

**Williamson County
Emergency Services District No. 7
Financial Statements
September 30, 2017**

Williamson County Emergency Services District No. 7
For the Year Ending September 30, 2017

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-8
Basic Financial Statements:	
Governmental Fund Balance Sheet and Statement of Net Position	9
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities	10
Notes to Basic Financial Statements	11-23
Required Supplemental Information:	
Governmental Fund Revenues, Expenditures and Budget to Actual Comparison – General Fund	24

Medack & Oltmann, LLP

Certified Public Accountants

PARTNERS

James E. Medack, CPA
Melodi J. Oltmann, CPA

PROFESSIONAL STAFF

Remington O'Dell, CPA

MEMBERS

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Williamson County Emergency Services District No. 7

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Williamson County Emergency Services District No. 7, 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

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 misstatements 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 each major fund, of Williamson County Emergency Services District No. 7, as of September 30, 2017, and the respective changes in financial position thereof 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 budgetary comparison information on pages 3 through 8 and page 24 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.

Medack & Oltmann, LLP

Medack & Oltmann, LLP
Giddings, TX
February 11, 2018

As management of the Williamson County Emergency Services District #7 (the District), we are pleased to offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the year ended September 30, 2017. We encourage readers to consider it in conjunction with the additional information presented in the accompanying basic financial statements and the notes to the financial statements.

Financial Statements

- The net position of the District increased by \$440,519 primarily the result of a large donation made by a local resident of \$350,000. Net position at year end consisted of net investment in capital assets of \$518,083 and unrestricted net assets of \$314,464, for a total of \$832,547.
- Total revenues from all sources were \$835,775 which represents a increase of \$246,521 from the prior year, which includes the in-kind donation of \$350,000.
- Total expenditures from operations were \$359,256 which was a decrease of \$212,329 from the prior year.
- The District received a donation from a private citizen of land and a building shell valued at \$350,000, which will be completed as the new Andice Fire Station.
- As of September 30, 2017, the District's governmental fund reported an ending fund balance of \$303,599, an increase of \$83,459 from the prior fiscal year.

Using this Annual Report

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the District as a whole.
2. Fund financial statements provide detailed information for the District's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. This information includes a management's discussion and analysis as well as a budgetary comparison schedule.

Government-Wide Financial Statements

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

Williamson County Emergency Services District #7

Management's Discussion and Analysis

September 30, 2017

The *Statement of Net Position* presents information on all of the assets and liabilities of the District. The difference between assets and liabilities is reported as net position. Over time, increases or decreases in net position may service as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information on how the District's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all of the current year revenues and expenses are taken into account regardless of when the cash is received or paid.

Both the Statement of Net Position and the Statement of Activities present information for the following:

- Government activities – This includes all of the District's emergency protection services which are primarily supported by property taxes.

The government-wide financial statements begin on page 9. The following is a summary of net position as of September 30, 2017, and September 30, 2016.

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Assets:		
Current & Other Assets	\$ 317,345	\$ 235,862
Capital Assets, Net	629,842	296,960
Total Assets	<u>\$ 947,187</u>	<u>\$ 532,822</u>
Deferred Outflows of Resources		-
Liabilities:		
Current Liabilities	\$ 29,322	\$ 29,065
Long term liabilities	85,318	111,759
Total Liabilities	<u>\$ 114,640</u>	<u>\$ 140,824</u>
Deferred Inflows of Resources	\$	-
Net Position:		
Net Investment in Capital Assets	\$ 518,083	\$ 159,731
Unrestricted	314,464	232,297
Total Net Position	<u>\$ 832,547</u>	<u>\$ 392,028</u>

Williamson County Emergency Services District #7*Management's Discussion and Analysis*

September 30, 2017

The following table is a summary of changes in net position for the year ended September 30, 2017 and 2016.

Table 2
Changes in Net Position

	<u>Governemental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Operating Grants & Contributions \$	27,976	\$ 162,617
Property Taxes	364,649	345,146
Penalty/Interest	3,911	3,694
Sales Tax	88,363	76,567
Interest	719	854
Miscellaneous	157	376
InKind Donation	350,000	
Total Revenues	\$ 835,775	\$ 589,254
Expenses:		
General Government	\$ 395,256	\$ 607,585
Total Expense	\$ 395,256	\$ 607,585
Change in Net Postion	\$ 440,519	\$ (18,331)
Net Position-Beginning of Year	392,028	410,359
Net Position-End of Year	\$ 832,547	\$ 392,028

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.

The fund financial statements provide detailed information about the District's significant funds – not the District as a whole. The District's funds fall into one category – governmental funds.

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

The *governmental funds statements* provide a detailed short-term view of the government operations and the basic services it provided, and are reported on the modified accrual basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the District's short-term financing requirements. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to the government-wide financial statements.

The District adopts an annual budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance. The governmental fund financial statements begin on page 9, and the budgetary comparison schedule is on page 23.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 22 of this report.

General Fund Budgetary Highlights

The budgeted revenues were \$22,304 less than actual revenues and budgeted expenses were \$61,155 more than actual expenses for the year ended September 30, 2017. Actual results for expenditures were 13.1% less than budgeted expenditures, while the District's overall actual revenue were 4.8% more than budgeted.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2017, amounts to \$518,083 (net of accumulated depreciation). This investment in capital assets includes vehicles, machinery and equipment.

**Capital Assets
Governmental Activities
(net of depreciation)**

	Balance 09/30/2017	Balance 9/30/2016
Land	77,482	-
Construction in Progress	284,336	-
Vehicles	581,183	581,183
Furniture & Fixtures	-	-
Equipment	225,721	224,400
Buildings and Structures	-	-
Accumulated Depreciation	(538,880)	(508,593)
Governmental activities capital assets, net	629,842	296,990

Additional information on the District's capital assets can be found in Note 4 of this report.

Debt Administration

As of September 30, 2017, and September 30, 2016, the District was obligated on the following debt:

Outstanding Debt at Year End

	9/30/2017	9/30/2016
Capital Lease-Government Capital Corp	\$ 111,758	\$ 137,258
Total	\$ 111,758	\$ 137,258

The District incurred \$ 5,062 in interest expense as of September 30, 2017.

Additional information on the District's non-current liabilities can be found in Note 5 of this report.

Williamson County Emergency Services District #7

Management's Discussion and Analysis

September 30, 2017

Economic Factors and Next Year's Budgets and Rates

The District's tax revenues are expected to remain consistent for the coming tax year levy. These funds will be used for funding of the volunteer fire department as needed.

In 2015, Williamson County Emergency Services District #7 received a verbal land gift commitment and cash donations for the purpose of building a new fire station in Andice. In the fiscal year 2015/2016 the District returned the \$200,000 of private donation. The Board returned this donation as it felt it could not fully fund the fire station project plan presented by the building committee. The District has since been offered a donation of a newly constructed building and 2 acres of land in a new location in the Andice community which the District has accepted. The property is in the process of being surveyed and a new building committee has been formed. The District received in the current year the donated building (shell) and expects to complete the remaining part (finish out) in the 2017/2018 fiscal year.

The ESD#7 Commissioners look forward to the challenge of building a new station to better serve the tax payers of Williamson County.

The District has also been offered, by donation, a building/fire station and land located at 301 S Patterson by the City of Florence. The transaction of transferring this is expected to be completed in the current fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives from the citizens of the Williamson County Emergency Services District #7. If you have any questions about this report or need further information, contact the Williamson County Emergency Services District #7, P.O. Box 523, Florence, TX 76527, or call 254-793-2591.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	General Fund	Adjustments (Note 9)	Statement of Net Position
ASSETS			
Cash	\$ 234,611	\$ -	\$ 234,611
Property Taxes Receivable	13,746	-	13,746
Accounts Receivable	13,988	-	13,988
Other Asset	55,000	-	55,000
Capital Assets (net of accumulated depreciation)	<u>-</u>	<u>629,842</u>	<u>629,842</u>
TOTAL ASSETS	\$ <u>317,345</u>	\$ <u>629,842</u>	\$ <u>947,187</u>
DEFERRED OUTFLOWS OF RESOURCES			
		<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Interest Payable	-	2,881	2,881
Deferred Revenues	-	-	-
Long Term Liabilities - Due within one year	-	26,441	26,441
Long Term Liabilities - Due after one year	<u>-</u>	<u>85,318</u>	<u>85,318</u>
TOTAL LIABILITIES	\$ <u>-</u>	\$ <u>114,640</u>	\$ <u>114,640</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>\$ 13,746</u>	<u>\$ (13,746)</u>	<u>\$ -</u>
FUND BALANCES/NET POSITION			
Fund balances:			
Non-Spendable	-		
Committed	-		
Assigned	-		
Unassigned	<u>303,599</u>		
Total fund balances	<u>303,599</u>		
Total liabilities and fund balances	<u>\$ 317,345</u>	<u>\$</u>	<u></u>
Net Position:			
Net investment in capital assets		518,083	518,083
Unrestricted		314,464	314,464
Restricted		-	-
Total net position		<u>\$ 832,547</u>	<u>\$ 832,547</u>

See Accompanying Notes to the Financial Statements

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING SEPTEMBER 30, 2017

	General Fund	Adjustments (Note 9)	Statement of Activities
EXPENDITURES/EXPENSES			
VFD Contract	324,545	-	324,545
Dues & Subscriptions	650	-	650
Publications	72	-	72
Supplies	-	-	-
Professional Fees	8,858	-	8,858
Office Expenses/Postage	84	-	84
Insurance	13,431	-	13,431
Appraisal District & Tax Collector Fees	2,440	-	2,440
Miscellaneous	(306)	-	(306)
Training	5,000	-	5,000
Capital Outlay	18,929	(18,929)	-
Depreciation	-	36,077	36,077
Debt Service:			-
Principal	25,500	(25,500)	-
Interest	5,062	(657)	4,405
Total expenditures/expenses	\$ 404,265	\$ (9,009)	\$ 395,256
PROGRAM REVENUES			
Grants/Contributions	27,976	-	27,976
Net program expense			367,280
GENERAL REVENUES			
Ad valorem taxes	366,598	(1,949)	364,649
Penalties and Interest	3,911	-	3,911
Sales Tax	88,363	-	88,363
Interest income	719	-	719
Miscellaneous	157	-	157
Inkind Contribution	-	350,000	350,000
Total general revenues	\$ 459,748	\$ 348,051	\$ 807,799
Excess (Deficiency) of revenues over expenditures	\$ 83,459	\$ (83,459)	-
Change in Net Position	-	\$ 440,519	\$ 440,519
Fund Balance/Net Position			
Beginning of the year	220,140	171,888	392,028
End of the year	\$ 303,599	\$ 528,948	\$ 832,547

See Accompanying Notes to the Financial Statements

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

REPORTING ENTITY

The Williamson County Emergency Services District No. 7 (the District) was created by Article III, Section 48-e of the Constitution of Texas as proposed by SJR, No. 27, Acts of the 70th Legislature, Regular Session 1987, and adopted by the voters at an election held on February 15, 2005, to protect life and property from fire and to conserve natural and human resources. The District's governing body consist of a Board of Commissioners appointed by the Williamson County Commissioners Court.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION

Basic Financial Statements

GASB sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District does not have any business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. However, the District does not have any program revenues for this fiscal period.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the general fund in the first column. The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how each would change

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

Expenses are reported by category, rather than by function since the District has only one function – providing emergency services to the residents of the District.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of a motion in a public meeting.
3. The District amends the budget throughout the year approving such additional expenses. The original and final amended budgets are used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year end.

The General Fund did not have expenditures in excess of appropriations.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The range of estimated useful lives by type of asset is as follows:

Vehicles	5-10 years
Other Equipment	5-20 years

The District does not own any infrastructure assets.

EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets— 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 improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other government; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District purchases its insurance from regular commercial companies. As of September 30, 2017, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Operating results in the future could vary from the amounts derived from management's estimates.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended June 30, 2021.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2: PROPERTY TAXES

The District property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real property located in the District. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. An enforceable lien is attached to the property as of January 1. The assessed value of the roll as of January 1, 2016, upon which the 2016 levy was based, was \$379,350,871 as certified by the Williamson County Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. The total 2016 levy was \$365,694 and the tax rate was \$ 0.10 per \$100 assessed valuation. Property taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

NOTE 3: DEPOSITS, SECURITIES AND INVESTMENTS

Deposits were with a contracted depository bank, Union State Bank. As of year-end, deposits exceed FDIC coverage by \$39,611. However, securities were pledged to cover this excess (Category 2) with a market value of \$664,530. At September 30, 2017, the carrying amount of the District's deposits was \$234,611 and the bank balance was \$ 289,611.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- | | |
|--------------|---|
| Category 1 - | Insured by FDIC or collateralized with securities held by the District or by its agent in its name. |
| Category 2 - | Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 - | Uncollateralized. |

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/1/2016	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	-	77,482	-	77,482
Construction in Progress	-	284,336	-	284,336
Total capital assets not being depreciated	-	361,818	-	361,818
Capital assets, being depreciated:				
Vehicles	581,183	-	-	581,183
Equipment	224,400	7,111	(5,790)	225,721
Total capital assets being depreciated	805,583	7,111	(5,790)	806,904
Total capital assets	805,583	368,929	(5,790)	1,168,722
Less accumulated depreciation:	(508,593)	(36,077)	5,790	(538,880)
Total capital assets, net of depreciation	296,990	(28,966)	-	268,024
Governmental activities capital assets, net	296,990	(28,966)	-	629,842

Current year depreciation expense was \$36,077.

The District received donation of land and building shell from a citizen of the District. It was capitalized at its fair market value of \$350,000. The building is included in Construction In Progress, as it is the District's obligation to complete the building. The District anticipates completion in fiscal year 2018 at a cost of \$750,000, which will be partial funded with new debt.

In prior years, the District entered into capital leases for a truck (see Note 5). At September 30, 2017, the gross amount of the asset was \$313,350 and accumulated amortization was \$169,731. Amortization expense is included in depreciation expense.

The District leases a building from the City of Florence for \$1 per year for a term of 99 years to house the operations of the Florence Volunteer Fire Department. The value of the building is approximately \$300,000. Because there is no alternative use for the facility, no contribution revenue has been recorded for the year ended September 30, 2017.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5: LIABILITIES

Transactions for the year ended September 30, 2017, are summarized as follows:

	Balance 9/30/2016	Additions	Payments	Balance 09/30/2017	Due within one year
Capital Lease-Government Capital Corp	137,259	-	25,500	111,759	26,441

<u>Payee and Terms</u>	<u>Per Annum Interest Rate</u>	<u>Principal Balance at September 30, 2017</u>
Capital lease obligation for a 2007 Pierce Fire Truck dated May 2006,(refinanced January 2012), payable in annual installments of \$30,563, with final payment due February 2021.	3.688%	111,759
Less current portion		<u>(26,441)</u>
Total Long-Term Debt		<u>85,318</u>

Annual Payments required to amortize lease obligation outstanding as of September 30, 2017, including interest payments, are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	26,441	4,122	30,563
2019	27,416	3,147	30,563
2020	28,427	2,135	30,562
2021	<u>29,475</u>	<u>1,087</u>	<u>30,562</u>
	<u>\$ 111,759</u>	<u>\$10,491</u>	<u>\$ 122,250</u>

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6: COMMITMENTS

Effective July 25, 2006, the District entered into an agreement with the Florence Volunteer Fire Department (the Department) under which the District will provide funding and equipment to the Department. The Department agreed to provide emergency services to all persons and property within the Emergency Services District, including response to life-threatening emergencies and rescue calls making available adequate staff and administrative assistance.

Amounts to be paid to the Volunteer Fire Department shall be distributed at the discretion of the Commissioners and may include expenses for operations and other expenditures approved by the District for maintaining emergency services within the District. In addition, the District provides equipment that it owns for the Volunteer Fire Department's use. Total payments made to the VFD for the year were \$324,545.

NOTE 7: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.

NOTE 8: FUND BALANCE CLASSIFICATION

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Non-spendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for a specific purpose pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as non-spendable, restricted or committed.

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8: FUND BALANCE CLASSIFICATION (continued)

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 9.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the District's Chief or Assistant Chief.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

As of September 30, 2017, the District has not adopted a minimum fund balance policy.

**NOTE 9: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 1,168,722
Accumulated Depreciation	<u>(538,880)</u>
	<u>\$ 629,842</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest payable	\$ 2,881
--------------------------	----------

NOTE 9: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS (continued)

Taxes receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred revenue	\$ (13,746)
------------------	-------------

Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of net assets.

Due within one year	\$ 26,411
Due after one year	85,318

Differences between the Governmental Fund Operating Statement and the Statement of Net Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ (18,929)
Depreciation Expense	36,077

Repayment of capital lease obligations is reported as an expenditure in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Payment of Principal	\$ (25,500)
----------------------	-------------

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued interest was calculated for capital lease obligations.

Change in accrued interest payable	(657)
------------------------------------	-------

Because some property taxes will not be collected for several months after the district's year end, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$ (1,949)
--	------------

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

**NOTE 9: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS (continued)**

Donated assets are not reported in the governmental funds, but revenues are reported in the statement of activities as the acquisition value of an asset with equivalent service potential.

\$ 350,000

NOTE 10: LINE OF CREDIT

The District has obtained a line of credit with Union State Bank of Florence, Texas. The total credit line was for \$50,000. The District had not drawn any amounts as of September 30, 2017.

Note 11: SUBSEQUENT EVENT

The District entered into an agreement with Williamson County to house EMS ambulance and personnel in the new fire station at Andice. Under the terms of the agreement the County will pay the District \$300,000 to be used towards the construction cost of the station.

Required Supplemental Information

WILLIAMSON COUNTY EMERGENCY SERVICES DISTRICT NO. 7
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
BUDGET TO ACTUAL COMPARISON - GENERAL FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2017

	Budget		Actual Amounts	Variance
	Original	Final	Budgetary Basis	Favorable/ (Unfavorable)
GENERAL REVENUES				
Ad Valorem Taxes	\$ 361,982	\$ 361,982	\$ 366,598	4,616
Penalty & Interest	3,000	3,000	3,911	911
Sales Tax	72,000	72,000	88,363	16,363
Interest Income	500	500	719	219
Grants/Contributions	27,800	27,800	27,976	176
Donations	-	-	-	-
Miscellaneous	138	138	157	19
Total General Revenues	\$ 465,420	\$ 465,420	\$ 487,724	22,304
EXPENDITURES/EXPENSES				
VFD Contract	\$ 314,545	\$ 314,545	\$ 324,545	(10,000)
Dues & Subscriptions	900	900	650	250
Professional Fees	21,900	21,900	8,858	13,042
Insurance	13,300	13,300	13,431	(131)
Communications	7,200	7,200	-	7,200
Appraisal District & Tax Collector Fees	2,500	2,500	2,440	60
Miscellaneous	-	-	(306)	306
Repair	8,000	8,000	-	8,000
Donation Refund	-	-	-	-
Travel & Training	1,000	1,000	5,000	(4,000)
Publications	900	900	72	828
Office Expense/Postage	175	175	84	91
Capital Outlay	10,000	10,000	18,929	(8,929)
Debt Service:				
Principal	85,000	85,000	25,500	59,500
Interest	-	-	5,062	(5,062)
Total expenditures/expenses	\$ 465,420	\$ 465,420	\$ 404,265	61,155
Excess (Deficiency) of revenues over expenditure	-	-	83,459	83,459
OTHER FINANCING SOURCES/(USES):				
Financing Proceeds	-	-	-	-
Total Other Financing Sources/(Uses):	-	-	-	-
Fund Balance Beginning of the year			220,140	
End of the year			\$ 303,599	

See Accompanying Notes to the Financial Statements