

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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EMERGENCY SERVICES DISTRICT NO. 1**

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## ***FINANCIAL SECTION***



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

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### Independent Auditor's Report

Board of Directors  
Palo Pinto County Emergency Services District No. 1

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Palo Pinto County Emergency Services District No. 1 (District), as of and for the year ended December 31, 2019, 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 of 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 the 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the accounting principles used and the reasonableness of significant 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 opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Palo Pinto County Emergency Services District No. 1 as of December 31, 2019, and 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 budgetary comparison schedule identified as Required Supplementary Information 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020, on our consideration of Palo Pinto County Emergency Services District No. 1'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 the 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 Palo Pinto County Emergency Services District No. 1's internal control over financial reporting and compliance.

Respectfully submitted,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
May 13, 2020

## ***BASIC FINANCIAL STATEMENTS***

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,409,320
Property taxes receivable, net	555,856
Due from other governments	441,606
Prepaid expenses	213,904
Spare parts inventory	6,208
Capital assets, net	537,926
Total assets	<u>3,164,820</u>
<b>Liabilities</b>	
Accounts payable	<u>23,710</u>
<b>Net position</b>	
Net investment in capital assets	537,926
Unrestricted	2,603,184
Total net position	<u><u>\$ 3,141,110</u></u>

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

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Expense and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
<u>Functions/Programs</u>					
Primary government:					
General governmental activities:					
Emergency services	<u>\$ 1,523,330</u>	<u>\$ -</u>	<u>\$ 474,975</u>	<u>\$ 157,090</u>	<u>\$ (891,265)</u>
General revenues:					
Property taxes					924,446
Sales taxes					775,494
Interest income					21,817
Total general revenues					<u>1,721,757</u>
Change in net position					830,492
Net position, beginning					2,310,618
Net position, ending					<u>\$ 3,141,110</u>

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



**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**BALANCE SHEET - GOVERNMENTAL FUND  
DECEMBER 31, 2019**

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,409,320
Property taxes receivable, net	555,856
Due from other governments	441,606
Prepaid expenditures	213,904
Spare parts inventory	6,208
Total assets	<u>\$ 2,626,894</u>
<b>Liabilities</b>	
Accounts payable	<u>\$ 23,710</u>
<b>Deferred inflows of resources</b>	
Unavailable property taxes	<u>555,856</u>
<b>Fund balance</b>	
Nonspendable:	
Prepaid expenditures	213,904
Spare parts inventory	6,208
Unassigned	1,827,216
Total fund balance	<u>2,047,328</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,626,894</u>

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

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Total fund balance - governmental fund (Exhibit A-3)	\$ 2,047,328
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Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 670,872	
Related accumulated depreciation	132,946	537,926

Property tax receivables are not available to pay for current period expenditures and, therefore, deferred in the funds.	555,856
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Total net position - governmental activities (Exhibit A-1)	\$ 3,141,110
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The accompanying notes are an integral part of these financial statements.

# PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>
Revenues:	
Property taxes	\$ 928,993
Sales taxes	775,494
County EMS funding	474,975
Interest income	<u>21,817</u>
Total revenues	<u>2,201,279</u>
Expenditures:	
Appraisal fees	19,184
Audit fees	6,581
Distributions to volunteer fire departments	406,000
Distributions to EMS entities	54,000
Reimbursements to and payments on-behalf of VFD/EMS entities	38,313
Contracted ambulance and EMS services	810,625
Insurance	23,022
Tax collector fees	9,334
Palo Pinto County administrative assistant services	23,036
Repairs and maintenance	35,334
Capital outlay	335,545
Rent	14,838
Utilities	11,758
Legal fees	9,903
Board training and travel	7,752
Miscellaneous	<u>16,302</u>
Total expenditures	<u>1,821,527</u>
Net change in fund balance	379,752
Fund balance, beginning	<u>1,667,576</u>
Fund balance, ending	<u><u>\$ 2,047,328</u></u>

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

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balance - governmental fund (Exhibit A-5) \$ 379,752

Amounts reported for *governmental activities* in the Statement of Activities (Exhibit A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 335,545	
Depreciation expense for the year	<u>37,348</u>	298,197

Donations of capital assets to the District are not recorded in the funds as they do not represent current financial resources. However, these donations are reflected as contributions on the Statement of Activities	157,090
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Property tax receivables will not be collected for several months after the District's fiscal year ends; therefore, they are not considered 'available' resources and are deferred in the governmental funds. Unavailable property taxes decreased by this amount this year.	<u>(4,547)</u>
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Change in net position of governmental activities (Exhibit A-2)	<u><u>\$ 830,492</u></u>
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The accompanying notes are an integral part of these financial statements.

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Palo Pinto County Emergency Services District No. 1 (District) was created pursuant to Chapter 794 of the Health and Safety Code of Vernon's Ann. Civil Statutes (Health and Safety Code) under the name of Palo Pinto County Rural Fire District. Effective September 1, 2003, Chapter 794 was superseded by Chapter 775 of the Health and Safety Code, thus necessitating a change in the name of the District to the Palo Pinto County Emergency Services District No. 1.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting (NCGA) unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments. The following is a summary of the more significant policies and practices by the District.

#### **A. Reporting Entity**

The District is a political subdivision of the state created to perform the functions of the District. The District operates on ad valorem taxes levied and distributions from Palo Pinto County. The District distributes funds equally to eleven volunteer departments and several emergency medical service entities to make fire-fighting facilities, fire extinguishment services and emergency medical and rescue services available to the District.

The District is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The board members are appointed by the Commissioners' Court of Palo Pinto County.

The reporting entity of the District includes funds under the authority of the Board of Directors of the District. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the ability of the Board of Directors to exercise oversight responsibility. The most significant manifestation of this ability is financial inter-dependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Another criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. There are no related organizations that are required to be included within the reporting entity of the District. Additionally, the District is not a component unit of another government.

#### **B. Basis of Presentation**

##### ***Government-wide financial statements***

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the District.

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

#### *Fund financial statements*

Separate fund-based financial statements are provided for the governmental fund. The fund financial statements provide information about the District's fund. The General Fund is the District's only operating fund and accounts for all financial resources of the District. All general tax revenues and other receipts are accounted for in this fund. From the fund are paid general operating costs and fixed charges. This is a budgeted fund and any unassigned fund balance is considered resources available for current operations.

#### C. 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 in which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Government fund-level 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. The District has elected not to include collections within 60 days of the end of the fiscal year as current year revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property tax revenues associated with the current fiscal period are susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

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.

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Budgetary Accounting**

The District maintains control over operating expenditures by the establishment of an annual operating budget. The budget is prepared on a basis consistent with GAAP and is formally approved along with any revisions by the District's Board of Directors. The budget comparison schedule is presented as required supplementary information.

#### **E. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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. For the year ended December 31, 2019, the District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element 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 District has one item that qualifies for reporting in this category, property taxes receivable. Property taxes receivable (\$555,856) is unavailable and therefore cannot be recognized as revenue in the governmental funds until received.

#### **F. Fund Balances**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid expenditures) or legally required to remain intact (such as notes receivable or principal of a permanent fund). The District had \$213,904 of nonspendable fund balance for prepaid expenditures and \$6,208 of nonspendable fund balance for inventory at December 31, 2019.

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. The District had no restricted fund balance at December 31, 2019.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the Board of Directors. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation. The District had no committed fund balance at December 31, 2019.

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The District had no assigned fund balance at December 31, 2019.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

#### **G. Cash and Cash Equivalents**

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.

#### **H. Prepaid Items**

Certain payments to vendors such as rent and insurance reflect costs applicable to future periods and are recorded as prepaid items.

#### **I. Spare Parts Inventory**

The District purchased and maintains communication equipment within Palo Pinto County. As a result, the District maintains spare parts for repairs and maintenance. The spare parts are recorded at cost as spare parts inventory when purchased and then moved to repairs and maintenance when used to replace broken communication equipment parts.



# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

#### **J. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 Years
Vehicles	7 Years
Equipment	5-15 Years

#### **K. Risk Management**

The District is exposed to various risks of loss related to torts, errors and omissions, and injuries to volunteer fire fighters. The District purchased commercial insurance for liability through an independent third party carrier. Prepaid portions of insurance premiums are capitalized when paid and fund balance reserved (nonspendable for prepaids) for the unexpired portion at year end.

#### **L. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

#### **A. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions are reported below, along with actions taken to address such violations:

The District had expenditures in excess of budget in the following categories:

Capital outlay	\$260,545
Rent	6,838
Utilities	650

In the future, the District will be more diligent in making necessary budget amendments to avoid unfavorable budget variances.

#### **B. Deficit Fund Balance or Net Position of Individual Funds**

The District had no funds with deficit fund balances or net position as of December 31, 2019.

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019**

### **NOTE 3 - DEPOSITS**

The District's funds are required to be deposited under the terms of a written depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2019, the total amount of the District's demand and time deposits per the general ledger was \$1,409,320, and the total amount per the District's December 31, 2019 bank statement was \$1,411,582.

#### Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District's deposits were adequately secured by FDIC coverage and pledged securities.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019**

### **NOTE 4 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1, and become delinquent after January 31. The District is permitted by the Section 48-e, Article III, Texas Constitution, to levy taxes up to \$.10 per \$100 of assessed valuation for general services. However, the District must receive approval from the voters to go above the rate with which the District was created (\$.03000 per \$100 valuation). The tax rate to finance general governmental services for the year ended December 31, 2019 was \$.03000 per \$100 valuation.

Property tax receivables as of December 31, 2019 consist of the following:

Gross receivables	\$572,575
Less: Allowance for uncollectibles	( 16,719)
Net receivables	<u>\$555,856</u>
Amount expected to be collected within one year	<u>\$500,000</u>

Allowances for uncollectible receivables are based upon historical experience in collecting those receivables. Uncollectible amounts 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.

### **NOTE 5 - DUE FROM OTHER GOVERNMENTS**

Other governments collect taxes on behalf of the District and remit the funds to the District throughout the year. At December 31, 2019, the District was owed \$441,606 from other governments as follows:

#### Property Taxes

The Palo Pinto County Tax Assessor/Collector collects property taxes on behalf of the District and remits the collections to the District periodically. The tax assessor/collector had \$237,206 of collections due to the District at December 31, 2019. The District expects the entire amount to be collected within one year.

#### Sales Taxes

The Texas Comptroller of Public Accounts collects sales taxes on behalf of the District and remits the collections to the District two months after the month of collection. The Texas Comptroller of Public Accounts had \$129,400 of collections due to the District at December 31, 2019. The District expects the entire amount to be collected within one year.

#### County EMS Funding

The District has an interlocal agreement with Palo Pinto County for quarterly funding for EMS. Palo Pinto County owed the District quarterly EMS funding of \$75,000 at December 31, 2019. The District expects the entire amount to be collected within one year.

# PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

Governmental activities:	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
Capital assets not being depreciated:				
Land	\$ -	\$328,428	\$ -	\$328,428
Construction in progress	<u>-</u>	<u>2,149</u>	<u>-</u>	<u>2,149</u>
Total capital assets not being depreciated	<u>-</u>	<u>330,577</u>	<u>-</u>	<u>330,577</u>
Capital assets being depreciated:				
Buildings	-	155,684	-	155,684
Vehicles	38,255	-	-	38,255
Equipment	<u>139,982</u>	<u>6,374</u>	<u>-</u>	<u>146,356</u>
Total capital assets being depreciated	<u>178,237</u>	<u>162,058</u>	<u>-</u>	<u>340,295</u>
Less accumulated depreciation	<u>95,598</u>	<u>37,348</u>	<u>-</u>	<u>132,946</u>
Total capital assets being depreciated, net	<u>82,639</u>	<u>124,710</u>	<u>-</u>	<u>207,349</u>
Governmental activities capital assets, net	<u>\$ 82,639</u>	<u>\$455,287</u>	<u>\$ -</u>	<u>\$537,926</u>

### NOTE 7 - COMMITMENTS AND CONTINGENCIES

#### Operating Lease Commitments

The District leases tower space for antennas that are part of a communication system for the District's service area. The future minimum payments under the lease are as follows:

Year Ending December 31,	
2020	\$ 7,597
2021	7,977
2022	8,376
2023	8,794
2024	9,234
2025	<u>1,551</u>
Total	<u>\$43,528</u>

The operating lease rent paid during the year ended December 31, 2019 was \$7,256.

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2019**

### **NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONT'D.)**

#### Emergency Medical Services Agreement Commitment

The District and Sacred Cross EMS, Inc. entered into an agreement effective February 15, 2018. The term of the agreement is for three years and shall automatically renew for up to three one year renewals or until written notice of the intent not to renew is delivered by either party to the other party no less than ninety days prior to the end of the then current three or one-year term. The agreement requires quarterly installments of \$162,500, on or by the first day, or first business day if the 1st is a weekend or holiday, of each quarter for the duration of the agreement. A prorated payment of \$81,250 was paid by the District at the execution of the agreement since the payment was not synchronized with the first calendar quarter. Subsequent payment due dates are synchronized by calendar quarter. If the District fails to make a payment by the due date, the District will incur a late fee penalty. In 2019, the District and Sacred Cross EMS, Inc. amended the quarterly installment amount to \$206,250 effective February 15, 2019.

The future minimum payments under the agreement are as follows:

Year Ending December 31,	
2020	\$ 825,000
2021	825,000
2022	825,000
2023	825,000
2024	<u>103,125</u>
Total	<u>\$3,403,125</u>

The amount paid under the agreement during the year ended December 31, 2019 was \$803,125.

### **NOTE 8 - SUBSEQUENT EVENT**

#### Emergency Services Building Construction

In 2020, the District began planning for the construction of an emergency services building in conjunction with the Palo Pinto General Hospital on land that the District owns in the Possum Kingdom Lake area. The District has used the services of an architect for preliminary building design and issued a request for proposal for a construction manager at risk.

***REQUIRED SUPPLEMENTARY INFORMATION***

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 833,531	\$ 833,531	\$ 928,993	\$ 95,462
Sales taxes	250,000	650,000	775,494	125,494
County EMS funding	533,300	533,300	474,975	(58,325)
Interest income	5,900	7,400	21,817	14,417
<b>Total revenues</b>	<b>1,622,731</b>	<b>2,024,231</b>	<b>2,201,279</b>	<b>177,048</b>
Expenditures:				
Appraisal fees	20,000	20,000	19,184	816
Audit fees	7,000	7,000	6,581	419
Distributions to volunteer fire departments	442,200	448,000	406,000	42,000
Distributions to EMS entities	50,000	54,000	54,000	-
Reimbursements to and payments on-behalf of VFD/EMS entities	180,000	174,200	38,313	135,887
Contracted ambulance and EMS services	650,000	846,875	810,625	36,250
Insurance	33,000	43,573	23,022	20,551
Tax collector fees	12,000	12,000	9,334	2,666
Palo Pinto County administrative assistant services	33,000	33,000	23,036	9,964
Repairs and maintenance	38,100	39,680	35,334	4,346
Capital outlay	-	75,000	335,545	(260,545)
Rent	8,000	8,000	14,838	(6,838)
Utilities	10,100	11,108	11,758	(650)
Legal fees	40,000	40,000	9,903	30,097
Board training and travel	12,200	12,200	7,752	4,448
EMS supplies	14,500	58,500	-	58,500
Miscellaneous	31,100	60,549	16,302	44,247
Contingency reserve	41,531	80,546	-	80,546
<b>Total expenditures</b>	<b>1,622,731</b>	<b>2,024,231</b>	<b>1,821,527</b>	<b>202,704</b>
Net change in fund balance	-	-	379,752	379,752
Fund balance, beginning	1,667,576	1,667,576	1,667,576	-
Fund balance, ending	<u>\$ 1,667,576</u>	<u>\$ 1,667,576</u>	<u>\$ 2,047,328</u>	<u>\$ 379,752</u>

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

# **PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2019**

### **A. BUDGETARY INFORMATION**

Annual budgets are adopted on the GAAP basis of accounting for the General Fund. All annual appropriations lapse at fiscal year end.

The Treasurer of the Board of Directors is the Budget Officer of the District and has the responsibility of preparing the District's budget. Under the District's budgeting procedures, each volunteer fire department and EMS entity submits a budget request to the Treasurer. In July, before the District sets the tax rate for a fiscal year in August, a proposed budget is presented to the Board of Directors. A public hearing is then held and the Board of Directors takes action on the proposed budget. Before determining the final budget, the Board of Directors may increase or decrease the budgeted amounts. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Board of Directors, the Treasurer is responsible for monitoring the expenditures of the various departments of the District to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Board of Directors advised of the conditions of the various funds and accounts.

Any transfers of appropriations are first approved by the Board of Directors. No amendments may be made without the Board of Directors' approval to the total budget or budget line. Thus, the legal level of budgetary control is at the budget line. No supplemental appropriations were required during the year.

The District over-expended the legally adopted budget of the General Fund in three categories. The actual expenditures in capital outlay, rent and utilities exceeded final budgeted amounts by \$260,545, \$6,838 and \$650, respectively.



## ***INTERNAL CONTROL AND COMPLIANCE***



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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WICHITA FALLS, TEXAS 76307-0750  
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MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Board of Directors  
Palo Pinto County Emergency Services District No. 1

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 and the major fund of Palo Pinto County Emergency Services District No. 1 (District) as of and for the year ended December 31, 2019, 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 13, 2020.

### **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 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 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 the 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 over financial reporting 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001.

### **Palo Pinto County Emergency Services District No. 1's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Edgin, Parkman, Fleming & Fleming, PC". The signature is written in a cursive, flowing style.

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
May 13, 2020

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to the financial statements noted?   X   Yes        No

**B. Financial Statement Findings**

*Finding 2019-001 – Material Noncompliance – Expenditures in Excess of Legally Adopted Budget*

Criteria or Specified Requirement

The District's actual expenditures should not exceed the budgeted expenditures for any individual category in the General Fund as legally adopted by the District's Board of Directors.

Condition Found

The District over-expended the legally adopted budget of the General Fund in three categories. The actual expenditures in capital outlay, rent and utilities for the current fiscal year exceeded final budgeted amounts by \$260,545, \$6,838 and \$650, respectively.

Cause

Although the District's expenditures did not exceed the budgeted amounts in any account prior to the reclassification of expenditures for financial statement presentation, the reclassified expenditures exceeded the budgeted amounts in the three categories listed above. The reclassification of expenditures was required because the District tracks its capital asset acquisitions in balance sheet accounts and the District recorded expenditures in a contingency reserve account instead of the correct expenditure account for the type of expenditure.

Effect

The District's actual expenditures exceeded final budgeted amounts in three individual categories of the General Fund as discussed above.

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**SCHEDULE OF FINDINGS AND RESPONSES (CONT'D.)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Recommendation

We recommend that the District closely monitor the recording of expenditures to ensure that the expenditures are recorded to the appropriate account for the type of expenditure incurred. We also recommend that the District either track capital asset additions in capital outlay expenditure accounts or that the District budget capital outlay expenditure accounts adequately to ensure that when capital asset additions are reclassified from balance sheet accounts to expenditure accounts for fund level financial statement presentation that the capital outlay expenditures do not exceed budgeted amounts.

Views of Responsible Officials and Planned Corrective Action

Please refer to the Corrective Action Plan prepared by the District's management.

**PALO PINTO COUNTY  
EMERGENCY SERVICES DISTRICT NO. 1**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

*Finding 2018-001 – Material Weakness over Financial Reporting – Material Audit Adjustments*

Condition

During the prior year audit, we proposed several audit adjustments. One of the adjustments was individually material to the District's financial statements. In addition, the total of the adjustments resulted in a material adjustment to both assets and fund balance/net position. The total of the adjustments increased assets as reported by management by \$160,006 and fund balance/net position by \$187,956. The main reason for the understatement of assets and equity was the recording of the \$162,500 prepayment of the first quarter 2019 EMS services to fund balance – nonspendable for prepaid expenditures instead of to the prepaid expenditures asset account.

Current Status

During the current year audit, we proposed audit adjustments that were not material, either individually or in the aggregate, to the financial statements taken as a whole.



# **Palo Pinto County Emergency Services District #1**

**P.O. Box 460  
Palo Pinto, Texas 76484  
940-325-5762 office**



## **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2019**

### *Finding 2019-001 – Material Noncompliance – Expenditures in Excess of Legally Adopted Budget*

The District will closely monitor the recording of expenditures to ensure that the expenditures are recorded to the appropriate account for the type of expenditure incurred and that an appropriate amount is budgeted for the expenditures.

Tye Jackson, Board President, is the official responsible for implementing this corrective action.