EXPENDITURES/EXPENSES	<u>\$ 5,175,323</u>	<u>\$ (1,008,045)</u>	<u>\$ 4,167,278</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (946,397)</u>	<u>\$ 946,397</u>	<u>\$ - 0 -</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 530,927	\$ (530,927)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (415,470)	\$ 415,470	\$
CHANGE IN NET POSITION		60,183	60,183
FUND BALANCE/NET POSITION - OCTOBER 1, 2018, AS ADJUSTED	<u>3,851,013</u>	<u>1,972,852</u>	<u>5,823,865</u>
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2019	<u>\$ 3,435,543</u>	<u>\$ 2,448,505</u>	<u>\$ 5,884,048</u>

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, 2019**

Net Change in Fund Balance - Governmental Funds \$ (415,470)

Amounts reported for governmental activities in the Statement of Activities are different because:

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. 6,087

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. (7,552)

Compensated Absences are reported as a liability in the Statement of Net Position. Therefore, an expense is recored in the Statement of Activities. (3,855)

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. (277,395)

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. 1,305,885

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. (16,590)

Governmental funds report capital lease proceeds as other financing sources. However, in the government-wide financial statements, the issuance of debt increases long-term liabilities and does not affect the Statement of Activities. (530,927)

Change in Net Position - Governmental Activities \$ 60,183

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

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2019

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.

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Budgeting

In compliance with governmental accounting principles, the Board of Commissioners annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal 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, 2019

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 \$75,120 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, 2019

NOTE 3. TAX LEVY

The District is permitted by the Texas Constitution to levy a maximum tax rate of \$0.06 per \$100 of assessed valuation assessed valuation of taxable property within the District. During the year ended September 30, 2019, 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 \$4,062,077 on the adjusted taxable valuation of \$6,775,023,369 for the 2018 tax year.

The District's tax calendar is as follows:

- Levy Date - Before the later of September 30 or the 60th day after receipt of the certified tax roll.
- Lien Date - January 1.
- Due Date - Not later than January 30.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

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 \$3,452,206 and the bank balance was \$3,518,608. 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, 2019

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, 2019, the District did not have any investments.

NOTE 5. CAPITAL ASSETS

	October 1, 2018	Increases	Decreases	September 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 76,473	\$ - 0 -	\$ - 0 -	\$ 76,473
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 1,621,405	\$ 5,945	\$	\$ 1,627,350
Machinery and Equipment	1,189,009	398,560		1,587,569
Office Equipment	502,727		34,661	468,066
Vehicles and Trucks	1,065,509	901,380	480,067	1,486,822
Total Capital Assets Subject to Depreciation	<u>\$ 4,378,650</u>	<u>\$ 1,305,885</u>	<u>\$ 514,728</u>	<u>\$ 5,169,807</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 532,254	\$ 44,073	\$	\$ 576,327
Machinery and Equipment	879,055	162,975		1,042,030
Office Equipment	464,412	7,531	34,661	437,282
Vehicles and Trucks	991,764	62,816	480,067	574,513
Total Accumulated Depreciation	<u>\$ 2,867,485</u>	<u>\$ 277,395</u>	<u>\$ 514,728</u>	<u>\$ 2,630,152</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,511,165</u>	<u>\$ 1,028,490</u>	<u>\$ - 0 -</u>	<u>\$ 2,539,655</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,587,638</u>	<u>\$ 1,028,490</u>	<u>\$ - 0 -</u>	<u>\$ 2,616,128</u>

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019.

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. \$40,129 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. \$19,262 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, 2019

NOTE 9. CAPITAL LEASE (Continued)

The following is a schedule of future minimum lease payments under the capital leases as of September 30, 2019:

Fiscal Year	Principal	Interest	Total
2020	\$ 74,735	\$ 24,977	\$ 99,712
2021	78,130	21,582	99,712
2022	81,686	18,026	99,712
2023	85,408	14,304	99,712
2024	89,305	10,407	99,712
2025-2026	121,663	9,571	131,234
	\$ 530,927	\$ 98,867	\$ 629,794

The following is a summary of transactions regarding capital leases payable for the year ended September 30, 2019:

Capital Leases Payable, October 1, 2018	\$	- 0 -
Add: Capital Lease Proceeds		530,927
Less: Principal Paid		
Capital Leases Payable, September 30, 2019	\$	530,927
Capital Leases Payable:		
Due Within One Year	\$	74,735
Due After One Year		456,192
Capital Leases Payable, September 30, 2019	\$	530,927

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, it was determined that restricted funds were recorded as accrued capital outlay in the General Fund. Restricted funds are part of the fund balance and are not a liability. Compensated Absences are considered a long-term liability therefore are not recorded as a current liability in the General Fund. In addition, in the Statement of Net Position, estimated penalty and interest on property tax receivable was recorded in the amount of \$202,842. In the Statement of Activities, property tax levied was recorded as revenue in the amount of \$286,558. The effects of these changes are as follows:

Net Position - October 1, 2018	\$ 5,193,864
Effect of Adjustment:	
Remove Accrued Capital Outlay	140,601
Record Property Tax Levy	286,558
Record Penalty and Interest Receivable	202,842
Net Position - October 1, 2018, As Adjusted	\$ 5,823,865
General Fund Fund Balance - October 1, 2018	\$ 3,606,226
Effect of Adjustment:	
Remove Compensated Absences	104,186
Remove Accrued Capital Outlay	140,601
General Fund Fund Balance - October 1, 2018, As Adjusted	\$ 3,851,013

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JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

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, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes, including penalty and interest	\$ 4,016,382	\$ 4,100,858	\$ 84,476
Facilities Income	15,000	41,287	26,287
Investment Revenues	20,000	66,405	46,405
Sale of Assets		12,000	12,000
Miscellaneous Revenues		8,376	8,376
TOTAL REVENUES	\$ 4,051,382	\$ 4,228,926	\$ 177,544
EXPENDITURES			
Service Operations:			
Personnel:			
Wages	\$ 1,231,831	\$ 1,183,312	\$ 48,519
Incentives	7,040	7,040	
Longevity	6,650	6,650	
Overtime	41,159	36,450	4,709
Payroll Taxes	142,444	90,162	52,282
Health Insurance	83,618	93,278	(9,660)
Dental/Vision/AD&D Ins	19,695	6,119	13,576
Retirement	12,878	18,265	(5,387)
Maintenance:			
Small Tools	8,700	7,934	766
Property Maintenance	6,650	6,779	(129)
Building Maintenance	36,250	15,781	20,469
Communications Maintenance	14,980	4,994	9,986
Vehicle Maintenance	52,100	62,338	(10,238)
Fuel/Lube	23,500	32,832	(9,332)
Implement/Equipment Maintenance	11,787	9,431	2,356
Supplies:			
Janitorial	2,500	2,077	423
Office Supplies	2,500	3,106	(606)
EMS Supplies	6,000	7,880	(1,880)
Fire Suppression Chemicals	750	490	260
Postage	700	810	(110)
Uniforms	7,250	7,967	(717)
Safety Equipment	4,181	4,438	(257)
Computer Supplies	1,800	2,228	(428)
Operating Supplies	6,699	2,587	4,112
Printing Supplies	1,601	596	1,005

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, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Supplies (Continued):			
Protective Equipment	15,000	15,735	(735)
Furniture/Small OFC Equipment	9,100	9,791	(691)
Special Recognition	18,300	13,435	4,865
Training Equipment	1,000	713	287
Contract Services:			
Pre-Employment	345		345
Dues/Subscriptions	17,450	9,200	8,250
Utilities	41,350	42,820	(1,470)
Copier			
Cell Phones	3,600	3,461	139
Telephone/Internet	23,120	29,266	(6,146)
Legal Advertisement	500	966	(466)
Training	26,918	15,627	11,291
Travel	8,579	7,285	1,294
Insurance - TML	49,227	43,038	6,189
Miscellaneous Contractual Service	243,946	258,554	(14,608)
Temporary Labor	2,500	3,125	(625)
Physical/Vaccinations	1,500	1,080	420
Equipment Testing	7,000	4,833	2,167
IT Services	5,000	2,595	2,405
Lease Expense	3,500	3,261	239
Fire Suppression Service Providers	1,561,000	1,561,000	
Service Provider Incentives	236,931	230,109	6,822
Capital Outlay	745,106	1,305,885	(560,779)
TOTAL EXPENDITURES	\$ 4,754,235	\$ 5,175,323	\$ (421,088)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (702,853)	\$ (946,397)	\$ (243,544)
OTHER FINANCING SOURCES(USES)			
Capital Lease Proceeds	\$ - 0 -	\$ 530,927	\$ 530,927
NET CHANGE IN FUND BALANCE	\$ (702,853)	\$ (415,470)	\$ 287,383
FUND BALANCE - OCTOBER 1, 2018	3,851,013	3,851,013	_____
FUND BALANCE - SEPTEMBER 30, 2019	\$ 3,148,160	\$ 3,435,543	\$ 287,383

See accompanying independent auditor's report.

