

**WILLIAMSON COUNTY EMERGENCY SERVICES
DISTRICT #10**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

WILLIAMARTHURGRIMSLEY

Certified Public Accountant

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

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WILLIAMARTHURGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Williamson County Emergency Services District #10
Coupland, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Williamson County Emergency Services District #10 (the District), as of and for the year ended September 30, 2017, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2017, 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 budgetary comparison information on pages 3-7 and page 25, respectively, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 25, 2018, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



William Arthur Grimsley, CPA
Gatesville, Texas
May 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2017

Our discussion and analysis of the Williamson County Emergency Services District #10's (the District) financial performance provides an overview and analysis of the District's financial activities for the year ended September 30, 2017. Please read it in conjunction with the Independent Auditor's Report, the accompanying basic financial statements, and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the year by \$150,021 (net position). Of this amount, \$14,974 is unrestricted and may be used to meet the District's future obligations.
- Revenue of \$109,384, was lower than expenses of \$114,752, reflecting a decrease in net position of \$5,368.
- The District's capital assets totaled \$504,207, net of accumulated depreciation of \$302,144.
- Principal payments of \$31,963 reduced debt to a balance of \$369,160.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the District's assets, liabilities, and deferred inflows/outflows with the difference reported as net position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial health is improving or deteriorating.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2017

The *statement of activities* presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. This may include uncollected taxes and other revenues or expenses that are appropriated for the current year even though cash is not received or expended until the following year. The government-wide financial statements can be found on pages 8-9 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains one governmental fund, the General Fund. The basic governmental fund financial statements can be found on pages 10-13 of this report.

Notes to the Financial Statements. The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements. These can be found starting on page 14.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is summary of the District's net position as of September 30, 2017:

Statement of net position	2017	% of Total Assets
Current assets	\$ 14,974	2.88%
Capital assets, net	504,207	97.12%
Total assets	519,181	100.00%
Current liabilities	33,810	6.51%
Long-term liabilities	335,350	64.59%
Total liabilities	369,160	71.10%
Net position:		
Net investment in capital assets	135,047	26.01%
Restricted	-	0.00%
Unrestricted	14,974	2.88%
Total net position	\$ 150,021	28.90%

Net investment in capital assets represents the District's capital assets, net of accumulated depreciation and the related debt used to acquire those assets, that is still outstanding. Therefore, this portion of net position is not available for future spending. The unrestricted balance of \$14,974 may be used to meet the District's future obligations.

The following is a summary of the District's change in net position for the year ended September 30, 2017:

Statement of activities	2017	% of Total Revenue
Property tax	\$ 96,262	87.99%
Williamson county stipend	13,133	12.01%
Total revenue	109,395	100.00%
Expenses:		
General government	90,670	82.88%
Interest expense	24,082	22.01%
Total expenses	114,752	104.90%
Change in net position	\$ (5,357)	-4.90%

Property tax of \$96,262 represents 87.99% of the District's total revenue. General government expenses represent 82.88% of the District's total expenses. More details of these expenses can be found on page 12, the Statement of Revenues, Expenditures and Change in Fund Balance.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in accessing the District's financing requirements. In particular, unassigned and assigned fund balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As the District completed the year, its general fund (as presented in the balance sheet on page 10) reported a fund balance of \$12,963, an increase of \$3,088 from the prior year. Property tax income accounted for all of this increase.

Budget Highlights. The District prepares its budget on a governmental fund basis (modified accrual). Actual revenues were \$6,374 higher than the budget. Actual expenditures were \$4,691 higher than the budget, reflecting a net favorable variance of \$1,683 in excess revenues over expenditures. This favorable variance was primarily the result of higher property tax income, off-set partially by over budget expenditures in legal fees, all of which were related to the annexation of Thrall.

More detail is presented in the required supplementary information section on page 25.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District's investment in capital assets totaled \$504,207, net of accumulated depreciation, a decrease of \$42,430 to the prior year. Depreciation accounted for all of the decrease.

More detailed information about the District's capital assets is presented in the Notes to the Financial Statements on page 20.

Debt

At year-end, the District's long-term debt was \$369,160, a decrease from the prior year of \$31,963. This decrease was the result of scheduled principal payments. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements starting on page 21.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10 MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates. Some of those factors include the economy and the anticipated needs of the District for operations and capital outlay in the next year. The District adopted a tax rate of \$0.10 per \$100 of the taxable within the district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Williamson County Emergency Services District #10, P.O. Box 102, Coupland, Texas 78615.

BASIC FINANCIAL STATEMENTS
(Government-Wide)

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Statement of Net Position

As of September 30, 2017

	Total Governmental Activities
ASSETS:	
Cash	\$ 6,348
Property tax receivable	2,011
Due from other governments	6,515
Deposit	100
Total current assets	14,974
 Capital assets:	
Land	30,666
Apparatus	250,000
Station	521,685
Furniture and fixtures	4,000
Less: accumulated depreciation	(302,144)
Total long-term assets	504,207
Total assets	\$ 519,181
 LIABILITIES:	
Noncurrent liabilities:	
Due within one year	\$ 33,810
Due after one year	335,350
Total noncurrent liabilities	369,160
Total liabilities	\$ 369,160
 NET POSITION:	
Net investment in capital assets	\$ 135,047
Unrestricted	14,974
Total net position	\$ 150,021

The accompanying notes are an integral part of these financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Statement of Activities

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities	\$ 90,670	\$ -	-	\$ (90,670)
Interest expense	24,082	-	-	(24,082)
Total primary government	<u>\$ 114,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (114,752)</u>
General Revenues:				
				96,262
				13,122
			<u>Total General Revenues</u>	<u>109,384</u>
			Change in Net Position	(5,368)
			<u>Net Position - Beginning of Year</u>	<u>155,389</u>
			<u>Net Position - End of Year</u>	<u>\$ 150,021</u>

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
(GOVERNMENTAL FUNDS)**

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Balance Sheet - Governmental Funds

As of September 30, 2017

	General Fund	Total Governmental Fund
ASSETS		
Cash	\$ 6,348	\$ 6,348
Property tax receivable	2,011	2,011
Due from other governments	6,515	6,515
Deposits	100	100
Total assets	14,974	14,974
DEFERRED INFLOW OF RESOURCES		
Unavailable revenue - property taxes	2,011	2,011
Fund Balance		
Nonspendable	-	-
Restricted	-	-
Committed	-	-
Unassigned	12,963	12,963
Total fund balance	12,963	12,963
Total deferred inflows of resources and fund balance	\$ 14,974	\$ 14,974

The accompanying notes are an integral part of these financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

As of September 30, 2017

Total fund balance (deficit) – governmental funds \$ 12,963
 Amounts reported for governmental activities in the statement
 of net position are different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the fund. These
 assets consist of:

Land	\$ 30,666	
Apparatus	250,000	
Station	521,685	
Furniture and fixtures	4,000	
Accumulated depreciation	(302,144)	
Total capital assets		504,207

Long-term debt is not due and payable in the current period and,
 therefore, is not reported as a liability in the fund financial statement. (369,160)

Some revenues in the governmental fund are deferred because they are
 not collected within the prescribed time period after year end. On the
 accrual basis, however, those revenues would be recognized, regardless
 of when they are collected.

2,011

Net assets of governmental activities (page 8)

\$ 150,021

The accompanying notes are an integral part of these financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2017

	General Fund	Total Governmental Fund
Revenues:		
Property tax	\$ 94,251	\$ 94,251
Williamson county stipend	13,123	13,123
Total Revenues	107,374	107,374
Expenditures:		
Contractual services- CVFD	25,890	25,890
Contractual services- accounting	5,153	5,153
Contractual services- revenue collection	971	971
Station repairs, maintenance and supplies	1,096	1,096
Utilities	4,647	4,647
Insurance	3,539	3,539
Legal and professional services	5,896	5,896
Postage and printing	774	774
Membership and dues	275	275
Debt service - principal	31,963	31,963
Debt service - interest	24,082	24,082
Total Expenditures	104,286	104,286
Excess of Revenues Over Expenditures	3,088	3,088
Net Change in Fund Balance	3,088	3,088
Fund Balance, Beginning of Year	9,875	9,875
Fund Balance, End of Year	\$ 12,963	\$ 12,963

The accompanying notes are an integral part of these financial statements.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Reconciliation of the Statement of Revenues, Expenditures and Changes in Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2017

Net change in fund balance – total governmental fund	\$ 3,088
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Amounts reported for governmental activities in the statement of activities (page 9) 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 outlays were higher (lower) than depreciation in the current period.	(42,430)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund. This is the net change from the previous period.	2,011
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Repayment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	<u>31,963</u>
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Change in net position of governmental activities (page 9)	<u><u>\$ (5,368)</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 1- Summary of Significant Accounting Policies

The accounting policies of the Williamson County Emergency Services District #10 (the District) conform to generally accepted accounting principles (GAAP) in the United States of America, applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

The Reporting Entity

The District is a political subdivision of the state of Texas that was formed in May 2005. The District's role is to collect taxes from the citizens of its respective district and utilize those collections for emergency services. Those services include fire, allied services, and first responder. The Commissioners of the District are an appointed Board by the Williamson County Commissioners, to oversee and guide the various activities of the District.

The District has adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Using these criteria, the District has no component units. The District is included in the basic financial statements of Williamson County, Texas as a component unit.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the District.

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 or 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.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

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. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 District considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The District reports the following major governmental fund:

General Fund - The general fund is the District's primary operating fund. It is used to account for all financial resources of the general government.

A. Cash and Cash Equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is not significant risk of changes in value due to changes in interest rates.

Accounts Receivable

Accounts receivable consists of uncollected property tax, as of September 30, 2017. The District does not record an allowance for uncollectable accounts, supported by historical collections.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) at the time of acquisition and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis. Estimated useful lives are as follows:

Furniture and Fixtures	5 Years
Fire Trucks/Equipment	10 Years
Stations	30 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue-property taxes*, is reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the periods the amounts become available.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Equity Classifications

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation, reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of assets with constraints placed on the use either by: 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Unrestricted – All other net assets that do not meet the definition of "net investment in capital assets" or "restricted".

The District reports governmental fund balances by the five-following classification:

Nonspendable – Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes, imposed by formal action of the District's highest level of decision making authority. In the case of the District, it is the District's Board of Commissioners, and the formal action would be an ordinance to modify or rescind the commitment.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Assigned – Amounts constrained by District management’s intent to be used for specific purposes but not formally restricted by external resources or committed by the District’s Board of Commissioners.

Unassigned – Amount of the remaining fund balance not in any of the other classifications.

For the classification of fund balances, the District considers restricted amounts to have been spent first when an expenditure is incurred for the purpose for which restricted and unrestricted fund balance is available. Expenditures are to be spent from restricted fund balances first, followed by committed, assigned, and lastly unassigned fund balance.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimations and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Note 2 – Cash Deposits

Legal and Contractual Provisions, Governing Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At September 30, 2017, the carrying amount of the District’s cash deposits was \$6,348 and the bank balance was the same amount.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5)

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in; (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District did not have invested funds at September 30, 2017.

Policies, Governing Deposits and Investments

In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2017, were covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, investment policies of the District's investment pools allow the portfolio's investment manager to only invest in obligations of the U.S. Government and its agencies; repurchase agreements; and no-load AAA money market mutual funds registered with the SEC.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 3 – Property Taxes

The District has the authority to levy a tax to a maximum of \$.10 per \$100 of assessed property values. Property taxes are levied each October 1 on the assessed valuation of all taxable property within the District's boundaries. The tax rate for the October 1, 2016, levy was \$.10 per \$100 of appraised value. Taxes are due on receipt of the bill and are delinquent if not paid before February 1 of the year following the levy. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Taxes are assessed, billed and collected by the Williamson County Appraisal District.

Note 4 – Capital Assets

The following is a summary of changes in capital assets for the year:

	Balance 9/30/2016	Additions	Retirements	Balance 9/30/2017
Capital assets not being depreciated:				
Land	\$ 30,666	\$ -	\$ -	\$ 30,666
Total	30,666	-	-	30,666
Capital assets being depreciated:				
Station	521,685	-	-	521,685
Apparatus	250,000	-	-	250,000
Furniture and fixtures	4,000	-	-	4,000
Total capital assets being depreciated	775,685	-	-	775,685
Total capital assets	806,351	-	-	806,351
Less: accumulated depreciation	(259,714)	(42,430)	-	(302,144)
Net capital assets	\$ 546,637	\$ (42,430)	\$ -	\$ 504,207

Depreciation was charged to functions within the primary government as follows:

Program services	\$ 42,430
Total	\$ 42,430

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 5– Debt

The following is a summary of changes in debt for the year:

	Origination Date	Maturity Date	Interest Rate	Balance 9/30/2016	Additions	Retirements	Balance 9/30/2017
Note #4737	12/6/2007	7/15/2027	6.219%	\$ 296,155	\$ -	\$ (17,332)	\$ 278,823
Note #5160	1/12/2009	7/15/2027	6.012%	67,768	-	(4,439)	63,329
Note #6381	9/10/2013	10/31/2019	3.343%	37,200	-	(10,192)	27,008
				<u>\$ 401,123</u>	<u>\$ -</u>	<u>\$ (31,963)</u>	<u>\$ 369,160</u>

At September 30, 2017, future debt service requirements are as follows:

Note #4737:

Year	Principal	Interest	Total
2018	\$ 18,410	\$ 17,340	\$ 35,750
2019	19,555	16,195	35,750
2020	20,771	14,979	35,750
2021	22,063	13,687	35,750
2022	23,435	12,315	35,750
2023-2028	174,589	39,909	214,498
Total	<u>\$ 278,823</u>	<u>\$ 114,425</u>	<u>\$ 393,248</u>

Note #5160:

Year	Principal	Interest	Total
2018	\$ 4,865	\$ 3,856	\$ 8,721
2019	5,157	3,564	8,721
2020	5,467	3,254	8,721
2021	5,796	2,925	8,721
2022	6,144	2,577	8,721
2023-2028	35,900	39,909	43,607
Total	<u>\$ 63,329</u>	<u>\$ 56,085</u>	<u>\$ 87,212</u>

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note #6381:

<u>Year:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,535	\$ 816	\$ 11,351
2019	10,890	461	11,351
2020	5,583	92	5,675
Total	<u>\$ 27,008</u>	<u>\$ 1,369</u>	<u>\$ 28,377</u>

Total Debt Service:

<u>Year:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 33,810	\$ 22,012	\$ 55,822
2019	35,602	20,220	55,822
2020	31,820	18,327	50,147
2021	27,858	16,613	44,471
2022	29,579	14,892	44,471
2023-2027	210,491	47,616	258,107
Total	<u>\$ 369,160</u>	<u>\$ 139,680</u>	<u>\$ 508,840</u>

On December 6, 2007, the District entered into Promissory Note Agreement #4737, with Government Capital Corporation for the construction of a new fire station in Coupland, Texas, in the amount of \$400,000. The loan matures on July 15, 2027 and carries an interest rate of 6.219%. The note is secured by a commercial deed of trust. For the year ended September 30, 2017, principal payments of \$17,332 were made and interest of \$18,418 was paid. As allowed by the note agreement, this note was subsequently transferred and assigned to South Side Bank.

On January 12, 2009, the District entered into Promissory Note Agreement #5160, with Government Capital Corporation to provide additional funding of the fire station, in the amount of \$100,000. The loan matures on July 15, 2027 and carries an interest rate of 6.012%. The note is secured by the assignment of Ad Valorem Taxes. For the year ended September 30, 2017, principal payments of \$4,439 were made and interest of \$4,133 was paid. As allowed by the note agreement, this note was subsequently transferred and assigned to South Side Bank.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

On September 10, 2013, the District entered into Note Agreement #6381 with Government Capital Corporation for the purchase of fire trucks, in the amount of \$61,072. The loan matures on October 31, 2019 and carries an interest rate of 3.343%. The note is secured by the assignment of Ad Valorem Taxes. For the year ended September 30, 2017, principal payments of \$10,192 were made and interest of \$1,159 was paid. As allowed by the note agreement, this note was subsequently transferred and assigned to Schertz Bank and Trust.

Note 6 – Contracts/Commitments

The District does not have employees and the Board of Commissioners are not compensated. Accordingly, the District contracts with independent parties for its service and operational needs. Most notable among these is the provision to the citizens within its boundaries for emergency services.

On October 16, 2007, the District entered into an Emergency Service Agreement (the Agreement) with the Coupland Volunteer Fire Department (the Department) to provide for the protection of life and property from fire, and medical first responder assistance. The term of the Agreement is to remain in effect on a year to year basis unless terminated by either party upon ninety (90) days written notice. In consideration for the services to be rendered under the Agreement the District is to pay the Department, as funds become available and are appropriated in the sole discretion of the District, the sums set out in the annual budget as approved by the District. The District also agrees to provide for the purchase of capital or other equipment and improvements as requested by the Department and approved by the District. For the year ended September 30, 2017, the District paid a total of \$25,890 under the terms of the Agreement on behalf of or directly to the Department.

Note 7 – Risk Management

The District is exposed to various risks of loss including general liability and property damage. The District insures against such risks through the purchase of commercial insurance.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 8 – Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 25, 2018, the date the financial statements were available to be issued.

As a result of an election held on November 7, 2017 the District's proposition to include the area commonly known as the Thrall Defined Territory to its service area and for the Thrall Service Area to assume its proportionate share of the District's outstanding debts and taxes, was elected. Financial recognition of this subsequent event was not required.

REQUIRED SUPPLEMENTARY INFORMATION

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT #10

Statement of Revenues, Expenditures, and Changes in Fund

Balance - Budget to Actual - General Fund

For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property tax revenue	\$ 88,000	\$ 88,000	\$ 94,251	\$ 6,251
Williamson county stipend	13,000	13,000	13,123	123
Total General Revenue	<u>101,000</u>	<u>101,000</u>	<u>107,374</u>	<u>6,374</u>
EXPENDITURES				
Contractual services- CVFD	26,200	26,200	25,890	310
Contractual services- accounting	4,000	4,000	5,153	(1,153)
Contractual services- revenue collection	1,000	1,000	971	29
Station repairs, maintenance and supplies	1,100	1,100	1,096	4
Utilities	5,500	5,500	4,647	853
Insurance	3,500	3,500	3,539	(39)
Operating expenses	2,250	2,250	6,945	(4,695)
Debit service - principal and interest	56,045	56,045	56,045	-
Total Expenses	<u>99,595</u>	<u>99,595</u>	<u>104,286</u>	<u>(4,691)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ 1,405</u>	<u>\$ 1,405</u>	<u>\$ 3,088</u>	<u>\$ 1,683</u>

COMPLIANCE/INTERNAL CONTROL SECTION

WILLIAMARTHURGRIMSLEY

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Williamson County Emergency Services District #10
Coupland, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Williamson County Emergency Services District #10 (the District), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report, thereon, dated May 25, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge of governance.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit, I did not identify any deficiencies in the internal control that I consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



William Arthur Grimsley, CPA
Gatesville, Texas
May 25, 2018