

**Upshur County Emergency Services  
District No. 1**

**Financial Statements and  
Independent Auditor's Report**

**As of September 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Upshur County Emergency Services District No. 1  
Gilmer, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Upshur County Emergency Services District No. 1 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of District, as of September 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Arnold, Walker, Arnold & Co., P.C.*

Arnold, Walker, Arnold & Co., P.C.

May 4, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Upshur County Emergency Services District No.1, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2017. The information presented here should be read in conjunction with the independent auditor's report and the District's financial statements.

### FINANCIAL HIGHLIGHTS

The District's total net position was \$304 thousand at September 30, 2017. During the year, the District's revenues exceeded expenditures by \$122 thousand. The District, after approval by voters in the District, raised the tax rate for property tax from 3 cents per hundred dollar taxable value to 7 cents per hundred dollar taxable value.

The total cost of all the District's activities was \$1.01 million as compared to \$513 thousand the prior year. Disbursements to fire departments was more as more funds were available.

The general fund balance is \$304 thousand at September 30, 2017 as compared to \$182 thousand the prior year. The unreserved fund balance increased from \$175 thousand to \$283 thousand.

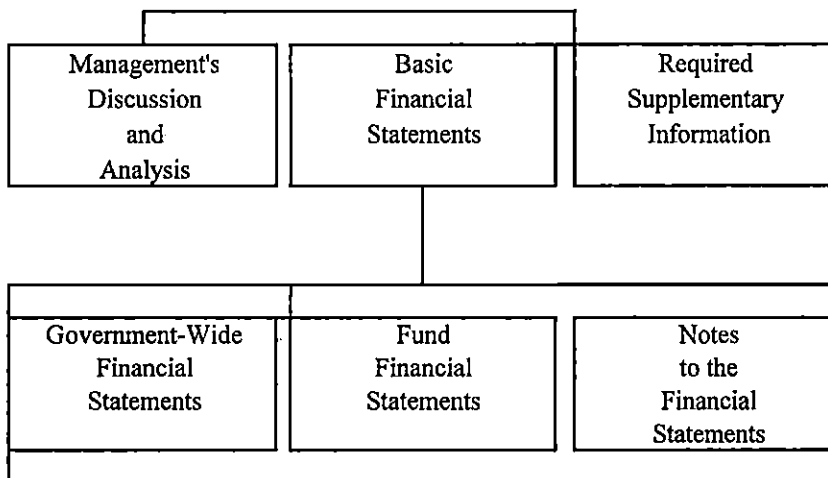
The District continues to remain debt free.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide information about the District's activities as a whole and present a longer-term view of the District's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

Figure A-1. Required Components of the District's Annual Financial Report



Summary ↔ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements		
Type of Statements	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	*Statement of net position	*Balance sheet
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after

## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position-the difference between the District's assets and liabilities-is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include the *Governmental activities*. Property taxes finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The District has one fund:

- *Governmental funds*-The District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$304 thousand at September 30, 2017.

Table A-1  
The District's Net Position  
(in thousands of dollars)

	Governmental Activities	
	2017	2016
Current and other assets	520	286
Capital and non-current assets	-	-
<b>TOTAL ASSETS</b>	<b>520</b>	<b>286</b>
Long-term liabilities	-	-
Other liabilities	110	25
<b>TOTAL LIABILITIES</b>	<b>110</b>	<b>25</b>
Unavailable revenue-property taxes	106	79
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>106</b>	<b>79</b>
Net position		
Restricted	21	7
Unrestricted	283	175
<b>TOTAL NET POSITION</b>	<b>304</b>	<b>182</b>

Net position invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets. The \$283 thousand of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

The \$21 thousand designated as restricted follows:

Restricted for future years expenses of fire departments 21

The District has no debt. Each year the District adopts a budget and sets a tax rate. Each city or rural fire department in the County is allocated a percentage of the budget. Each city is given its contracted amount. The rural fire departments submit invoices for payment against their budget. Any unspent amount is carried forward as a reserved fund balance. The \$21 thousand of restricted net position is for this purpose. The District's net position increased \$122 thousand. The District's general fund reported revenues in excess of expenditures of \$122 thousand. The District increased its property tax rate to 7 cents per \$100 tax value from 3 cents per \$100 tax value for this year after approval by voters. This allows for more funds to be available to allocate to fire departments within the District.



**Changes in net position.**

The District's total revenues were \$1.14 million.

The total cost of all programs was \$1.02 million. Approximately 16% was for District expenses, 20% was for contractual payments to the fire departments, 62% was for disbursements to rural volunteer departments based on invoices submitted.

**Table A-2**  
**The District's Changes in Net Position**  
 (in thousands of dollars)

	Governmental Activities	
	2017	2016
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	-	-
Operating Grants and Contributions	-	-
<u>General Revenues</u>		
Property Taxes	1,137	511
Investment earnings	2	1
Other	-	10
<b>Total Revenues</b>	<b>1,139</b>	<b>522</b>
<b>Expenses</b>		
Fire protection	1,017	513
<b>Total Expenses</b>	<b>1,017</b>	<b>513</b>
<b>Increase (Decrease) in Net Position</b>	122	9
<b>Beginning Net Position</b>	182	173
<b>Ending Net Position</b>	<b>304</b>	<b>182</b>

- The cost of all *governmental* activities this year was \$1.02 million.
- The amount that taxpayers paid for these activities through property taxes was \$1.14 million.
- The District had no program revenues.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$304 thousand at September 30, 2017. The changes to fund balance mirror those as stated above.

### General Fund Budgetary Highlights

\$923 thousand was budgeted to be spent on the original budget. The budget was amended to \$1.03 million. \$1.017 million was spent. Fund balance increased \$122 thousand.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Table A-3  
District's Capital Assets  
(in thousands of dollars)

	Governmental Activities	
	2017	2016
Radio equipment	<u>24</u>	<u>24</u>
Totals at historical cost	<u>24</u>	<u>24</u>
Total accumulated depreciation	<u>24</u>	<u>24</u>
Net capital assets	<u>-</u>	<u>-</u>

The District only owns the above capital assets. Any assets the various departments purchase from their budgeted funds from the District remain the various departments' asset.

### Long-Term Debt

The District has no long-term debt.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board considered many factors when setting the 2018 budget. The tax base available and the needs of the various fire departments were the main considerations. With these considerations, the Board adopted a budget to meet their needs. The Board desires to help equip each fire department within the county to provide the best and quickest response fire protection as possible. It is anticipated that the equity position of the District will continue to remain about the same.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Board of Commissioner's.

GOVERNMENT WIDE FINANCIAL STATEMENTS

**Upshur County Emergency Services District No. 1**  
**STATEMENT OF NET POSITION**  
As of September 30, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	399,040
Accounts receivable, net of allowance	106,027
Prepaid expense	15,173
Total current assets	<u>520,240</u>
Capital assets	
Radio equipment, net of accumulated depreciation	-
Total assets	<u><u>520,240</u></u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued expenses	109,954
Unearned revenue	-
Total current liabilities	<u>109,954</u>
Non-current liabilities	-
Total liabilities	<u><u>109,954</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue-property taxes	106,027
Total deferred inflows of resources	<u><u>106,027</u></u>
<b>NET POSITION</b>	
Restricted for future years expenses	
of fire departments	21,532
Unrestricted	282,727
Total net position	<u><u>304,259</u></u>

The accompanying notes are an integral part of this statement.

**Upshur County Emergency Services District No.1**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2017

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
District expenses	161,758	-	-	(161,758)
Contractual disbursements to fire departments	207,000	-	-	(207,000)
Disbursements to rural volunteer fire departments	634,459	-	-	(634,459)
Distributions from reserved unspent funds to VFD's	-	-	-	-
Additional disbursements from District's unrestricted net assets	13,670	-	-	(13,670)
<b>Total governmental activities</b>	<u>1,016,887</u>	<u>-</u>	<u>-</u>	<u>(1,016,887)</u>
<b>General Revenues</b>				
Property taxes				1,136,647
Investment earnings				2,069
<b>Total General Revenues</b>				<u>1,138,716</u>
<b>Changes in Net Position</b>				121,829
Net Position -- Beginning				182,430
Net Position -- Ending				<u>304,259</u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**Upshur County Emergency Services District No. 1**  
**BALANCE SHEET--GENERAL FUND**  
As of September 30, 2017

**ASSETS**

Cash in bank	399,040
Accounts receivable, net of allowances	106,027
Prepaid expense	15,173
Total assets	<u>520,240</u>

**LIABILITIES**

Accounts payable and accrued expenses	109,954
Unearned revenue	-
Total liabilities	<u>109,954</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue-property taxes	106,027
Total deferred inflows of resources	<u>106,027</u>

**FUND BALANCE**

Reserved-rural department unspent funds	21,532
Unreserved, undesignated	282,727
Total fund balance	<u>304,259</u>
Total liabilities, deferred inflows, & fund balance	<u>520,240</u>

The accompanying notes are an integral part of this statement.



**Upshur County Emergency Services District No. 1**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND BALANCE--GENERAL FUND**  
For the year ended September 30, 2017

REVENUE	
Taxes	1,136,647
Total revenue	<u>1,136,647</u>
EXPENDITURES	
Dispatching Services	36,000
Appraisal District Fees	25,320
Clerical/Bookkeeping Fees	12,000
Audit	3,500
County-wide insurance	57,539
Accident/Sickness insurance	15,722
E-Dispatch	7,463
Other District Expense	4,214
Disbursements to Departments Contracts	
Gilmer	87,000
Ore City	46,000
Big Sandy	30,000
Gladewater	44,000
Rural Departments	
Bettie	78,227
Diana	95,983
East Mountain	54,000
Ewell	58,640
Glenwood	45,000
Harmony	54,000
Lafayette	3,293
New Mountain	50,000
Pleasant Grove	50,000
Pritchett	55,650
Simpsonville	39,784
West Mountain	49,882
Disbursements from Unreserved Fund Balance	
Grant reimbursements- various departments	7,352
Radios	6,318
Total expenditures	<u>1,016,887</u>
Excess (deficiency) of revenues over expenditures	<u>119,760</u>
OTHER FINANCING SOURCES (USES)	
Interest Income	2,069
Total other financing sources (uses)	<u>2,069</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	121,829
Fund balance, beginning of year	<u>182,430</u>
Fund balance, end of year	<u><u>304,259</u></u>

The accompanying notes are an integral part of this statement.

**Upshur County Emergency Services District No. 1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND BALANCE--BUDGET AND ACTUAL--GENERAL FUND**  
For the year ended September 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Taxes	1,127,472	1,136,647	9,175
<b>Total revenue</b>	<u>1,127,472</u>	<u>1,136,647</u>	<u>9,175</u>
<b>EXPENDITURES</b>			
Dispatching Services	36,000	36,000	-
Appraisal District Fees	25,405	25,320	85
Clerical/Bookkeeping Fees	12,000	12,000	-
Audit	3,500	3,500	-
County-wide insurance	57,501	57,539	(38)
Accident/Sickness insurance	16,550	15,722	828
Knox Box	10,000	-	10,000
E-Dispatch	8,193	7,463	730
Other District Expense	9,500	4,214	5,286
Disbursements to Departments Contracts			
Gilmer	87,000	87,000	-
Ore City	46,000	46,000	-
Big Sandy	30,000	30,000	-
Gladewater	44,000	44,000	-
Rural Departments			
Bettie	78,227	78,227	-
Diana	95,983	95,983	-
East Mountain	54,000	54,000	-
Ewell	58,640	58,640	-
Glenwood	45,000	45,000	-
Harmony	54,000	54,000	-
Lafayette	7,000	3,293	3,707
New Mountain	50,000	50,000	-
Pleasant Grove	50,000	50,000	-
Pritchett	55,650	55,650	-
Simpsonville	50,000	39,784	10,216
West Mountain	50,000	49,882	118
Disbursements from Unreserved Fund Balance			
Grant reimbursements- various departments	-	7,352	(7,352)
Radios	-	6,318	(6,318)
<b>Total expenditures</b>	<u>1,034,149</u>	<u>1,016,887</u>	<u>17,262</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>93,323</u>	<u>119,760</u>	<u>26,437</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interest Income	-	2,069	2,069
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>2,069</u>	<u>2,069</u>
<b>Excess (deficiency) of revenues and other sources     over expenditures and other uses</b>	93,323	121,829	28,506
<b>Fund balance, beginning of year</b>	<u>182,430</u>	<u>182,430</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>275,753</u></u>	<u><u>304,259</u></u>	<u><u>28,506</u></u>

The accompanying notes are an integral part of this statement.

**Upshur County Emergency Services District No. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Upshur County Emergency Services District No. 1 is a governmental entity operating under the applicable laws and regulations of the State of Texas. It is governed by a Board of Commissioners.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in Statements on Auditing Standards No. 69 of the American Institute of Certified Public Accountants.

Upshur County Emergency Services District No. 1 was created in 1990. This District covers the entire County of Upshur. Property tax is levied on property in Upshur County to provide revenues for operations. Disbursements are made to the fire departments within the county.

**A. REPORTING ENTITY**

The Board of Commissioners is appointed by the Commissioners Court of Upshur County and it has authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity". There are no component units within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

The fund financial statements provide reports on the financial condition and results of operations for the District's one fund category - governmental. The District's one fund, the general fund, is a major fund.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

#### **D. FUND ACCOUNTING**

The District reports the following major governmental fund:

1. **The General Fund**--The general fund is the District's operating fund. It accounts for all financial resources of the District.

#### **E. OTHER ACCOUNTING POLICIES**

1. Capital assets, which is composed of radio equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, machinery and equipment of the County and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Radio equipment	7

2. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

A budgeted amount is approved for each fire department each year. Any unspent budget at September 30 each year is carried over to the subsequent year for each department. This carryover increases the budget for the subsequent year. Likewise, if any department overspends its budget any year, the subsequent years' budget is decreased by this overspent amount. Since the unspent budget carries forward, a portion of fund balance is reserved for this carryover.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. BUDGETARY DATA**

Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles. Once approved, the Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget for the general fund operations is prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases.

The District does not record encumbrances as part of its accounting records.

### III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### A. COLLATERALIZATION OF DEPOSITS

The District maintains one interest bearing checking account. FDIC coverage and securities pledged were adequate at all times.

#### B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Property tax information for each year is as follows:

Year Ended	Assessed Value (net of exemptions)	Tax Rate Per \$100 Valuation	Tax Revenue Available
<u>9/30</u>			
2005	1,475,320,374	.0294	433,744
2006	1,543,251,701	.0294	453,716
2007	1,620,566,000	.0300	486,158
2008	1,780,106,667	.0300	534,032
2009	1,764,333,722	.0300	529,300
2010	1,699,950,000	.0300	509,125
2011	1,630,959,801	.0300	489,464
2012	1,604,584,316	.0300	481,589
2013	1,600,633,333	.0300	480,190
2014	1,630,090,000	.0300	489,027
2015	1,669,514,535	.0300	502,606
2016	1,644,434,286	.0700	1,151,104

#### C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are deposited into the general fund. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2017, were as follows:

	<u>Property Taxes</u>	<u>Charges for Services</u>	<u>Intergov- ernmental</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	132,534	-	-	-	132,534
Total - Governmental Activities	<u>132,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,534</u>
Amounts not scheduled for collection during the subsequent year	<u>26,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,507</u>

Payables at September 30, 2017, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	109,954	-	-	-	109,954
Total - Governmental Activities	<u>109,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,954</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**E. CAPITAL ASSET ACTIVITY**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Radio equipment	24,464	-	-	24,464
Less Accumulated Depreciation for:				
Radio equipment	(24,464)	-	-	(24,464)
Governmental Activities Capital Assets, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**F. RISK MANAGEMENT**

The District is exposed to various risks of loss to torts of theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**G. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through May 4, 2018, the date which the financial statements were available to be issued.

INTERNAL CONTROL SECTION



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

Board of Commissioners  
Upshur County Emergency Services District No. 1  
Gilmer, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Upshur County Emergency Services District No. 1, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 4, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Arnold, Walker, Arnold & Co., P.C.*

Arnold, Walker, Arnold & Co., P.C.

May 4, 2018

915 N. Jefferson Ave. • P.O. Box 1217 • Mt. Pleasant, TX 75456

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Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants



**Upshur County Emergency Services District No. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended September 30, 2017

Type of Report on Financial Statements:	Unmodified
Reportable Conditions:	None
Material Weaknesses Involving Reportable Conditions:	None
Noncompliance Material to the Financial Statements:	None
Questioned Costs:	None

Upshur County Emergency Services District No. 1  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
For the year ended September 30, 2017

PRIOR YEAR'S FINDINGS

N/A

STATUS OF PRIOR YEAR'S FINDINGS


N/A

Upshur County Emergency Services District No. 1  
CORRECTIVE ACTION PLAN  
For the year ended September 30, 2017

PROGRAM

CORRECTIVE ACTION PLAN

N/A

FILED  
TERRI ROSS  
COUNTY CLERK  
2018 JUL 16 AM 9:45  
UPSHUR COUNTY, TX.  
BY   
DEPUTY