

KAUFMAN COUNTY EMERGENCY
SERVICE DISTRICT NO. 3

FINANCIAL STATEMENTS

For the Year Ended September 30, 2019

KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (required supplementary information)	3-4
Basic Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	5
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	6
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	7
Notes to Basic Financial Statements	8-12



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Kaufman County Emergency Service District No. 3
Terrell, Texas

I have audited the accompanying financial statements of the governmental activities and general fund of Kaufman County Emergency Service District No. 3, as of and for the year ended September 30, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the Kaufman County Emergency Service District No. 3, as of September 30, 2019, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Commissioners
Kaufman County Emergency Service District No. 3

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Misty Culpepper, CPA, PLLC

Misty Culpepper, CPA, PLLC
Certified Public Accountant

October 22, 2019

KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Kaufman County Emergency Service District Number 3 (the "District"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements in this report.

For purposes of Governmental Accounting Standards Board Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

- The assets of the Kaufman County Emergency Service District No. 3 exceeded its liabilities at the close of the most recent fiscal year by \$239,681 (Net Position).
- The District's total net assets increased by \$84,077.
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$194,117, of which all was unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are comprised of two statements: 1) Statement of Net Position and Governmental Fund Balance Sheet and 2) Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

The *Statement of Net Position and Governmental Fund Balance Sheet* includes a column (titled "General Fund") that represents a balance sheet prepared using modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. 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.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$234,681 at the close of the most recent fiscal year.

The districts net position increased by \$84,077 during the current fiscal year. This decrease represents the degree to which increases in ongoing expenses have outstripped similar increases in ongoing revenues.

KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3 STATEMENT OF NET POSITION

	2019	2018
Current and other assets	\$ 234,681	\$ 150,604
Total Assets	<u>234,681</u>	<u>150,604</u>
Net position:		
Unrestricted	\$ 234,681	\$ 150,604
Total net position	<u>234,681</u>	<u>150,604</u>

Analysis of the District's Operations – The following table provides a summary of the District's operations for the year ended September 30, 2019. Governmental activities increased the net position by \$84,077.

KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3 STATEMENT OF ACTIVITIES

	2019	2018
Expenses:		
Service Operations	\$ 584,890	\$ 611,627
Total Expenses	<u>584,890</u>	<u>611,627</u>
Revenues:		
General Revenues	\$ 668,967	\$ 607,838
Total net position	<u>668,967</u>	<u>607,838</u>
Change in Net Position	<u>\$ 84,077</u>	<u>\$ (3,789)</u>

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The District's economic condition remains positive as continued increase in the tax rolls in Kaufman County is expected due to both new construction and increase in values.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided should be addressed to Kaufman County Emergency Service District No. 3, PO Box 2121, Terrell, Texas 75160.

**KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT #3
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
 SEPTEMBER 30, 2019**

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
ASSETS			
Cash and Cash Equivalents	\$ 188,203	\$ -	\$ 188,203
Receivables, Net of Allowance for Uncollectible Amounts of \$11,635	45,968	-	45,968
Prepaid Items	510	-	510
Total Assets	<u>234,681</u>	<u>-</u>	<u>234,681</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	40,564	(40,564)	-
FUND BALANCE/NET POSITION			
Fund Balance			
Unassigned	194,117	(194,117)	-
Total Fund Balance	<u>194,117</u>	<u>(194,117)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES, AND FUND BALANCE			
	<u>\$ 234,681</u>		
NET POSITION			
Unrestricted		234,681	234,681
Total Net Position		<u>\$ 234,681</u>	<u>\$ 234,681</u>

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

KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT #3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
EXPENDITURES/EXPENSES			
Service operations:			
Volunteer Fire Department Funding	\$ 476,000	\$ -	\$ 476,000
Equipment Funding	64,750	-	64,750
Training Funding	19,474	-	19,474
Tax appraisal/collection fees	6,348	-	6,348
Professional Fees	7,750	-	7,750
Contract Labor	6,500	-	6,500
Insurance	1,224	-	1,224
Other Expenses	2,844	-	2,844
Total Expenditures	<u>584,890</u>	<u>-</u>	<u>584,890</u>
REVENUES			
General Revenues:			
Property Tax, Including Penalties and Interest	670,212	(1,827)	668,385
Interest	582	-	582
Total Revenues	<u>670,794</u>	<u>(1,827)</u>	<u>668,967</u>
DEFICIT OF REVENUES UNDER EXPENDITURES	85,904	(85,904)	-
Change in Net Position	-	84,077	84,077
FUND BALANCE/NET POSITION			
Beginning of Year	108,213	42,391	150,604
End of Year	<u>\$ 194,117</u>	<u>\$ 40,564</u>	<u>\$ 234,681</u>

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

KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT #3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH BUDGET</u>
EXPENDITURES/EXPENSES			
Service operations:			
Volunteer Fire Department Funding	\$ 476,000	\$ 476,000	\$ -
Equipment Funding	64,750	64,750	-
Training Funding	23,000	19,474	(3,526)
Tax appraisal/collection fees	7,240	6,348	(892)
Professional Fees	10,250	7,750	(2,500)
Contract Labor	6,000	6,500	500
Insurance	1,250	1,224	(26)
Other Expenses	3,282	2,844	(438)
Total Expenditures	<u>591,772</u>	<u>584,890</u>	<u>(6,882)</u>
REVENUES			
General Revenues:			
Property Tax, Including Penalties and Interest	591,772	670,212	78,440
Interest	-	582	582
Total Revenues	<u>591,772</u>	<u>670,794</u>	<u>79,022</u>
Change in Net Position	-	85,904	85,904
FUND BALANCE/NET POSITION			
Beginning of Year	-	108,213	108,213
End of Year	<u>\$ 45,990</u>	<u>\$ 194,117</u>	<u>\$ 62,223</u>

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

**KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kaufman County Emergency Service District No. 3 (the "District") was approved by voters of the District in a general election on January 18, 1997 as Kaufman County Rural Fire Prevention District No. 3. Pursuant to Texas Legislature S.B. 1021, which became effective September 1, 2003, all rural fire prevention districts were automatically converted into emergency service districts. As a result, the name of the District changed effective September 1, 2003 and the District automatically assumed all rights and obligations of the former entity. The District provides fire suppression, emergency medical and rescue first response, hazardous material incident response, and other emergency incident response that may arise within its boundaries.

Reporting Entity

The reporting entity of the District encompasses those activities and functions over which the District's appointed officials exercise significant oversight or control. The District is governed by a five member Board of Commissioners (the "Board") which has been appointed in accordance with State law. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units which are included in the District's reporting entity.

Government-wide and fund financial statements

For purposes of Governmental Accounting Standards Board Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

The government-wide financial statements report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Major revenue sources considered susceptible to accrual include interest income and property taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government. Any unassigned fund balances of the general fund are considered resources available for current operations.

Assets, liabilities, and net position or equity

Deposits 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. The District has not adopted an investment policy.

Receivables -

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to .2 percent of outstanding property taxes at year end.

**KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, liabilities, and net position or equity (continued)

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 personal property. Appraised values are established by the Kaufman County Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. Kaufman County bills and collects property taxes for the District, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

Fund Equity -

The following fund balance classifications describe the relative strength constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change to constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported only in the general fund

The Board establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the District strives to maintain an unassigned fund balance to be used for unanticipated emergencies.

**KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, liabilities, and net position or equity (continued)

Deferred Outflows and Inflows of Resources –

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*, which provided guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows or resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reports as assets and liabilities.

NOTE B – DETAILED NOTES ON ALL FUNDS

Deposits and investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The District's deposits were fully insured or collateralized as required by State statutes at September 30, 2019. At year end the bank balance of the District's deposits were \$188,203, of which the entire balance was covered by federal depository insurance.

Investments – State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury and the state treasurer's investment pool. The District does not have a written investment policy that would further limit its investment choices.

Receivables

In September 2018, the District levied a tax rate of \$0.1000 per \$100 of assessed valuation to financial operating expenditures. The total 2019 tax levy was \$664,902 based on a taxable valuation of \$661,042,255.

NOTE C – OTHER INFORMATION

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

**KAUFMAN COUNTY EMERGENCY SERVICE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE C – OTHER INFORMATION (continued)

Contracted Services

The District has entered into agreements with the following volunteer fire departments to provide fire protection and prevention services to the District. The District has agreed to fund the operations of these departments quarterly, as funds are available, based on budgets provided by the departments to the District. These agreements expire each fiscal year, but continue on a year-to-year basis unless terminated by either party with a ninety day notice. The contracts entered into for the year ending September 30, 2020 are as follows:

Ables Springs VFD	\$ 140,500
College Mound VFD	72,500
Elmo VFD	140,500
Terrell VFD	140,500
Total Contracted Funding	<u>\$ 494,000</u>