

*ANNUAL FINANCIAL REPORT*

**of the**

**San Jacinto Emergency Services District**

**For the Year Ended  
December 31, 2018**

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# San Jacinto Emergency Services District

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Board of Commissioners of the  
San Jacinto Emergency Services District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Jacinto Emergency Services District (the "District"), as of and for the year ended December 31, 2018, 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***

The District's 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund as of December 31, 2018, 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 required supplementary information, as listed in the table of contents, 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 San Jacinto Emergency Services District's basic financial statements. The accompanying Supplementary Information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary 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. Such information 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
July 5, 2019

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# **San Jacinto Emergency Services District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended December 31, 2018**

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the San Jacinto Emergency Services District (the "District") for the year ended December 31, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### **THE STRUCTURE OF OUR ANNUAL REPORT**

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

### **Financial Highlights**

- The assets of the District exceeded its liabilities (net position) at December 31, 2018 by \$3,421,957. Of this amount, \$1,814,544 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's debt obligations totaled \$94,723 as of December 31, 2018.
- The District's total net position increased by \$542,172 during the year.

### **Government-Wide Statements**

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

# San Jacinto Emergency Services District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018

The Statement of Net Position presents information on all of the District's assets and liabilities. The difference between the two is 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 is improving or deteriorating. Other non-financial factors, such as the District's operating performance need to be considered to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the District using one class of activity:

1. Governmental Activities – The District's emergency service operations are reported here.

The government-wide financial statements can be found after the MD&A within this report.

### **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the District. They are usually segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The District's operations are reported using governmental funds.

#### **Governmental Funds**

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

# **San Jacinto Emergency Services District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended December 31, 2018**

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

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

The general fund is used to report the District's activities. The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

### **Notes to Financial Statements**

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

### **Other Information**

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund. The RSI can be found after the notes to the financial statements within this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For the District, assets exceeded liabilities by \$3,421,957 as of yearend. Unrestricted net position, \$1,814,544, may be used to meet the District's ongoing emergency service operations.

# San Jacinto Emergency Services District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018

### Statement of Net Position:

The following table reflects the condensed Statement of Net Position as of yearend:

		<b>Governmental Activities</b>	
		<b>2018</b>	<b>2017</b>
Current and other assets		\$ 3,655,747	\$ 3,469,348
Capital assets, net		1,702,136	1,392,065
<b>Total Assets</b>		<b>5,357,883</b>	<b>4,861,413</b>
Other liabilities		20,210	73,657
Debt		94,723	233,694
<b>Total Liabilities</b>		<b>114,933</b>	<b>307,351</b>
<b>Deferred Inflows of Resources</b>		<b>1,820,993</b>	<b>1,674,277</b>
Net Position:			
Net investment in capital assets		1,607,413	1,086,742
Unrestricted		1,814,544	1,793,043
<b>Total Net Position</b>		<b>\$ 3,421,957</b>	<b>\$ 2,879,785</b>

Current and other assets increased due to increasing cash and investments on hand as a result of revenue growth. Accounts payable decreased due to greater payables due to third party vendors at the end of the prior year. Long-term liabilities decreased as a result of principal payments made during the current year.

The overall net position of the District increased due to revenues exceeding expenses by \$542,172 during the current year.

# San Jacinto Emergency Services District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018

### Statement of Activities:

The following table provides a summary of the District's changes in net position:

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Program revenues:		
Intergovernmental revenues	\$ 15,000	\$ 15,000
Capital grants and contributions	56,356	78,953
General revenues:		
Property taxes	1,752,924	1,544,911
Sales taxes	252,046	218,290
Other income	4,690	5,428
Investment income	11,874	3,304
Gain on disposals of capital assets	104,513	270,706
<b>Total Revenues</b>	<b>2,197,403</b>	<b>2,136,592</b>
<b>Expenses</b>		
Fire protection and EMS services	899,428	1,097,391
Administration	406,091	224,104
Salaries and benefits	62,388	55,296
Depreciation	282,238	288,436
Interest	5,086	3,843
<b>Total Expenses</b>	<b>1,655,231</b>	<b>1,669,070</b>
<b>Change in Net Position</b>	<b>542,172</b>	<b>467,522</b>
Beginning Net Position	2,879,785	2,412,263
<b>Ending Net Position</b>	<b>\$ 3,421,957</b>	<b>\$ 2,879,785</b>

The District reported an increase in net position of \$542,172. This is primarily due to sustained revenue growth, while overall expenses remained consistent over the prior year.

# **San Jacinto Emergency Services District**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**For the Year Ended December 31, 2018**

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, fund accounting is used to ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the District's governmental funds 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, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

The District's general fund reflects a fund balance of \$1,466,139. There was an increase in the fund balance of \$90,390 over the prior year. This increase is attributed to revenues and other financing sources exceeding expenditures for the year.

### **CAPITAL ASSETS**

As of the end of the year, the District's governmental activities funds had invested \$1,702,136 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset events during the current year include the following:

- One Chevy Tahoe for \$43,676.
- Two brush trucks for \$226,402.
- Ford F-550 for \$89,362.
- New parking lot for volunteer fire department for \$125,000.
- New improvements for metal building totaling \$39,360.
- Purchase of new equipment for volunteer fire department totaling \$68,509.

More detailed information about the District's capital assets is presented in note IV. C to the financial statements.

### **DEBT**

At the end of the current year, the District had total debt outstanding of \$94,723. During the year, the District made principal payments on debt obligations totaling \$138,971. More detailed information about the District's long-term liabilities is presented in note IV. D to the financial statements.



# **San Jacinto Emergency Services District**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**For the Year Ended December 31, 2018**

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual general fund revenues were more than final budgeted revenues by \$415,496 during the year. Actual general fund expenditures were under the final budget by \$30,076. The positive revenue variance was primarily due to actual property and sales tax revenues exceeding budget due to growth within the District.

The positive expenditures variance was primarily due to emergency medical services and fire protection service being under budget. Other financing sources were under the budget by \$187,806 due to insurance recoveries being under budget. These variances were the primary reasons for a net positive overall variance of \$257,766.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District is located in San Jacinto County, Texas. The overall continued development within the District is expected to continue to fuel increased property and sales tax receipts in the coming year.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be directed to San Jacinto County Emergency Services District, P.O. Box 637, Coldspring, Texas 77331.

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## ***FINANCIAL STATEMENTS***

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# San Jacinto County

## Emergency Services District

### STATEMENT OF NET POSITION

December 31, 2018

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 859,211
Investments	695,307
Receivables:	
Property taxes	2,059,052
Sales taxes	42,177
<b>Total Current Assets</b>	<b>3,655,747</b>
<b>Non-Current Assets</b>	
Capital assets, net of accumulated depreciation	
Capital assets - non-depreciable	295,963
Capital assets - net depreciable	1,406,173
<b>Total Non-Current Assets</b>	<b>1,702,136</b>
<b>Total Assets</b>	<b>5,357,883</b>
<b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 17,950
Accrued expenses	2,260
Current portion of debt	94,723
<b>Total Current Liabilities</b>	<b>114,933</b>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable revenue - property tax collections related to next year	584,567
Unavailable revenue - receivable for next year property tax	1,236,426
<b>Total Deferred Inflows of Resources</b>	<b>1,820,993</b>
<b><u>Net Position</u></b>	
Net investment in capital assets	1,607,413
Unrestricted	1,814,544
<b>Total Net Position</b>	<b>\$ 3,421,957</b>

See Notes to Financial Statements.

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# San Jacinto County Emergency Services District

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	<u>Governmental Activities</u>
<b><u>Expenses</u></b>	
<b>Public safety - fire protection &amp; EMS</b>	
Fire protection and emergency medical services	\$ 899,428
Administration	406,091
Salaries and benefits	62,388
Depreciation	282,238
Interest	5,086
<b>Total Program Expenses</b>	<u>1,655,231</u>
<b><u>Program revenues</u></b>	
Intergovernmental revenues	15,000
Capital grants and contributions	56,356
<b>Total Program Revenues</b>	<u>71,356</u>
<b><u>General revenues</u></b>	
Property taxes	1,752,924
Sales taxes	252,046
Other income	4,690
Investment income	11,874
Gain on disposals of capital assets	104,513
<b>Total General Revenues</b>	<u>2,126,047</u>
<b>Change in Net Position</b>	<u>542,172</u>
Beginning Net Position	<u>2,879,785</u>
<b>Ending Net Position</b>	<u><u>\$ 3,421,957</u></u>

See Notes to Financial Statements.

# San Jacinto County Emergency Services District

## *BALANCE SHEET*

December 31, 2018

	<u>General Fund</u>
<b><u>Assets</u></b>	
Cash	\$ 859,211
Investments	695,307
Receivables:	
Property taxes	2,059,052
Sales taxes	42,177
<b>Total Assets</b>	<u><u>\$ 3,655,747</u></u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 17,950
<b>Total Liabilities</b>	<u>17,950</u>
<b><u>Deferred Inflows of Resources</u></b>	
Unavailable revenue - property tax collections related to next year	584,567
Unavailable revenue - property tax receivable	1,587,091
<b>Total Deferred Inflows of Resources</b>	<u>2,171,658</u>
<b><u>Fund Balance</u></b>	
Unassigned	1,466,139
<b>Total Fund Balance</b>	<u><u>\$ 1,466,139</u></u>

See Notes to Financial Statements



# San Jacinto County

## Emergency Services District

### RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION December 31, 2018

Total fund balance	\$ 1,466,139
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Amounts reported for governmental activities in the Statement of Net Position:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, non-depreciable	295,963
Capital assets, net depreciable	1,406,173

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Delinquent property taxes receivable	350,665
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Long-term liabilities, including bonds payable, capital leases, lines of credit, are not due and payable in the current period and, therefore, are not reported in the funds

Accrued interest	(2,260)
Non-current liabilities due in one year	(94,723)

<b>Net Position of Governmental Activities</b>	<b>\$ 3,421,957</b>
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See Notes to Financial Statements.

# San Jacinto County

## Emergency Services District

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

For the Year Ended December 31, 2018

	<b>General Fund</b>
<b>Revenues</b>	
Property taxes	\$ 1,749,952
Sales taxes	252,046
Intergovernmental revenue	15,000
Capital grants and contributions	41,356
Other income	1,733
Investment income	11,874
<b>Total Revenues</b>	<b>2,071,961</b>
<b>Expenditures</b>	
Current (public safety):	
Emergency medical services	613,003
Fire protection services	284,961
Administration	406,091
Salaries and benefits	62,388
Capital outlay:	
Public safety	578,773
Debt service:	
Principal	138,971
Interest	4,854
<b>Total Expenditures</b>	<b>2,089,041</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(17,080)</b>
<b>Other Financing Sources (Uses)</b>	
Proceeds from sale of capital assets	2,957
Insurance recoveries	104,513
<b>Total Other Financing Sources (Uses)</b>	<b>107,470</b>
<b>Net Change in Fund Balance</b>	<b>90,390</b>
Beginning Fund Balance	1,375,749
<b>Ending Fund Balance</b>	<b>\$ 1,466,139</b>

See Notes to Financial Statements.

# San Jacinto County

## Emergency Services District

### *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended December 31, 2018**

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

Net change in fund balance	\$	90,390
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		577,309
Depreciation		(282,238)
Capital contributions		15,000

Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the funds.		2,972
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest		(232)
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The issuance of long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		138,971
<b>Net Change in Net Position</b>	<b>\$</b>	<b><u>542,172</u></b>

See Notes to Financial Statements.

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# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide Financial Statements and Reporting Entity

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

San Jacinto Emergency Services District (the "District") operates under Chapter 775, "Emergency Services Districts" of V.T.C.A, Health and Safety Code. The District was converted from a Rural Fire Prevention District in August 2001. The District is a duly organized emergency services district, created to protect life and property from fire and to conserve natural and human resources.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. The District has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

#### B. Basis of Presentation Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the District as a whole. These statements include all activities of the primary government. Governmental activities are normally supported by property and sales taxes and intergovernmental revenues.

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

The Statement of Activities presents a comparison between general government expenses and general revenues of the District's governmental activities. Expenses, such as those used to fund the principal operations of District, are presented as general government expenses. Revenues, such as taxes and investment earnings, are presented as general revenues.

The fund financial statements provide information about the government's funds. Separate statements for each fund category are presented.

The government reports the following governmental funds:

### **Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

#### **General Fund**

The general fund is used to account for the operations of the District's emergency service operations and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to property taxes and sales taxes. Expenditures include all costs associated with the daily operations and contractual obligations of the District.

### **C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

#### **1. Cash and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 are reported using the pools' share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

### 2. Property Taxes

General property taxes are levied on or as soon after September 1 as possible and become payable October 1 or when levied and become delinquent as of February 1. At the time of each tax levy each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property. The tax assessor/collector of San Jacinto County bills and collects the property taxes for the District. The current tax rate to finance general governmental services for the ended December 31, 2018 was \$0.1000 per \$100.

### 3. Capital Assets

Capital assets, which include land, machinery and equipment, vehicles and buildings, are reported in the applicable governmental activities columns in the government-wide financial statements. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Vehicles	5 to 7 years
Machinery and equipment	5 years
Buildings	30 years

### 4. 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. An example is a deferred charge on refunding reported in the government-wide



# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

### **5. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### **6. Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **7. Fund Balance**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (board of commissioners) has by resolution authorized the treasurer to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **8. Long-Term Obligations**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

### **9. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates.

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

### 10. Fair Value

The District has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term assets, such as property tax receivable, are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the funds."

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

A budget is prepared by fund and function. Appropriations lapse at the end of the year. During the year, the District's actual expenditures exceeded budget for the following expenditures:

Administration	\$	87,240
Capital outlay		3,356
Debt service - principal		11,113
Debt service – interest		2,712

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of December 31, 2018, the District had the following investments:

Investments Type	Carrying Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 695,307	0.42
Total carrying value	<u>\$ 695,307</u>	
Portfolio weighted average maturity		0.42

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

*Custodial Credit Risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires funds on deposit at the depository bank to be collateralized by securities when in excess of FDIC coverage. As of December 31, 2018, checking deposits and certificates of deposit were collateralized by an amount over and above the yearend balances.

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2018

### B. Receivables

The following comprise receivable balances of the District at year end:

	General Fund
Property taxes	\$ 2,059,052
Sales taxes	42,177
<b>Total</b>	<b>\$ 2,101,229</b>

### C. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 256,603	\$ -	\$ -	\$ 256,603
Construction in progress	71,628	39,360	(71,628)	39,360
Total capital assets not being depreciated	328,231	39,360	(71,628)	295,963
Capital assets, being depreciated:				
Buildings	175,932	125,000	-	300,932
Machinery and equipment	285,314	68,509	71,628	425,451
Vehicles	2,157,570	359,440	-	2,517,010
Total capital assets being depreciated	2,618,816	552,949	71,628	3,243,393
Less accumulated depreciation				
Buildings	(37,763)	(7,593)	-	(45,356)
Machinery and equipment	(135,099)	(59,411)	-	(194,510)
Vehicles	(1,382,120)	(215,234)	-	(1,597,354)
Total accumulated depreciation	(1,554,982)	(282,238)	-	(1,837,220)
Net capital assets being depreciated	1,063,834	270,711	-	1,406,173
<b>Total capital assets</b>	<b>\$ 1,392,065</b>	<b>\$ 310,071</b>	<b>\$ -</b>	<b>\$ 1,702,136</b>

# San Jacinto Emergency Services District

## NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2018

### D. Long-Term Obligations

The following is a summary of long-term obligations for the year ended December 31, 2018:

	Balance at 12/31/2017	Increases	Decreases	Balance at 12/31/2018	Due within a year
<b>Governmental Activities:</b>					
Note Payable:					
Suntrust Bank, due in annual installments through 2018, interest at 2.25%	\$ 126,684	\$ -	\$ (126,684)	\$ -	\$ -
Line of Credit	107,010	-	(12,287)	94,723	94,723
	<u>\$ 233,694</u>	<u>\$ -</u>	<u>\$ (138,971)</u>	<u>\$ 94,723</u>	<u>\$ 94,723</u>
			Due in more than one year	<u>\$ -</u>	

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

As of December 31, 2018, the debt service requirements are as follows:

Year ending December 31,	Governmental Activities	
	Principal	Interest
2019	\$ 94,723	\$ -
<b>Total</b>	<u>\$ 94,723</u>	<u>\$ -</u>

On February 22, 2013, the District entered into a note agreement with Suntrust Bank to finance the purchase of land and equipment. The stated interest rate on the loan is 2.25%. The loan requires semi-annual payments through August 1, 2018.

The District holds a line of credit with People State Bank with a maximum line of \$136,000. The line of credit bears an interest rate of 2.50% and is secured by two of the District's certificates of deposit. The line of credit was renewed in February 2019. The balance is due in full on February 21, 2020.

# **San Jacinto Emergency Services District**

## ***NOTES TO FINANCIAL STATEMENTS, Continued***

**December 31, 2018**

### **V. OTHER INFORMATION**

#### **A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

#### **B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

#### **C. Subsequent Events**

In January 2019, the District began enrollment within the Texas County & District Retirement System ("TCDRS") defined benefit pension plan for all full and part-time employees.

In February 2019, the District renewed its line of credit with People State Bank. The maturity date was extended to February 21, 2019. For additional information on the line of credit, see Note IV. D.

There were no other material subsequent events through July 5, 2019, the date the financial statements were available to be issued.

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## ***REQUIRED SUPPLEMENTARY INFORMATION***

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# San Jacinto County

## Emergency Services District

### BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 1,600,000	\$ 1,616,909	\$ 1,749,952	\$ 133,043
Sales tax	-	-	252,046	252,046
Intergovernmental revenues	-	-	15,000	15,000
Capital grants and contributions	-	39,556	41,356	1,800
Other income	-	-	1,733	1,733
Investment earnings	-	-	11,874	11,874
<b>Total Revenues</b>	<u>1,600,000</u>	<u>1,656,465</u>	<u>2,071,961</u>	<u>415,496</u>
<b>Expenditures</b>				
Emergency medical services	682,250	682,250	613,003	69,247
Fire protection services	349,000	349,000	284,961	64,039
Administration	178,401	318,851	406,091	(87,240) *
Salaries and benefits	58,599	63,599	62,388	1,211
Capital outlay	201,750	575,417	578,773	(3,356) *
Debt service - principal	127,858	127,858	138,971	(11,113) *
Debt service - interest	2,142	2,142	4,854	(2,712) *
<b>Total Expenditures</b>	<u>1,600,000</u>	<u>2,119,117</u>	<u>2,089,041</u>	<u>30,076</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(462,652)</u>	<u>(17,080)</u>	<u>445,572</u>
<b>Other Financing Sources</b>				
Insurance recoveries	-	292,319	104,513	(187,806)
Sale of capital assets	-	2,957	2,957	-
<b>Total other financing sources</b>	<u>-</u>	<u>295,276</u>	<u>107,470</u>	<u>(187,806)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (167,376)</u>	<u>90,390</u>	<u>\$ 257,766</u>
Beginning Fund Balance			<u>1,375,749</u>	
<b>Ending Fund Balance</b>			<u>\$ 1,466,139</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded appropriations at the legal level of control.

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## ***SUPPLEMENTARY INFORMATION***

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# San Jacinto County

## Emergency Services District

### *SUPPLEMENTARY INFORMATION*

For the Year Ended December 31, 2018

#### SCHEDULE OF GENERAL GOVERNMENTAL EXPENDITURES

Administrative expenses	\$ 321,328
Salaries and benefits	62,388
Appraisal district	53,883
Contract ambulance	592,250
First responders	20,753
Insurance	21,880
Tax assessor collector	9,000
Volunteer fire departments:	
Insurance, training, and other	89,000
980 North VFD	15,500
Bear Creek VFD	29,400
Cape Area VFD	16,000
Camilla VFD	16,242
Coldspring VFD	23,055
Oakhurst VFD	15,328
Point Blank VFD	23,000
Punkin-Evergreen VFD	22,572
Shepherd VFD	34,864
<b>TOTAL</b>	<b>\$ 1,366,443</b>

#### SCHEDULE OF PROPERTY TAXES RECEIVABLE

Property valuations	\$ 1,820,905,000
2018 tax rate	0.010
<b>TAX LEVY</b>	<b>\$ 1,820,905</b>

#### TAXES RECEIVABLE, BY YEARS

2008 & prior	\$ 10,630
2009	26,437
2010	13,382
2011	17,666
2012	32,596
2013	44,180
2014	55,788
2015	68,247
2016	97,942
2017	1,692,184
<b>TOTAL TAXES RECEIVABLE</b>	<b>\$ 2,059,052</b>

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