

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

JOHNSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

JOHNSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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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, 2021, 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, 2021, 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

April 21, 2022

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021. 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, 2021**

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 \$6,075,619 as of September 30, 2021.

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, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 4,640,515	\$ 4,222,847	\$ 417,668
Capital Assets	<u>2,046,634</u>	<u>2,246,948</u>	<u>(200,314)</u>
Total Assets	<u>\$ 6,687,149</u>	<u>\$ 6,469,795</u>	<u>\$ 217,354</u>
Long-Term Liabilities	\$ 397,466	\$ 377,892	\$ (19,574)
Current and Other Liabilities	<u>214,064</u>	<u>197,245</u>	<u>(16,819)</u>
Total Liabilities	<u>\$ 611,530</u>	<u>\$ 575,137</u>	<u>\$ (36,393)</u>
Net Position:			
Net Investment in Capital Assets	\$ 1,549,237	\$ 1,790,979	\$ (241,742)
Unrestricted	<u>4,526,382</u>	<u>4,103,679</u>	<u>422,703</u>
Total Net Position	<u>\$ 6,075,619</u>	<u>\$ 5,894,658</u>	<u>\$ 180,961</u>

The following table provides a summary of the District's operations for the years ended September 30, 2021 and September 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,651,184	\$ 4,467,448	\$ 183,736
Other Revenues	<u>182,738</u>	<u>190,917</u>	<u>(8,179)</u>
Total Revenues	<u>\$ 4,833,922</u>	<u>\$ 4,658,365</u>	<u>\$ 175,557</u>
Expenses for Services	<u>4,652,961</u>	<u>4,647,755</u>	<u>(5,206)</u>
Change in Net Position	\$ 180,961	\$ 10,610	\$ 170,351
Net Position, Beginning of Year	<u>5,894,658</u>	<u>5,884,048</u>	<u>10,610</u>
Net Position, End of Year	<u>\$ 6,075,619</u>	<u>\$ 5,894,658</u>	<u>\$ 180,961</u>

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of September 30, 2021, was \$4,121,804 an increase of \$383,962 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 \$58,690 more than budgeted revenues, actual expenditures were \$187,630 less than budgeted, and capital lease proceeds of \$137,207 were not budgeted which resulted in a positive variance of \$383,527. See the budget to actual comparison for more information.

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2021, amounts to \$2,046,634. This investment in capital assets includes land, buildings, furniture and equipment, office equipment and vehicles.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 76,473	\$ 76,473	\$
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	963,998	1,007,386	(43,388)
Machinery and Equipment	467,059	432,811	34,248
Office Equipment	15,947	23,355	(7,408)
Vehicles and Trucks	523,157	706,923	(183,766)
Total Net Capital Assets	\$ 2,046,634	\$ 2,246,948	\$ (200,314)

**JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term capital leases payable of \$497,397. The changes during the fiscal year ended September 30, 2021, are summarized as follows:

Capital Leases Payable, October 1, 2020	\$ 455,969
Add: Capital Lease Proceeds	137,207
Less: Principal Paid	<u>95,779</u>
Capital Leases Payable, September 30, 2021	<u>\$ 497,397</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, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 4,106,780	\$	\$ 4,106,780
Receivables:			
Property Taxes	301,644		301,644
Penalty and Interest on Delinquent Taxes		202,627	202,627
Other	29,464		29,464
Land		76,473	76,473
Capital Assets (Net of Accumulated Depreciation)		1,970,161	1,970,161
TOTAL ASSETS	\$ 4,437,888	\$ 2,249,261	\$ 6,687,149
LIABILITIES			
Accounts Payable	\$ 14,440	\$	\$ 14,440
Accrued Interest Payable		5,811	5,811
Compensated Absences		93,882	93,882
Capital Leases Payable:			
Due Within One Year		99,931	99,931
Due After One Year		397,466	397,466
TOTAL LIABILITIES	\$ 14,440	\$ 597,090	\$ 611,530
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 301,644	\$ (301,644)	\$ - 0 -
FUND BALANCE			
Restricted for Replacement Fund	\$ 83,154	\$ (83,154)	\$
Unassigned	4,038,650	(4,038,650)	
TOTAL FUND BALANCE	\$ 4,121,804	\$ (4,121,804)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,437,888		
NET POSITION			
Net Investment in Capital Assets		\$ 1,549,237	\$ 1,549,237
Unrestricted		4,526,382	4,526,382
TOTAL NET POSITION		\$ 6,075,619	\$ 6,075,619

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, 2021

Total Fund Balance - Governmental Funds	\$ 4,121,804
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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.	2,046,634
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenues in the governmental activities of the District.	504,271
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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	\$ (5,811)	
Compensated Absences	(93,882)	
Capital Leases Payable Within One Year	(99,931)	
Capital Leases Payable After One Year	<u>(397,466)</u>	<u>(597,090)</u>

Total Net Position - Governmental Activities	<u>\$ 6,075,619</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, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 4,650,912	\$ 272	\$ 4,651,184
Facility Income	33,374		33,374
Penalty and Interest	43,373	21,479	64,852
Investment Revenues	31,252		31,252
Miscellaneous Revenues	53,260		53,260
TOTAL REVENUES	<u>\$ 4,812,171</u>	<u>\$ 21,751</u>	<u>\$ 4,833,922</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Personnel	\$ 1,613,058	\$ (16,428)	\$ 1,596,630
Maintenance	159,232		159,232
Supplies	54,588		54,588
Contract Services	2,453,057		2,453,057
Depreciation		363,798	363,798
Capital Outlay	163,484	(163,484)	
Debt Service:			
Capital Leases Principal	95,779	(95,779)	
Capital Lease Interest	26,218	(562)	25,656
TOTAL EXPENDITURES/EXPENSES	<u>\$ 4,565,416</u>	<u>\$ 87,545</u>	<u>\$ 4,652,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 246,755</u>	<u>\$ (246,755)</u>	<u>\$ - 0 -</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 137,207	\$ (137,207)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 383,962	\$ (383,962)	\$
CHANGE IN NET POSITION		180,961	180,961
FUND BALANCE/NET POSITION - OCTOBER 1, 2020	<u>3,737,842</u>	<u>2,156,816</u>	<u>5,894,658</u>
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2021	<u>\$ 4,121,804</u>	<u>\$ 1,953,815</u>	<u>\$ 6,075,619</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, 2021**

Net Change in Fund Balance - Governmental Funds \$ 383,962

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. 272

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. 21,479

Compensated Absences are reported as a liability in the Statement of Net Position. Therefore, an expense is recored in the Statement of Activities. 16,428

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. (363,798)

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. 163,484

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. 95,779

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. 562

Change in Net Position - Governmental Activities \$ 180,961

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, 2021

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, 2021

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, 2021

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, 2021

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 appropriate 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, 2021

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 \$83,154 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, 2021

NOTE 3. TAX LEVY

During the year ended September 30, 2021, 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 \$4,652,300 on the adjusted taxable valuation of \$7,761,898,085 for the 2021 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 \$4,106,780 and the bank balance was \$4,311,657. 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, 2021

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, 2021, the District did not have any investments.

NOTE 5. CAPITAL ASSETS

	October 1, 2020	Increases	Decreases	September 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ 76,473	\$ - 0 -	\$ - 0 -	\$ 76,473
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 1,627,350	\$	\$	\$ 1,627,350
Machinery and Equipment	1,534,248	163,484		1,697,732
Office Equipment	459,084			459,084
Vehicles and Trucks	1,614,215			1,614,215
Total Capital Assets Subject to Depreciation	\$ 5,234,897	\$ 163,484	\$ - 0 -	\$ 5,398,381
Less Accumulated Depreciation				
Buildings and Improvements	\$ 619,964	\$ 43,388	\$	\$ 663,352
Machinery and Equipment	1,101,437	129,236		1,230,673
Office Equipment	435,729	7,408		443,137
Vehicles and Trucks	907,292	183,766		1,091,058
Total Accumulated Depreciation	\$ 3,064,422	\$ 363,798	\$ - 0 -	\$ 3,428,220
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 2,170,475	\$ (200,314)	\$ - 0 -	\$ 1,970,161
Total Capital Assets, Net of Accumulated Depreciation	\$ 2,246,948	\$ (200,314)	\$ - 0 -	\$ 2,046,634

JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021.

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, 2021 is \$147,976 of which \$53,850 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, 2021 is \$380,308, of which \$180,276 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, 2021

NOTE 9. CAPITAL LEASE (Continued)

On November 19, 2019, the District entered in a Municipal Lease Purchase Agreement with Government Capital Corporation in the amount of \$137,208 to fund the purchase of SCBA 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, 2021 is \$29,427, of which \$29,427 has been recorded as part of depreciation expense in the current fiscal year. Lease payments and related interest of \$22,339 are due annually beginning November 19, 2020 and ending November 19, 2026. The incremental borrowing rate is 3.38%.

The following is a schedule of future minimum lease payments under the capital leases as of September 30, 2021:

Fiscal Year	Principal	Interest	Total
2022	\$ 99,931	\$ 22,060	\$ 121,991
2023	104,269	17,722	121,991
2024	108,805	13,186	121,991
2025	79,509	8,447	87,956
2026	83,275	4,680	87,955
2027	21,608	730	22,338
	\$ 497,397	\$ 66,825	\$ 564,222

The following is a summary of transactions regarding capital leases payable for the year ended September 30, 2021:

Capital Leases Payable, October 1, 2020	\$	455,969
Add: Capital Lease Proceeds		137,207
Less: Principal Paid		95,779
Capital Leases Payable, September 30, 2021	\$	497,397
Capital Leases Payable:		
Due Within One Year	\$	99,931
Due After One Year		397,466
Capital Leases Payable, September 30, 2021	\$	497,397

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JOHNSON COUNTY EMERGENCY SERVICES DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes, including penalty and interest	\$ 4,625,879	\$ 4,694,285	\$ 68,406
Facilities Income	25,000	33,374	8,374
Investment Revenues	30,000	31,252	1,252
Miscellaneous Revenues	<u>72,602</u>	<u>53,260</u>	<u>(19,342)</u>
TOTAL REVENUES	<u>\$ 4,753,481</u>	<u>\$ 4,812,171</u>	<u>\$ 58,690</u>
EXPENDITURES			
Service Operations:			
Personnel:			
Wages	\$ 1,349,209	\$ 1,245,538	\$ 103,671
Incentives	23,400	22,027	1,373
Longevity	9,840	9,420	420
Overtime	43,906	55,917	(12,011)
Payroll Taxes	151,703	126,842	24,861
Health Insurance	144,401	123,244	21,157
Dental/Vision/AD&D Ins	23,794	9,122	14,672
Retirement	36,978	20,948	16,030
Maintenance:			
Small Tools	8,200	2,074	6,126
Property Maintenance	8,000	1,950	6,050
Building Maintenance	32,500	30,989	1,511
Communications Maintenance	15,200	24,885	(9,685)
Vehicle Maintenance	48,000	57,209	(9,209)
Fuel/Lube	32,600	32,125	475
Implement/Equipment Maintenance	17,000	10,000	7,000
Supplies:			
Janitorial	2,500	2,560	(60)
Office Supplies	2,750	596	2,154
EMS Supplies	10,000		10,000
Fire Suppression Chemicals	1,000		1,000
Postage	1,450	400	1,050
Uniforms	8,660	20,646	(11,986)
Safety Equipment	1,000		1,000
Computer Supplies	10,348	7,497	2,851
Operating Supplies	14,204	10,152	4,052
Printing Supplies	1,800	626	1,174

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Supplies (Continued):			
Protective Equipment	57,000	2,457	54,543
Furniture/Small OFC Equipment	6,850	2,437	4,413
Special Recognition	11,750	7,217	4,533
Training Equipment	3,500		3,500
Contract Services:			
Pre-Employment	860		860
Drug Testing	500		500
Dues/Subscriptions	17,195	8,822	8,373
Utilities	42,230	41,548	682
Copier		1,045	(1,045)
Cell Phones	6,560	6,250	310
Telephone/Internet	43,085	42,959	126
Legal Advertisement	350	1,311	(961)
Training	24,557	6,176	18,381
Travel	9,687	7,264	2,423
Insurance - TML	70,000	58,481	11,519
Miscellaneous Contractual Service	340,653	341,661	(1,008)
Temporary Labor	2,500	1,190	1,310
Physical/Vaccinations	2,700	1,800	900
Equipment Testing	10,000	3,769	6,231
IT Services	5,200	9,335	(4,135)
Lease Expense	125,995	4,621	121,374
Fire Suppression Service Providers	1,691,500	1,691,500	
Service Provider Incentives	236,931	225,325	11,606
Capital Outlay	45,000	163,484	(118,484)
Debt Service			
Capital Leases Principal		95,779	(95,779)
Capital Leases Interest		26,218	(26,218)
TOTAL EXPENDITURES	<u>\$ 4,753,046</u>	<u>\$ 4,565,416</u>	<u>\$ 187,630</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 435</u>	<u>\$ 246,755</u>	<u>\$ 246,320</u>
OTHER FINANCING SOURCES(USES)			
Capital Lease Proceeds	<u>\$ - 0 -</u>	<u>\$ 137,207</u>	<u>\$ 137,207</u>
NET CHANGE IN FUND BALANCE	<u>\$ 435</u>	<u>\$ 383,962</u>	<u>\$ 383,527</u>
FUND BALANCE - OCTOBER 1, 2020	<u>3,737,842</u>	<u>3,737,842</u>	
FUND BALANCE - SEPTEMBER 30, 2021	<u>\$ 3,738,277</u>	<u>\$ 4,121,804</u>	<u>\$ 383,527</u>

See accompanying independent auditor's report.

