

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

WILLIAMSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

WILLIAMSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	10
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	11
NOTES TO THE FINANCIAL STATEMENTS	12-22
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	24
OTHER SUPPLEMENTARY INFORMATION	
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA	26
LISTING OF THE NUMBER OF EMERGENCY RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT	27
SCHEDULE OF INSURANCE AND BONDING COVERAGE	28
STATEMENT OF ACTIVITIES – SAM BASS FIRE DEPARTMENT	29
TAXES LEVIED AND RECEIVABLE	30-31
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES – GENERAL FUND – FIVE YEARS	32-33
BOARD OF COMMISSIONERS AND CONSULTANTS	34-35

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Williamson County Emergency
Services District No. 2
Williamson County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Williamson County Emergency Services District No. 2 (the "District"), as of and for the year ended December 31, 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

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.

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 December 31, 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 19, 2018

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Management's discussion and analysis of Williamson County Emergency Services District No. 2's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. 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) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds 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 and other 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 similar to 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 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 fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

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.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

FUND FINANCIAL STATEMENTS (Continued)

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 Funds 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 and deferred inflows of resources by \$4,489,941 as of December 31, 2017.

A portion of the District's net position reflects its net investment in capital assets (buildings, vehicles and equipment less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide for firefighting and emergency services.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2017	2016	Change Positive (Negative)
Current and Other Assets	\$ 9,652,330	\$ 4,557,221	\$ 5,095,109
Capital Assets (Net of Accumulated Depreciation)	3,050,766	2,156,158	894,608
Total Assets	\$ 12,703,096	\$ 6,713,379	\$ 5,989,717
Long -Term Liabilities	\$ 4,933,570	\$	\$ (4,933,570)
Other Liabilities	271,027	77,498	(193,529)
Total Liabilities	\$ 5,204,597	\$ 77,498	\$ (5,127,099)
Deferred Inflows of Resources	\$ 3,008,558	\$ 2,768,261	\$ (240,297)
Net Position:			
Net Investment in Capital Assets	\$ 2,401,049	\$ 2,094,499	\$ 306,550
Unrestricted	2,088,892	1,773,121	315,771
Total Net Position	\$ 4,489,941	\$ 3,867,620	\$ 622,321

The following table provides a summary of the District's operations for the years ended December 31, 2017, and December 31, 2016.

	Summary of Changes in the Statement of Activities		
	2017	2016	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,766,916	\$ 2,520,825	\$ 246,091
Mutual Aid Revenues	25,138	24,293	845
Other Revenues	63,509	26,533	36,976
Total Revenues	\$ 2,855,563	\$ 2,571,651	\$ 283,912
Expenses for Services	(2,233,242)	(1,804,661)	(428,581)
Change in Net Position	\$ 622,321	\$ 766,990	\$ (144,669)
Net Position, Beginning of Year	3,867,620	3,100,630	766,990
Net Position, End of Year	\$ 4,489,941	\$ 3,867,620	\$ 622,321

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2017, was \$6,620,302, an increase of \$4,880,080 from the prior year. This increase was primarily due to capital lease and note proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the current fiscal year, increasing expected capital outlay and debt payments. Actual revenues were \$108,359 more than budgeted revenues. Actual expenditures were \$164,697 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2017, total \$3,050,766 (net of accumulated depreciation) and include buildings, vehicles and equipment. Significant capital asset events during the current fiscal year included engineering and architect costs for construction of fire station no. 3 and the purchase of a 2018 Pierce Pumper, all of which is included in construction in progress.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 209,694	\$ 209,694	\$
Construction in Progress	1,183,452	102,721	1,080,731
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	1,261,523	1,316,296	(54,773)
Firefighting Vehicles and Equipment	396,097	527,447	(131,350)
Total Net Capital Assets	<u>\$ 3,050,766</u>	<u>\$ 2,156,158</u>	<u>\$ 894,608</u>

Additional information on the District's capital assets can be found in Note 6 of this report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$5,149,717. The changes in the debt position of the District during the fiscal year ended December 31, 2017, are summarized as follows:

Capital Lease Payable, January 1, 2017	\$	
Add: Capital Lease Proceeds		731,806
Less: Capital Lease Principal Paid		<u>82,089</u>
Capital Lease Payable, December 31, 2017	\$	<u>649,717</u>
Notes Payable, January 1, 2017	\$	61,659
Add: Note Proceeds		4,500,000
Less: Note Principal Paid		<u>61,659</u>
Notes Payable, December 31, 2017	\$	<u>4,500,000</u>

CONTACTING THE DISTRICT'S 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 Williamson County Emergency Services District No. 2, 16248 Great Oaks Drive, Round Rock, TX 78681.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2017

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 38,633	\$	\$ 38,633
Investments	8,605,101		8,605,101
Receivables:			
Property Taxes	990,858		990,858
Penalty and Interest on Delinquent Taxes		6,744	6,744
Accrued Interest	6,284		6,284
Prepaid Costs	4,710		4,710
Land		209,694	209,694
Construction in Progress		1,183,452	1,183,452
Capital Assets (Net of Accumulated Depreciation)		1,657,620	1,657,620
TOTAL ASSETS	<u>\$ 9,645,586</u>	<u>\$ 3,057,510</u>	<u>\$ 12,703,096</u>
LIABILITIES			
Accounts Payable	\$ 4,641	\$	\$ 4,641
Accrued Interest Payable		50,239	50,239
Long-Term Liabilities:			
Capital Leases Payable Within One Year		64,872	64,872
Capital Leases Payable After One Year		584,845	584,845
Notes Payable Within One Year		151,275	151,275
Notes Payable After One Year		4,348,725	4,348,725
TOTAL LIABILITIES	<u>\$ 4,641</u>	<u>\$ 5,199,956</u>	<u>\$ 5,204,597</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 3,020,643	\$ (12,085)	\$ 3,008,558
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 4,710	\$ (4,710)	\$
Restricted for Station Construction	4,500,000	(4,500,000)	
Assigned to 2018 Budget	411,075	(411,075)	
Unassigned	1,704,517	(1,704,517)	
TOTAL FUND BALANCE	<u>\$ 6,620,302</u>	<u>\$ (6,620,302)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 9,645,586</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 2,401,049	\$ 2,401,049
Unrestricted		2,088,892	2,088,892
TOTAL NET POSITION		<u>\$ 4,489,941</u>	<u>\$ 4,489,941</u>

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total Fund Balance - Governmental Funds	\$	6,620,302
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Land, construction in progress and capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,050,766
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Deferred inflows of resources related to property tax revenues and uncollected penalty and interest revenues on delinquent taxes for the 2016 and prior tax levies became part of recognized revenues in the governmental activities of the District.		18,829
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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	\$	50,239	
Capital Leases Payable Within One Year		64,872	
Capital Leases Payable After One Year		584,845	
Notes Payable Within One Year		151,275	
Notes Payable After One Year		<u>4,348,725</u>	<u>(5,199,956)</u>

Total Net Position - Governmental Activities	\$	<u>4,489,941</u>
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The accompanying notes to the financial
statements are an integral part of this report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 2,775,600	\$ (8,684)	\$ 2,766,916
Mutual Aid Revenues	25,138		25,138
Penalty and Interest	6,463	(5,386)	1,077
Investment Revenues	27,413		27,413
Miscellaneous Revenues	19	35,000	35,019
TOTAL REVENUES	<u>\$ 2,834,633</u>	<u>\$ 20,930</u>	<u>\$ 2,855,563</u>
EXPENDITURES/EXPENSES			
Service Operations:			
District Services - Sam Bass Fire			
Department	\$ 1,890,592	\$	\$ 1,890,592
Accounting and Auditing Fees	39,135		39,135
Appraisal District Fees	18,534		18,534
Commissioner Fees	4,450		4,450
Legal Fees-General	2,004		2,004
Legal Fees-Delinquent Tax Collections	807		807
Tax Assessor/Collector Fees	2,388		2,388
Depreciation		186,123	186,123
Other	30,980		30,980
Capital Outlay	1,080,731	(1,080,731)	
Debt Service:			
Capital Lease Principal	82,089	(82,089)	
Note Principal	61,659	(61,659)	
Capital Lease Interest		3,249	3,249
Note Interest	240	46,990	47,230
Debt Issuance Costs	7,750		7,750
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,221,359</u>	<u>\$ (988,117)</u>	<u>\$ 2,233,242</u>
EXCESS (DEFICIENCY) OF REVENUES OVER			
EXPENDITURES	<u>\$ (386,726)</u>	<u>\$ 386,726</u>	<u>\$ -0-</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 731,806	\$ (731,806)	\$
Note Proceeds	4,500,000	(4,500,000)	
Proceeds from Sale of Assets	35,000	(35,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 5,266,806</u>	<u>\$ (4,535,000)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 4,880,080	\$ (4,880,080)	\$
CHANGE IN NET POSITION		622,321	622,321
FUND BALANCE/NET POSITION -			
 JANUARY 1, 2017	<u>1,740,222</u>	<u>2,127,398</u>	<u>3,867,620</u>
FUND BALANCE/NET POSITION -			
 DECEMBER 31, 2017	<u>\$ 6,620,302</u>	<u>\$ (2,130,361)</u>	<u>\$ 4,489,941</u>

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

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balance - Governmental Funds	\$ 4,880,080
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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.	(8,684)
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Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	(5,386)
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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.	(186,123)
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Governmental funds report capital asset purchases 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.	1,080,731
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Governmental funds report principal payments on long-term liabilities as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	143,748
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Governmental funds report note and capital lease proceeds as other financing sources. However, in the government-wide financial statements, the issuance of debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(5,231,806)
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Governmental funds report interest payments on capital leases and notes as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on leases and notes through fiscal year-end.	(50,239)
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Change in Net Position - Governmental Activities	\$ <u>622,321</u>
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The accompanying notes to the financial
statements are an integral part of this report.

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WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. CREATION OF DISTRICT

Williamson County Rural Fire Prevention District No. 2 was created November 3, 1987, under Chapter 794 of the Health and Safety Code. At an election held on August 9, 1997, voters approved to convert the District to an emergency services district. Effective September 8, 1997, the District became Williamson County Emergency Services District No. 2 (the “District”). The District now operates under Chapter 775 of the Health and Safety Code. The District was established to provide operating and capital funds for the contracting of fire protection services to the residents of the District.

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 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.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 Funds Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

Governmental Funds

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

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 collectible 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 collectible 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 recorded as revenues include the 2016 tax levy collections during the period October 1, 2016, to December 31, 2017, and taxes collected from January 1, 2017, to December 31, 2017, for all prior tax levies. The 2017 tax levy has been fully deferred to meet the District’s planned expenditures in the 2018 fiscal year.

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.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

All 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:

	<u>Years</u>
Buildings and Improvements	40
Firefighting Vehicles	5-15
Equipment	4-15
Office Equipment and Furnishings	2-10

Budgeting

In compliance with governmental accounting principles, the Board of Commissioners annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. 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 Funds 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:

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

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. Note proceeds of \$4,500,000 are restricted for the construction of station no. 3. See Note 9.

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. As of December 31, 2017, the District assigned \$411,075 of the current balance to cover a portion of the 2018 budget.

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.

NOTE 3. TAX LEVY

During the year ended December 31, 2017, the District levied an ad valorem tax at the rate of \$.10 per \$100 of assessed valuation, which resulted in a tax levy of \$3,008,558 on the adjusted taxable valuation of \$3,008,387,260 for the 2017 tax year.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. TAX LEVY (Continued)

The District's tax calendar is as follows:

Levy Date	- Before the later of September 30 or the 60 th day after receipt of certified tax roll
Lien Date	- January 1.
Due Date	- Not later than January 31.
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 fiscal year-end, the carrying amount of the District's deposits was \$1,958,633 and the bank balance was \$2,040,851. The bank balance was fully covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2017, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 38,633	\$ 1,920,000	\$ 1,958,633

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 liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield,

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of December 31, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 6,685,101	\$ 6,685,101	\$	\$	\$
Certificates of Deposit	<u>1,920,000</u>	<u>1,920,000</u>	<u></u>	<u></u>	<u></u>
TOTAL INVESTMENTS	\$ 8,605,101	\$ 8,605,101	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2017, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. FIRE PROTECTION SERVICES

The District has contracted with Sam Bass Fire Department (the “Department”) to provide fire protection and suppression services to the residents of the District. The term of the current agreement is from December 25, 2013, through December 31, 2014, and will continue on a year-to-year basis unless terminated by either party upon 90 days written notice to the other party. Under the terms of the agreement, the Department agrees to provide fire prevention, protection and fighting services as well as an emergency medical first responder program to all the residents and commercial interests within the geographic area of the District and those requesting mutual aid.

The District agrees to reimburse the Department for the actual allowable costs incurred in performance of this contract. The contract amount is annually established and budgeted by the District after consultation with the Department concerning its needs. The District agrees to pay the Department on a monthly basis. The District will not reimburse the Department for costs in excess of the amount that is established and budgeted annually. During the current fiscal year, the District paid \$1,890,592 to the Department.

Title to all property owned or acquired by the Department will remain with the Department, but in the event of dissolution of the Department, any equipment or property acquired with District funds will revert to the District.

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017:

	January 1, 2017	Increases	Decreases	December 31, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 209,694	\$	\$	\$ 209,694
Construction in Progress	102,721	1,080,731		1,183,452
Total Capital Assets Not Being Depreciated	<u>\$ 312,415</u>	<u>\$ 1,080,731</u>	<u>\$ - 0 -</u>	<u>\$ 1,393,146</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 2,190,946	\$	\$	\$ 2,190,946
Firefighting Vehicles and Equipment	2,726,636		174,000	2,552,636
Total Capital Assets Subject to Depreciation	<u>\$ 4,917,582</u>	<u>\$ - 0 -</u>	<u>\$ 174,000</u>	<u>\$ 4,743,582</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 874,650	\$ 54,773	\$	\$ 929,423
Firefighting Vehicles and Equipment	2,199,189	131,350	174,000	2,156,539
Total Accumulated Depreciation	<u>\$ 3,073,839</u>	<u>\$ 186,123</u>	<u>\$ 174,000</u>	<u>\$ 3,085,962</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,843,743</u>	<u>\$ (186,123)</u>	<u>\$ - 0 -</u>	<u>\$ 1,657,620</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 2,156,158</u></u>	<u><u>\$ 894,608</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 3,050,766</u></u>

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8. LEASES

Capital Lease

On October 13, 2017, the District executed a capital lease agreement with Frost Bank, in the amount of \$731,806, for the purchase of a Pierce Pumper Truck. As of December 31, 2017, the truck is under construction. Lease payments and related interest of \$82,089.28 are due annually each October 25 beginning October 25, 2017 and ending October 25, 2026. The District's incremental borrowing rate is 2.65%.

The following is a summary of transactions regarding the capital lease for the year ended December 31, 2017:

Capital Leases Payable, January 1, 2017	\$	
Add: Capital Lease Proceeds		731,806
Less: Capital Leases Principal Paid		82,089
Capital Leases Payable, December 31, 2017	\$	<u>649,717</u>
Capital Lease Payable:		
Due Within One Year	\$	64,872
Due After One Year		584,845
Capital Lease Payable, December 31, 2017	\$	<u>649,717</u>

As of December 31, 2017, the future minimum lease payments under the capital lease are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 64,872	\$ 17,218	\$ 82,090
2019	66,591	15,498	82,089
2020	68,356	13,734	82,090
2021	70,167	11,922	82,089
2022	72,026	10,063	82,089
2023-2026	307,705	20,652	328,357
	<u>\$ 649,717</u>	<u>\$ 89,087</u>	<u>\$ 738,804</u>

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8. LEASES (Continued)

Operating Leases

The land located at 16248 Great Oaks Drive, which is owned by Sam Bass Volunteer Fire Department, Inc., is leased to the District for 30 years expiring February 28, 2032. Rent is \$1.00 per year. The leased premises shall be specifically used for emergency services and related activities only.

The land located at 17503/17505 Great Oaks Drive, also known as 1001 Great Oaks Drive, which is owned by Sam Bass Volunteer Fire Department, Inc., is leased to the District for 99 years expiring November 20, 2112. Lease payments of \$1.00 are payable in advance.

NOTE 9. NOTES PAYABLE

On September 20, 2012, the District executed a note with Wells Fargo Bank, NA, in the amount of \$1,385,444, of which \$512,889 was disbursed in 2012 and \$872,555 was disbursed in 2013. Proceeds were used to refinance three previous Lease Purchase and Option Agreements with Wells Fargo Brokerage Services, LLC, which were used to purchase a fire station, fire trucks and related equipment. The interest rate was 2.61%. During the current year, this note was paid in full.

On September 20, 2017, the District executed a note with Government Capital Corporation, in the amount of \$4,500,000. Proceeds will be used to construct Station No. 3. The interest rate is 3.99%. Note payments and interest of \$330,824.74 are due annually on September 25, beginning September 25, 2018 and ending September 25, 2037.

The following is a summary of transactions regarding notes payable for the year ended December 31, 2017:

Notes Payable, January 1, 2017	\$ 61,659
Add: Note Proceeds	4,500,000
Less: Note Principal Paid	<u>61,659</u>
Notes Payable, December 31, 2017	<u><u>\$ 4,500,000</u></u>
Notes Payable:	
Due Within One Year	\$ 151,275
Due After One Year	<u>4,348,725</u>
Notes Payable, December 31, 2017	<u><u>\$ 4,500,000</u></u>

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9. NOTES PAYABLE (Continued)

As of December 31, 2017, debt service requirements on the note are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 151,275	\$ 179,550	\$ 330,825
2019	157,311	173,514	330,825
2020	163,587	167,238	330,825
2021	170,114	160,710	330,824
2022	176,902	153,923	330,825
2023-2027	996,190	657,934	1,654,124
2028-2032	1,211,434	442,689	1,654,123
2033-2037	1,473,187	180,937	1,654,124
	<u>\$ 4,500,000</u>	<u>\$ 2,116,495</u>	<u>\$ 6,616,495</u>

NOTE 10. MUTUAL AID AGREEMENT

The District entered into an agreement with Williamson County, Texas, and the following Williamson County Emergency Services Organizations (“ESO”): Williamson County Emergency Service Districts Nos. 1, 3, 4, 5, 6, 7, 8, 9 and 10, the City of Cedar Park, Texas, the City of Georgetown, Texas, the City of Leander, Texas, the City of Round Rock, Texas, the City of Taylor, Texas, the Bartlett Volunteer Fire Department, the Coupland Volunteer Fire Department, the Florence Volunteer Fire Department, the Granger Volunteer Fire Department, the Jarrell Volunteer Fire Department, the Jollyville Volunteer Fire Department, the Sam Bass Volunteer Fire Department, the Taylor Volunteer Fire Department, the Thrall Volunteer Fire Department and the Weir Volunteer Fire Department. To ensure that the ESOs are treated equally while providing emergency services that are needed by individuals in the county, Williamson County and the ESOs agree to establish minimum services that must be provided by each agency. The initial term of this agreement is deemed to be effective as of October 1, 2010 through September 20, 2011 and shall automatically renew each year unless notice not to renew is sent to all other parties at least 90 days prior to last day of the then current term.

Each ESO agrees and acknowledges that Williamson County Emergency Medical Services will be the 911 emergency medical services provider within each ESOs jurisdiction. The ESOs will operate a first responder program under the Williamson County Medical Director; participate in jointly developed quality assurance and quality improvement programs, credentialing programs and training programs. As part of this agreement, emergency medical service supplies will be exchanged between Williamson County and the ESOs on a one for one basis used on a medical call. In consideration of this agreement, Williamson County agrees to reimburse each ESO an amount of money based on the following reimbursement formula: 1). \$200 for each square mile of an ESOs district, plus 2). \$0.70 for each person that resides in the district covered by the ESO; paid annually in two installments. The amount of the reimbursement will be adjusted annually taking into account population changes. During the current year, the District received \$25,138 from Williamson County related to this agreement.

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WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 2,698,699	\$ 2,698,699	\$ 2,775,600	\$ 76,901
Mutual Aid Revenues	20,000	20,000	25,138	5,138
Penalty and Interest	2,500	2,500	6,463	3,963
Investment Revenues	5,075	5,075	27,413	22,338
Miscellaneous Revenues			19	19
TOTAL REVENUES	<u>\$ 2,726,274</u>	<u>\$ 2,726,274</u>	<u>\$ 2,834,633</u>	<u>\$ 108,359</u>
EXPENDITURES				
Services Operations:				
District Services - Sam Bass Fire				
Department	\$ 1,855,592	\$ 1,855,592	\$ 1,890,592	\$ (35,000)
Accounting and Auditing Fees	36,650	36,650	39,135	(2,485)
Appraisal District Fees	18,250	18,250	18,534	(284)
Commissioner Fees	4,000	4,000	4,450	(450)
Legal Fees-General	20,000	20,000	2,004	17,996
Legal Fees-Delinquent Tax Collections			807	(807)
Tax Assessor/Collector Fees		2,400	2,388	12
Other	28,370	28,370	30,980	(2,610)
Capital Outlay	505,000	1,276,806	1,080,731	196,075
Debt Service:				
Capital Lease Principal		82,089	82,089	
Note Principal	181,635	61,659	61,659	
Note Interest	416	240	240	
Debt Issuance Costs			7,750	(7,750)
TOTAL EXPENDITURES	<u>\$ 2,649,913</u>	<u>\$ 3,386,056</u>	<u>\$ 3,221,359</u>	<u>\$ 164,697</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 76,361</u>	<u>\$ (659,782)</u>	<u>\$ (386,726)</u>	<u>\$ 273,056</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	\$	\$	\$ 731,806	\$ 731,806
Note Proceeds			4,500,000	4,500,000
Proceeds from Sale of Assets			35,000	35,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 5,266,806</u>	<u>\$ 5,266,806</u>
NET CHANGE IN FUND BALANCE	\$ 76,361	\$ (659,782)	\$ 4,880,080	\$ 5,539,862
FUND BALANCE - JANUARY 1, 2017	<u>1,740,222</u>	<u>1,740,222</u>	<u>1,740,222</u>	
FUND BALANCE - DECEMBER 31, 2017	<u>\$ 1,816,583</u>	<u>\$ 1,080,440</u>	<u>\$ 6,620,302</u>	<u>\$ 5,539,862</u>

See accompanying independent auditor's report.

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WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2017
(UNAUDITED)

Long-Term Debt at December 31, 2017	\$ 5,149,717
Less: Amount in Debt Service Fund	<u> </u>
Net Long-Term Debt at December 31, 2017	\$ 5,149,717
Estimated District Population*	<u>28,351</u>
Net Long-Term Debt Per Capita at December 31, 2017	<u><u>\$ 181.64</u></u>

* Williamson County Office of Emergency Management - 2014

See accompanying independent auditor's report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
LISTING OF THE NUMBER OF EMERGENCY
RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Number of emergency responses made within the District	1,253
Number of emergency responses made outside of the District	<u>127</u>
Total emergency responses	<u><u>1,380</u></u>

See accompanying independent auditor's report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2017

Type of Coverage	From To	Amount of Coverage	Insurer/Name
TAX COLLECTOR BOND Tim Hunsberger	04/17/17 04/17/18	\$ 2,000,000	The Cincinnati Insurance Company
PUBLIC EMPLOYEE DISHONESTY BLANKET BOND Per Employee	10/28/17 10/28/18	\$ 250,000	American Alternative Insurance Corporation
POSITION SCHEDULE BOND Treasurer	10/28/17 10/28/18	\$ 250,000	American Alternative Insurance Corporation
GENERAL LIABILITY General Aggregate Per Occurrence	10/28/17 10/28/18	\$ 3,000,000 1,000,000	American Alternative Insurance Corporation
MANAGEMENT LIABILITY General Aggregate Per Occurrence	10/28/17 10/28/18	\$ 3,000,000 1,000,000	American Alternative Insurance Corporation
EXCESS LIABILITY General Aggregate Per Occurrence	10/28/17 10/28/18	\$ 2,000,000 1,000,000	American Alternative Insurance Corporation
HIRED AND NON-OWNED AUTOMOBILE LIABILITY Combined Single Limit	10/28/17 10/28/18	\$ 1,000,000	American Alternative Insurance Corporation
PROPERTY COVERAGE Building	10/28/17 10/28/18	\$ 3,383,847	American Alternative Insurance Corporation

See accompanying independent auditor's report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF ACTIVITIES
SAM BASS FIRE DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

REVENUES

Williamson County Emergency Services District No. 2	\$	1,855,592
Williamson County Emergency Services District No. 9		217,679
Billing Revenues		1,600
Inspection Fees		5,611
Rent		8,400
Interest Revenues		19
Miscellaneous Revenues		57,638
TOTAL REVENUES	\$	<u>2,146,539</u>

EXPENSES

Administration	\$	226,244
Apparatus		79,957
Building & Grounds		107,735
Communications		166,469
OPS Supply & Equipment		70,697
Payroll Expenses		1,257,430
Training		14,232
TOTAL EXPENSES	\$	<u>1,922,764</u>
CHANGE IN NET ASSETS	\$	223,775
NET ASSETS - January 1, 2017		<u>681,213</u>
NET ASSETS - December 31, 2017	\$	<u><u>904,988</u></u>

See accompanying independent auditor's report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Property Taxes</u>	
TAXES RECEIVABLE - JANUARY 1, 2017	\$ 966,811	
Adjustments to Beginning Balance	<u>(1,345)</u>	\$ 965,466
Original 2017 Tax Levy	\$ 3,007,690	
Adjustment to 2017 Tax Levy	<u>868</u>	<u>3,008,558</u>
TOTAL TO BE ACCOUNTED FOR		\$ 3,974,024
TAX COLLECTIONS:		
Prior Years	\$ 953,381	
Current Year	<u>2,029,785</u>	<u>2,983,166</u>
TAXES RECEIVABLE - DECEMBER 31, 2017		<u><u>\$ 990,858</u></u>
TAXES RECEIVABLE BY YEAR:		
2017		\$ 978,773
2016		3,544
2015		1,709
2014		1,556
2013		1,497
2012		741
2011		630
2010		669
2009		738
2008		609
2007		376
2006		8
2005		3
2004		<u>5</u>
TOTAL TAXES RECEIVABLE BY YEAR		<u><u>\$ 990,858</u></u>

See accompanying independent's auditor report.

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WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PROPERTY VALUATIONS, NET	<u>\$ 3,008,387,260</u>	<u>\$ 2,768,019,000</u>	<u>\$ 2,516,898,140</u>	<u>\$ 2,279,493,045</u>
TAX RATE PER \$100 VALUATION	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
ADJUSTED TAX LEVY*	<u>\$ 3,008,558</u>	<u>\$ 2,768,261</u>	<u>\$ 2,516,898</u>	<u>\$ 2,277,741</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>67.47 %</u>	<u>99.87 %</u>	<u>99.93 %</u>	<u>99.93 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent's auditor report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 2,775,600	\$ 2,510,326	\$ 2,283,611
Mutual Aid Revenues	25,138	24,293	23,440
Penalty and Interest	6,463	5,986	8,050
Investment Revenues	27,413	8,417	6,690
Miscellaneous Revenues	19		
TOTAL REVENUES	<u>\$ 2,834,633</u>	<u>\$ 2,549,022</u>	<u>\$ 2,321,791</u>
EXPENDITURES			
Services Operations:			
District Services - Sam Bass Fire			
Department	\$ 1,890,592	\$ 1,517,383	\$ 1,306,554
Accounting and Auditing Fees	39,135	32,042	29,517
Appraisal District Fees	18,534	18,114	17,208
Commissioner Fees	4,450	4,100	4,350
Legal Fees-General	2,004	6,259	18,774
Legal Fees-Delinquent Tax Collections	807	984	1,325
Tax Assessor/Collector Fees	2,388	2,295	2,196
Other	30,980	34,731	29,737
Capital Outlay	1,080,731	251,582	184,376
Debt Service:			
Capital Lease Principal	82,089		
Note Principal	61,659	358,313	348,988
Capital Lease Interest			
Note Interest	240	6,818	16,144
Debt Issuance Costs	7,750		
TOTAL EXPENDITURES	<u>\$ 3,221,359</u>	<u>\$ 2,232,621</u>	<u>\$ 1,959,169</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	<u>\$ (386,726)</u>	<u>\$ 316,401</u>	<u>\$ 362,622</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 731,806	\$	\$
Note Proceeds	4,500,000		
Proceeds from Sale of Assets	35,000		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 5,266,806</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 4,880,080	\$ 316,401	\$ 362,622
BEGINNING FUND BALANCE	<u>1,740,222</u>	<u>1,423,821</u>	<u>1,061,199</u>
ENDING FUND BALANCE	<u>\$ 6,620,302</u>	<u>\$ 1,740,222</u>	<u>\$ 1,423,821</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues					
2014	2013	2017	2016	2015	2014	2013	
\$ 2,041,713	\$ 1,910,679	97.9 %	98.5 %	98.4 %	98.3 %	98.4 %	
21,973	20,213	0.9	1.0	1.0	1.1	1.0	
8,867	5,042	0.2	0.2	0.3	0.4	0.3	
5,018	4,970	1.0	0.3	0.3	0.2	0.3	
	146						
<u>\$ 2,077,571</u>	<u>\$ 1,941,050</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	
\$ 1,560,001	\$ 1,010,954	66.7 %	59.5 %	56.3 %	75.1 %	52.1 %	
28,737	23,077	1.4	1.3	1.3	1.4	1.2	
15,629	14,899	0.6	0.7	0.7	0.8	0.8	
2,950	1,950	0.2	0.2	0.2	0.1	0.1	
14,275	33,470	0.1	0.2	0.8	0.7	1.7	
1,498	891			0.1	0.1		
2,165	2,452			0.1	0.1	0.1	
27,756	24,428	1.1	1.4	1.3	1.3	1.3	
31,643	283,424	38.1	9.9	7.9	1.5	14.6	
18,215	900,152	2.9			0.9	46.4	
339,897	276,586	2.2	14.1	15.0	16.4	14.3	
646	47,364					2.4	
25,235	31,957		0.3	0.7	1.2	1.6	
		0.3					
<u>\$ 2,068,647</u>	<u>\$ 2,651,604</u>	<u>113.6 %</u>	<u>87.6 %</u>	<u>84.4 %</u>	<u>99.6 %</u>	<u>136.6 %</u>	
<u>\$ 8,924</u>	<u>\$ (710,554)</u>	<u>(13.6) %</u>	<u>12.4 %</u>	<u>15.6 %</u>	<u>0.4 %</u>	<u>(36.6) %</u>	
\$	\$						
	872,555						
	12,500						
<u>\$ - 0 -</u>	<u>\$ 885,055</u>						
\$ 8,924	\$ 174,501						
<u>1,052,275</u>	<u>877,774</u>						
<u>\$ 1,061,199</u>	<u>\$ 1,052,275</u>						

See accompanying independent auditor's report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2017

District Mailing Address - Williamson County Emergency Services District No. 2
16248 Great Oaks Drive
Round Rock, TX 78681

District Telephone Number - (512) 255-0100

<u>Commissioners</u>	<u>Term of Office Appointed Expires</u>	<u>Fees of Office for the year ended December 31, 2017</u>	<u>Expense Reimbursement for the year ended December 31, 2017</u>	<u>Title</u>
Thomas E. Nanninga	01/01/17 12/31/18	\$ 1,400	\$ 162	President
Russell Strahan	01/01/16 12/31/17	\$ 600	\$ -0-	Vice President
Darryl Pool	01/01/16 12/31/17	\$ 800	\$ 61	Secretary
Tim Hunsberger	01/01/16 12/31/17	\$ 1,650	\$ -0-	Treasurer
Sherri Wright	01/01/17 12/31/18	\$ -0-	\$ -0-	Assistant Secretary/ Treasurer

The limit on fees of office that a Commissioner may receive during a year was \$3,000 as set by the Health and Safety Code-Chapter 775. Effective September 1, 2017, a Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently \$7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts paid to a Commissioner during the District's current fiscal year.

See accompanying independent auditor's report.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 2
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2017

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2017*</u>	<u>Title</u>
Dietz & Jarrard, P.C.	02/26/14	\$ 16,942	Attorney
McCall Gibson Swedlund Barfoot PLLC	01/16/14	\$ 12,950	Auditor
Municipal Accounts & Consulting, L.P.	03/22/12	\$ 34,136	Bookkeeper
McCreary, Veselka, Bragg & Allen	1989	\$ 807	Delinquent Tax Attorney
Mark M. Burton	03/22/12	\$ -0-	Investment
Autumn Phillips		\$ -0-	Officers
Williamson County Tax Assessor/Collector	Legislative Action	\$ 2,388	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.

