

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

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FINANCIAL SECTION



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Independent Auditor's Report

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

Opinion

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements (C Exhibits) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2022, 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 solely 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 District's 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.

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 18, 2022

BASIC FINANCIAL STATEMENTS

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

STATEMENT OF NET POSITION DECEMBER 31, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,168,103
Property taxes receivable, net	768,395
Due from other governments	446,774
Prepaid expenses	237,609
Spare parts inventory	7,000
Capital assets, net	2,526,796
Total assets	<u>6,154,677</u>
Liabilities	
Accounts payable	203,329
Accrued liabilities	11,426
Long-term liabilities	
Due within one year	27,029
Due in more than one year	472,971
Total liabilities	<u>714,755</u>
Deferred inflows of resources	
Taxes collected in advance	<u>373,747</u>
Net position	
Net investment in capital assets, net of related debt	2,026,796
Unrestricted	3,039,379
Total net position	<u>\$ 5,066,175</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, 2021**

		Program Revenues			Net Expense and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs	Expenses				
Primary government:					
General governmental activities:					
Emergency services	\$ 1,730,272	\$ -	\$ 329,000	\$ 805,500	\$ (595,772)
General revenues:					
					1,184,063
Property taxes					
Sales taxes					1,068,221
Interest income					1,875
Total general revenues					2,254,159
Change in net position					1,658,387
Net position - beginning					3,407,788
Net position - ending					\$ 5,066,175

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, 2021

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 2,168,103
Property taxes receivable, net	768,395
Due from other governments	446,774
Prepaid expenditures	237,609
Spare parts inventory	7,000
Total assets	<u>\$ 3,627,881</u>
Liabilities	
Accounts payable	<u>\$ 203,329</u>
Deferred inflows of resources	
Taxes collected in advance	373,747
Unavailable property taxes	768,395
Total deferred inflows of resources	<u>1,142,142</u>
Fund balance	
Nonspendable:	
Prepaid expenditures	237,609
Spare parts inventory	7,000
Unassigned	2,037,801
Total fund balance	<u>2,282,410</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,627,881</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, 2021**

Total fund balance - governmental fund (Exhibit A-3)		\$ 2,282,410
Amounts reported for <i>governmental activities</i> 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	\$ 2,697,970	
Related accumulated depreciation	<u>171,174</u>	2,526,796
Property tax receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		768,395
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Note payable		(500,000)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.		<u>(11,426)</u>
Total net position - governmental activities (Exhibit A-1)		<u><u>\$ 5,066,175</u></u>

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, 2021

	<u>General Fund</u>
Revenues:	
Property taxes	\$ 1,020,380
Sales taxes	1,068,221
County EMS funding	327,500
Gifts and contributions	807,000
Interest income	<u>1,875</u>
Total revenues	<u>3,224,976</u>
Expenditures:	
Appraisal fees	15,748
Audit fees	9,994
Distributions to volunteer fire departments	428,287
Distributions to EMS entities	54,000
Reimbursements to and payments on-behalf of VFD/EMS entities	88,565
Contracted ambulance and EMS services	825,000
Insurance	86,347
Tax collector fees	9,450
Palo Pinto County administrative assistant services	31,169
Repairs and maintenance	61,471
Capital outlay	1,957,742
Rent	8,729
Utilities	2,399
Legal fees	7,416
Board training and travel	7,807
EMS supplies	1,646
EMS facilities	61,349
Miscellaneous	<u>9,687</u>
Total expenditures	<u>3,666,806</u>
Excess of revenue under expenditures	<u>(441,830)</u>
Other sources:	
Proceeds from the issuance of long-term debt	<u>500,000</u>
Net change in fund balance	58,170
Fund balance - beginning	2,224,240
Fund balance - ending	<u><u>\$ 2,282,410</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, 2021

Net change in fund balance - governmental fund (Exhibit A-5) \$ 58,170

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	\$ 1,957,742	
Depreciation expense for the year	9,782	1,947,960

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 increased by this amount this year. 163,683

The issuance of long-term debt is recorded as other sources in the governmental funds; however, they are recorded as long-term liabilities in the government-wide financial statements. The District issued a note payable during the year totaling: (500,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in accrued interest is as follows:

Accrued interest at December 31, 2020	-	
Accrued interest at December 31, 2021	11,426	(11,426)

Change in net position of governmental activities (Exhibit A-2) \$ 1,658,387

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, 2021

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 and sales taxes levied and distributions from Palo Pinto County. The District distributes funds to eleven volunteer departments and several emergency medical service entities and pays other necessary costs 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, 2021

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, 2021

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, 2021, 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 two items that qualify for reporting in this category, taxes collected in advance and property taxes receivable. Property taxes receivable (\$768,395) is unavailable and therefore cannot be recognized as revenue in the governmental funds until received. Property taxes that are collected before the period which they are intended to finance are reported in this category (\$373,747).

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 \$237,609 of nonspendable fund balance for prepaid expenditures and \$7,000 of nonspendable fund balance for inventory at December 31, 2021.

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, 2021.

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2021

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

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, 2021.

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, 2021.

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.

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2021

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

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.

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

There were no violations of finance-related legal and contractual provisions for the year ended December 31, 2021.

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, 2021.

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2021

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, 2021, the total amount of the District's demand and time deposits per the general ledger was \$2,168,103, and the total amount per the District's December 31, 2021 bank statement was \$2,219,446.

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, 2021

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, 2021 was \$.03000 per \$100 valuation.

Property tax receivables as of December 31, 2021 consist of the following:

Gross receivables	\$789,121
Less: Allowance for uncollectibles	(20,726)
Net receivables	<u>\$768,395</u>
Amount expected to be collected within one year	<u>\$700,000</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, 2021, the District was owed \$446,774 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 \$119,966 of collections due to the District at December 31, 2021.

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 \$184,308 of collections due to the District at December 31, 2021.

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 \$142,500 at December 31, 2021.

The District expects all of the amounts to be collected within one year.

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2021

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

Governmental activities:	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
Capital assets not being depreciated:				
Land	\$328,428	\$ -	\$ -	\$ 328,428
Construction in progress	71,505	1,957,742	-	2,029,247
Total capital assets not being depreciated	399,933	1,957,742	-	2,357,675
Capital assets being depreciated:				
Buildings	155,684	-	-	155,684
Vehicles	38,255	-	-	38,255
Equipment	146,356	-	-	146,356
Total capital assets being depreciated	340,295	-	-	340,295
Less accumulated depreciation	161,392	9,782	-	171,174
Total capital assets being depreciated, net	178,903	(9,782)	-	169,121
Governmental activities capital assets, net	\$578,836	\$1,947,960	\$ -	\$2,526,796

NOTE 7 - LONG-TERM OBLIGATIONS

The District issued a note payable to provide funds for the construction of EMS facilities. This issue is a direct obligation and pledges the full faith and credit of the District. The note is also secured by the EMS facilities.

Changes in long-term liabilities for the year ended December 31, 2021 was as follows:

Governmental activities:	Balance 01/01/2021	Additions	Retirements	Balance 12/31/2021	Due Within One Year
Note payable	\$ -	\$500,000	\$ -	\$500,000	\$ 27,029
Total long-term liabilities - governmental activities	\$ -	\$500,000	\$ -	\$500,000	\$ 27,029

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2021

NOTE 7 - LONG-TERM OBLIGATIONS (CONT'D.)

Note Payable

The note payable to The Independent Bankersbank, N.A. was originally borrowed from Government Capital Corporation. The District borrowed \$500,000 with interest of 2.926% to help fund the construction of an EMS facility. The note payable requires annual principal and interest payments of \$41,659 beginning March 17, 2022, with a maturity of March 17, 2036.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 12/31/2021</u>
EMS Facility Construction	\$500,000	4/5/2021	3/17/2036	2.926%	<u>\$500,000</u>

Note payable service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 27,029	\$ 14,630	\$ 41,659
2023	27,820	13,839	41,659
2024	28,634	13,025	41,659
2025	29,472	12,187	41,659
2026	30,335	11,324	41,659
2027-31	165,518	42,780	208,298
2032-36	<u>191,192</u>	<u>17,106</u>	<u>208,298</u>
Totals	<u>\$500,000</u>	<u>\$124,891</u>	<u>\$624,891</u>

NOTE 8 - 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:

<u>Year Ending December 31,</u>	
2022	\$ 8,376
2023	8,794
2024	9,234
2025	<u>1,551</u>
Total	<u>\$27,955</u>

The operating lease rent paid during the year ended December 31, 2021 was \$8,729.

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2021

NOTE 8 - 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. In 2020, the District and Sacred Cross EMS, Inc. renewed the contract beginning February 15, 2021 for three years with automatic renewal for up to three one-year periods 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. In addition, any terms starting or completing after December 31, 2021 are subject to appropriation by the District.

The future minimum payments under the agreement are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 825,000
2023	825,000
2024	825,000
2025	825,000
2026	825,000
2027	<u>103,125</u>
Total	<u>\$4,228,125</u>

The amount paid under the agreement during the year ended December 31, 2021 was \$825,000.

NOTE 9 - COVID-19 PANDEMIC

Beginning in December 2019, a novel coronavirus, now designated SAR-CoV2 which causes the disease COVID-19 was declared a global pandemic by the World Health Organization. The symptoms of COVID-19 can range from severe illness and can cause complications including death. On March 13, 2020, the Governor of the State of Texas issued a proclamation certifying that COVID-19 poses an imminent threat of disaster in Texas and declared a state of disaster for all counties in Texas. A state of disaster requires that certain emergency protective measures be taken pursuant to the Texas Disaster Act of 1975 relating to Emergency Management and Public Health, pursuant to Chapter 418 of the Texas Government Code. The full impact of the COVID-19 pandemic on the national, state, and local economies and, ultimately, the District's finances is not known at this time.

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2021

NOTE 10 - EMS BUILDING

The District constructed an emergency services building in conjunction with the Palo Pinto County Hospital District (PPCHD) on land that the District owns in the Possum Kingdom Lake area. The District uses a portion of the building to house ambulance emergency services and the PPCHD uses a portion of the building to operate a clinic. The building began operations in early 2022. The PPCHD contributed funds for the construction of its portion of the building, but the District owns the building and is responsible for its maintenance. The District signed a lease with PPCHD for the clinic portion of the building for \$12 per year for 30 years with the option to extend the lease for two 10-year periods.

NOTE 11 - SUBSEQUENT EVENT

Graford Emergency Fire District Brush Truck

In April 2022, the District entered into an interlocal agreement with the Graford Emergency Fire District to provide \$175,000 for the Fire District to purchase a new brush truck through a Texas Forest Service grant. The Texas Forest Service grant will cover \$110,000 of the cost of the brush truck. Under the interlocal agreement, the Graford Emergency Fire District will reimburse the District the \$110,000 once it receives the grant expenditure reimbursement from the Texas Forest Service.

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, 2021**

	Budget			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 900,000	\$ 900,000	\$ 1,020,380	\$ 120,380
Sales taxes	750,000	750,000	1,068,221	318,221
County EMS funding	300,000	300,000	327,500	27,500
Gifts and contributions	-	805,500	807,000	1,500
Interest income	12,500	14,792	1,875	(12,917)
Total revenues	1,962,500	2,770,292	3,224,976	454,684
Expenditures:				
Appraisal fees	25,000	25,000	15,748	9,252
Audit fees	11,000	11,000	9,994	1,006
Distributions to volunteer fire departments	442,200	461,400	428,287	33,113
Distributions to EMS entities	54,000	54,000	54,000	-
Reimbursements to and payments on-behalf of VFD/EMS entities	140,000	168,000	88,565	79,435
Contracted ambulance and EMS services	825,000	825,000	825,000	-
Insurance	200,000	103,800	86,347	17,453
Tax collector fees	12,000	12,000	9,450	2,550
Palo Pinto County administrative assistant services	37,000	31,200	31,169	31
Repairs and maintenance	33,000	70,500	61,471	9,029
Capital outlay	65,000	2,022,795	1,957,742	65,053
Rent	9,500	8,750	8,729	21
Utilities	2,500	2,550	2,399	151
Legal fees	32,000	10,500	7,416	3,084
Board training and travel	17,000	10,000	7,807	2,193
EMS supplies	6,000	6,000	1,646	4,354
EMS facilities	60,000	62,130	61,349	781
Miscellaneous	67,200	69,375	9,687	59,688
Contingency reserve	168,200	2,600	-	2,600
Total expenditures	2,206,600	3,956,600	3,666,806	289,794
Excess of revenue over (under) expenditures	(244,100)	(1,186,308)	(441,830)	744,478
Other sources:				
Proceeds from the issuance of long-term debt	-	500,000	500,000	-
Net change in fund balance	(244,100)	(686,308)	58,170	744,478
Fund balance - beginning	2,224,240	2,224,240	2,224,240	-
Fund balance - ending	\$ 1,980,140	\$ 1,537,932	\$ 2,282,410	\$ 744,478

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, 2021

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.

SUPPLEMENTARY INFORMATION

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

COMBINING BALANCE SHEET - GOVERNMENTAL FUND DECEMBER 31, 2021

	Ad Valorem	Sales Tax	Total
Assets			
Cash and cash equivalents	\$ 1,476,069	\$ 692,034	\$ 2,168,103
Property taxes receivable, net	768,395	-	768,395
Due from other governments	119,966	326,808	446,774
Prepaid expenditures	31,359	206,250	237,609
Spare parts inventory	7,000	-	7,000
Total assets	<u>\$ 2,402,789</u>	<u>\$ 1,225,092</u>	<u>\$ 3,627,881</u>
Liabilities			
Accounts payable	<u>\$ 9,199</u>	<u>\$ 194,130</u>	<u>\$ 203,329</u>
Deferred inflows of resources			
Taxes collected in advance	373,747	-	373,747
Unavailable property taxes	768,395	-	768,395
Total deferred inflows of resources	<u>1,142,142</u>	<u>-</u>	<u>1,142,142</u>
Fund balance			
Nonspendable:			
Prepaid expenditures	31,359	206,250	237,609
Spare parts inventory	7,000	-	7,000
Unassigned	1,213,089	824,712	2,037,801
Total fund balance	<u>1,251,448</u>	<u>1,030,962</u>	<u>2,282,410</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,402,789</u>	<u>\$ 1,225,092</u>	<u>\$ 3,627,881</u>

PALO PINTO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Ad Valorem</u>	<u>Sales Tax</u>	<u>Total</u>
Revenues:			
Property taxes	\$ 1,020,380	\$ -	\$ 1,020,380
Sales taxes	-	1,068,221	1,068,221
County EMS funding	-	327,500	327,500
Gifts and contributions	-	807,000	807,000
Interest income	1,502	373	1,875
	<u>1,021,882</u>	<u>2,203,094</u>	<u>3,224,976</u>
Total revenues	<u>1,021,882</u>	<u>2,203,094</u>	<u>3,224,976</u>
Expenditures:			
Appraisal fees	15,748	-	15,748
Audit fees	9,994	-	9,994
Distributions to volunteer fire departments	428,287	-	428,287
Distributions to EMS entities	-	54,000	54,000
Reimbursements to and payments on-behalf of VFD/EMS entities	88,565	-	88,565
Contracted ambulance and EMS services	-	825,000	825,000
Insurance	86,347	-	86,347
Tax collector fees	9,450	-	9,450
Palo Pinto County administrative assistant services	31,169	-	31,169
Repairs and maintenance	53,991	7,480	61,471
Capital outlay	-	1,957,742	1,957,742
Rent	8,729	-	8,729
Utilities	2,399	-	2,399
Legal fees	5,918	1,498	7,416
Board training and travel	7,807	-	7,807
EMS supplies	-	1,646	1,646
EMS facilities	-	61,349	61,349
Miscellaneous	8,415	1,272	9,687
	<u>756,819</u>	<u>2,909,987</u>	<u>3,666,806</u>
Total expenditures	<u>756,819</u>	<u>2,909,987</u>	<u>3,666,806</u>
Excess of revenue over (under) expenditures	<u>265,063</u>	<u>(706,893)</u>	<u>(441,830)</u>
Other sources:			
Proceeds from the issuance of long-term debt	-	500,000	500,000
Net change in fund balances	265,063	(206,893)	58,170
Fund balances - beginning	986,385	1,237,855	2,224,240
Fund balances - ending	<u>\$ 1,251,448</u>	<u>\$ 1,030,962</u>	<u>\$ 2,282,410</u>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Ad Valorem		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 900,000	\$ 1,020,380	\$ 120,380
Sales taxes	-	-	-
County EMS funding	-	-	-
Gifts and contributions	-	-	-
Interest income	10,000	1,502	(8,498)
Total revenues	910,000	1,021,882	111,882
Expenditures:			
Appraisal fees	25,000	15,748	9,252
Audit fees	11,000	9,994	1,006
Distributions to volunteer fire departments	461,400	428,287	33,113
Distributions to EMS entities	-	-	-
Reimbursements to and payments on-behalf of VFD/EMS entities	168,000	88,565	79,435
Contracted ambulance and EMS services	-	-	-
Insurance	103,800	86,347	17,453
Tax collector fees	12,000	9,450	2,550
Palo Pinto County administrative assistant services	31,200	31,169	31
Repairs and maintenance	57,000	53,991	3,009
Capital outlay	65,000	-	65,000
Rent	8,750	8,729	21
Utilities	2,550	2,399	151
Legal fees	6,000	5,918	82
Board training and travel	10,000	7,807	2,193
EMS supplies	-	-	-
EMS facilities	-	-	-
Miscellaneous	10,700	8,415	2,285
Contingency reserve	2,600	-	2,600
Total expenditures	975,000	756,819	218,181
Excess of revenue over (under) expenditures	(65,000)	265,063	330,063
Other sources:			
Proceeds from the issuance of long-term debt	-	-	-
Net change in fund balance	(65,000)	265,063	330,063
Fund balance - beginning	986,385	986,385	-
Fund balance - ending	\$ 921,385	\$ 1,251,448	\$ 330,063

Sales Tax			Total		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 900,000	\$ 1,020,380	\$ 120,380
750,000	1,068,221	318,221	750,000	1,068,221	318,221
300,000	327,500	27,500	300,000	327,500	27,500
805,500	807,000	1,500	805,500	807,000	1,500
4,792	373	(4,419)	14,792	1,875	(12,917)
<u>1,860,292</u>	<u>2,203,094</u>	<u>342,802</u>	<u>2,770,292</u>	<u>3,224,976</u>	<u>454,684</u>
-	-	-	25,000	15,748	9,252
-	-	-	11,000	9,994	1,006
-	-	-	461,400	428,287	33,113
54,000	54,000	-	54,000	54,000	-
-	-	-	168,000	88,565	79,435
825,000	825,000	-	825,000	825,000	-
-	-	-	103,800	86,347	17,453
-	-	-	12,000	9,450	2,550
-	-	-	31,200	31,169	31
13,500	7,480	6,020	70,500	61,471	9,029
1,957,795	1,957,742	53	2,022,795	1,957,742	65,053
-	-	-	8,750	8,729	21
-	-	-	2,550	2,399	151
4,500	1,498	3,002	10,500	7,416	3,084
-	-	-	10,000	7,807	2,193
6,000	1,646	4,354	6,000	1,646	4,354
62,130	61,349	781	62,130	61,349	781
58,675	1,272	57,403	69,375	9,687	59,688
-	-	-	2,600	-	2,600
<u>2,981,600</u>	<u>2,909,987</u>	<u>71,613</u>	<u>3,956,600</u>	<u>3,666,806</u>	<u>289,794</u>
<u>(1,121,308)</u>	<u>(706,893)</u>	<u>414,415</u>	<u>(1,186,308)</u>	<u>(441,830)</u>	<u>744,478</u>
<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
(621,308)	(206,893)	414,415	(686,308)	58,170	744,478
1,237,855	1,237,855	-	2,224,240	2,224,240	-
<u>\$ 616,547</u>	<u>\$ 1,030,962</u>	<u>\$ 414,415</u>	<u>\$ 1,537,932</u>	<u>\$ 2,282,410</u>	<u>\$ 744,478</u>

INTERNAL CONTROL AND COMPLIANCE



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021, 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 18, 2022.

Report on 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) as a basis for designing 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 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 that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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 or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2021-001.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and 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 the response.

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,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
May 18, 2022

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

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 2021-001 – Material Noncompliance – Filing Audit Report with Commissioners Court

Criteria or Specified Requirement

The Health and Safety Code Chapter 775 Section 775.082 requires the District to file its annual audit report of the District accounts and records with the Commissioners Court of each county that contains any part of the District on or before June 1 of each year with the option for the commissioners court to extend the deadline up to an additional 30 days.

Condition Found

The District failed to file its 2020 annual audit report with the Commissioners Court by the extended deadline of July 1, 2021.

Cause

The District's 2020 audit report was not issued until July 1, 2021. Therefore, the District's 2020 audit report was not filed with the Commissioners Court until July 9, 2021.

Effect

The District's 2020 audit report was not filed with the Commissioners Court by the extended deadline.

Recommendation

We recommend that the District's Board of Directors ensure that its financial records are adjusted early enough in the subsequent year to allow for the audit to be completed and the audit report issued with enough time to allow for the District's Board of Directors to approve the audit report and submit the audit report to the Commissioners Court by the June 1 deadline or the 30 day extended deadline.

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, 2021**

There were no audit findings in the prior year.



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, 2021

Finding 2021-001 – Material Noncompliance – Filing Audit Report with Commissioners Court

The District's Board of Directors will ensure that its financial records are adjusted early enough in the subsequent year to allow for the audit to be completed and the audit report issued with enough time for the District's Board of Directors to approve the audit report and submit the audit report with the Commissioners Court by the June 1 deadline or the 30 day extended deadline.

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