

**PARKER COUNTY EMERGENCY
SERVICES DISTRICT No. 3**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Parker County Emergency Services District No. 3
Hudson Oaks, TX 76087

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Parker County Emergency Services District No. 3 (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

To the Board of Commissioners
Parker County Emergency Services District No. 3
Hudson Oaks, Texas

We have audited, 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, the financial statements of the governmental activities and major fund of the Parker County Emergency Services District No. 3 (the "District") as of and for the year ended September 30, 2019, which collectively comprise the District's basic financial statements and issued our report thereon, dated February 21, 2020.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 3
September 30, 2019

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PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 3

BOARD OF COMMISSIONERS

SEPTEMBER 30, 2019

PRESIDENT – ED HUDDLESTON

VICE-PRESIDENT – JERRY BROOKS

SECRETARY/TREASURER – BETTY REINERT

ASSISTANT TREASURER – ELVERA JOHNSON

COMMISSIONER – JIMMY BODIFORD

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 9, budgetary information on page 20 - 21 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020 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 effectiveness of 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* and should be considered in assessing the results of our audit.

George Morgan Street, P.C.

Weatherford, Texas
February 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parker County Emergency Services District No. 3, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2019. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the Parker County Emergency Services District No. 3 exceeded its liabilities by \$2,477,861 (net position) for the current year reported as compared to \$1,946,626 (net position) in the previous year.
- The District's total net position increased by \$531,235 for the current year reported. This compares to an increase of \$433,998 in the previous year.
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$2,278,931. The governmental fund reported ending balance in the prior year was \$1,798,999.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes. The governmental activity of the District is to provide protection of life and property from fire, hazardous material incidents, accident, disaster, and other emergencies, and for the conservation of natural resources.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one governmental fund.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 19 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Parker County Emergency Services District No. 3, assets exceeded liabilities by \$2,477,861 as of September 30, 2019.

Below are summaries of the District's Statement of Net Position and Statement of Activities.

Condensed Statement of Net Position		
	2019	2018
Assets:		
Current assets	\$ 2,297,749	\$ 2,015,584
Capital assets	487,065	577,358
Total assets	<u>2,784,814</u>	<u>2,592,942</u>
Liabilities:		
Current liabilities	53,949	275,497
Long-term liabilities	253,004	370,819
Total liabilities	<u>306,953</u>	<u>646,316</u>
Net position:		
Net investment in capital assets	195,772	145,423
Unrestricted	2,282,089	1,801,203
Total Net Position	<u>\$ 2,477,861</u>	<u>\$ 1,946,626</u>

Changes in Net Position		
	2019	2018
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 6,322	\$ 5,905
Capital grants and contributions	-	-
General revenues:		
Property taxes	1,616,394	1,569,971
Other Income	17,735	8,288
Investment earnings	35,852	16,912
Total revenues	1,676,303	1,601,076
Expenses:		
Emergency services operations	1,145,068	1,167,078
Total expenses	1,145,068	1,167,078
Change in net position	531,235	433,998
Net position October 1	1,946,626	1,512,628
Net position September 30	\$ 2,477,861	\$ 1,946,626

Governmental Activities. Governmental activities increased the District's net position by \$531,235 compared with an increase of \$433,998 in the prior year. Total governmental activities revenues increased mainly due to an increase in property taxes of \$46,423 and an increase in investment earnings of \$18,940. The taxable value of property in the District increased \$36 million. The total governmental activities expenses decreased \$22,010.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the District's governmental fund reported ending fund balance of \$2,278,931. \$2,278,931 represents unassigned fund balance that is available for spending at the District's discretion. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 189.86% of the total general fund expenditures. During the year, the fund balance of the District's general fund increased \$479,932. Below is a comparison of the general fund's net change in fund balance for 2019.

Changes in General Fund Balance

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenues:			
Charges for Service	-		-
Operating grants and contributions	6,322	5,905	417
General revenues:			
Property taxes	1,620,326	1,569,932	50,394
Other Income	10,546	812	9,734
Investment earnings	35,852	16,912	18,940
Vehicle inventory tax	7,189	7,476	(287)
Total revenues	<u>1,680,235</u>	<u>1,601,037</u>	<u>79,198</u>
Expenditures:			
Emergency services operations	1,030,978	1,042,768	(11,790)
Capital Outlay	8,240	-	8,240
Debt service			
Principal	140,642	58,912	81,730
Interest	20,443	16,811	3,632
Total Expenditures	<u>1,200,303</u>	<u>1,118,491</u>	<u>81,812</u>
Net change in fund balance	<u>\$ 479,932</u>	<u>\$ 482,546</u>	<u>\$ (2,614)</u>

Budgetary Fund Highlights

The original and final budget can be briefly summarized by the following chart:

	<u>Budgeted Amounts</u>		<u>Increase (Decrease) in Budget</u>
	<u>Original</u>	<u>Final</u>	
Expenditures:			
Emergency services operations	\$ 1,475,279	\$ 1,197,756	\$ (277,523)
	<u>\$ 1,475,279</u>	<u>\$ 1,197,756</u>	<u>\$ (277,523)</u>

The District adopts a budget at the beginning of the fiscal year. The budget was amended during the year to remove funds budgeted for construction of a new station. Expenses exceeded appropriations by \$2,547.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2019, amounts to \$487,065 (net of accumulated depreciation). This investment in capital assets includes equipment and vehicles.

	2019	2018
Capital Assets:		
Land	\$ 100,911	\$ 100,911
Equipment	40,255	49,172
Vehicles	345,899	427,275
Total capital assets	<u>\$ 487,065</u>	<u>\$ 577,358</u>

Long-Term Debt

The District's long-term debt is as follows:

	Governmental Activities	
	2019	2018
Capital lease payable	<u>\$ 291,293</u>	<u>\$ 431,935</u>
Total	<u>\$ 291,293</u>	<u>\$ 431,935</u>

Economic Factors and the Next Year's Budgets and Rates

The 2019-2020 budget is based on 98% of the certified taxable value of the District. As of Feb 8, 2020, ESD No. 3 has received 91% of the taxes budgeted and fully expects to receive an amount equal to or greater than 99% before the end of this fiscal year.

The area within Parker County ESD No. 3 covers approximately 78 square miles and is primarily protected through a Joint Operating Agreement with the City of Weatherford. A small area along the eastern edge of the District is serviced through an agreement with the City of Willow Park through an automatic aid agreement. Beginning on October 1, 2015, the ESD and the City of Weatherford entered into a ten-year agreement based on payments to Weatherford equaling 4.815 cents per \$100 valuation of the district tax base. An amendment to the service contract with the City of Weatherford, effective October 1, 2019, changed the way the fee for the contract is determined. Under the Amendment, the fee will be 13% of the City of Weatherford Fire Department Budget paid in quarterly payments. The District also provides a facility in Hudson Oaks as well as one engine, one brush truck and one tanker truck for the Weatherford Fire Department to utilize.

The savings from this agreement will be used to continue to support the Hudson Oaks Fire Rescue Volunteers, to fund replacement of an engine for the Weatherford Fire Departments under the agreements, and to construct a new fire station in the Hudson Oaks area. The current fire station is leased the City of Hudson Oaks and is not adequate in its present condition.

New bridge construction and service road additions in the immediate area of Hudson Oaks and improved thoroughfares will continue to support long term economic development in the area. Considering these factors, along with the Board of Commissioners dedication to fiscal responsibility and excellent emergency services, no increase or decrease is expected for the 2020 budget.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Parker County Emergency Services District No. 3, Attn: President, 150 N. Oakridge, Hudson Oaks, Texas 76087.

BASIC FINANCIAL STATEMENTS

Parker County Emergency Services District No. 3
Statement of Governmental Fund Balance Sheet and Statement of Net Position
September 30, 2019

	Governmental Fund General Fund	Adjustments (Note 5)	Governmental Activities Statement of Net Position
Assets:			
Cash	\$ 404,271	\$ -	\$ 404,271
Certificates of deposit	1,882,212		1,882,212
Property tax receivable (Net of allowance for uncollectibles)	11,266		11,266
Other Assets	-	-	-
Capital assets (net of accumulated depreciation):			
Land		100,911	100,911
Vehicles	-	345,899	345,899
Equipment	-	40,255	40,255
Total Assets	<u>2,297,749</u>	<u>487,065</u>	<u>2,784,814</u>
Liabilities:			
Accrued payables	7,523		7,523
Accrued interest		8,137	8,137
Long term liabilities:			
Due within one year		38,289	38,289
Due after one year		253,004	253,004
Total Liabilities	<u>7,523</u>	<u>299,430</u>	<u>306,953</u>
Deferred inflows of resources:			
Deferred property tax	11,295	(11,295)	-
Total deferred inflows of resources	<u>11,295</u>	<u>(11,295)</u>	<u>-</u>
Fund balance/Net position:			
Fund balance:			
Unassigned	2,278,931	(2,278,931)	-
Total fund balances	2,278,931	(2,278,931)	-
Total liabilities and fund balance	<u>\$ 2,297,749</u>		
Net Position:			
Net investment in capital assets		195,772	195,772
Unrestricted Net Position		2,282,089	2,282,089
		<u>\$ 2,477,861</u>	<u>\$ 2,477,861</u>

The notes to the financial statements are an integral part of this statement

Parker County Emergency Services District No. 3
Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2019

	Governmental Fund <u>General Fund</u>	Adjustments (Note 5)	Governmental Activities Statement of Activities
Revenues:			
Program revenues:			
Operating grants and contributions	6,322	-	6,322
Property taxes	1,620,326	(3,932)	1,616,394
Other Income	10,546		10,546
Investment earnings	35,852	-	35,852
Vehicle inventory tax	7,189	-	7,189
Total revenues	<u>1,680,235</u>	<u>(3,932)</u>	<u>1,676,303</u>
Expenditures/expenses:			
Emergency services operations:			
Contract services	6,200	-	6,200
Legal	4,430		4,430
Rent	23,111	-	23,111
Bank charges	218	-	218
Advertising	3,466	-	3,466
Dues and subscriptions	1,100	-	1,100
Insurance	11,220	-	11,220
Operations	55,400	-	55,400
Miscellaneous	2,626	-	2,626
Appraisal district fees	26,788	-	26,788
Travel & meetings	8,325	-	8,325
Payroll	97,689	-	97,689
Contract with Weatherford	790,405	-	790,405
Depreciation		98,533	98,533
Capital outlay	8,240	(8,240)	-
Debt service			
Principal	140,642	(140,642)	-
Interest	20,443	(4,886)	15,557
Total expenditures/expenses	<u>1,200,303</u>	<u>(55,235)</u>	<u>1,145,068</u>
Change in fund balance/net position	479,932	51,303	531,235
Fund balance/net position:			
Beginning of the year	<u>1,798,999</u>	<u>147,627</u>	<u>1,946,626</u>
End of the year	<u><u>2,278,931</u></u>	<u><u>198,930</u></u>	<u><u>2,477,861</u></u>

The notes to the financial statements are an integral part of this statement

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Creation of Emergency Services District

The Parker County Emergency Services District No. 3 (the “District”) was created on February 18, 2004, pursuant to Chapter 775 of the Health and Safety Code of Vernon’s Ann. Civil Statutes (Health and Safety Code).

The basic financial statements of the District have been prepared in conformity with the generally accepted account principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District provides firefighting and emergency services to citizens of the District. The District’s primary source of revenue is ad valorem taxes.

B. Reporting Entity

The District is a political subdivision of the state created to perform the functions of 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 Commissioner’s Court of Parker County.

C. Government-wide and Fund Financial Statements

The District is engaged in one governmental program and therefore considered a special purpose government under GASB No. 34. This allows the District to present a combined columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. Governmental fund financial statements are prepared on the modified accrual basis of accounting. An adjustment column includes those adjustments needed to convert fund financial statements to full accrual basis to government-wide financial statements. The statement of net position and statement of activities are government-wide financial statements. Governmental activities are normally supported by taxes.

D. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are 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.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred.

Property taxes are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

E. Cash and Cash Equivalents

The District considers all highly liquid investments available to be cash on hand, demand deposits and short-term investments that are highly liquid with maturity within three months or less when purchased.

F. Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over estimated useful lives of between 5 to 7 years for equipment, and 5 – 10 years for vehicles.

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

G. Fund Balances – Governmental Funds

In accordance with GASB No. 54, the District classified fund balances in the governmental funds as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed – includes amounts that can only be used for specific purposes. The Board of Commissioners is authorized to commit funds.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned – all amounts not included in other spendable classifications.

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

H. Government-wide Net Position

Government-wide net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that is restricted by District's creditors, by the state enabling legislation, by grantors and other contributors.
- Unrestricted – all other net position is reported in this category.

I. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimated and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

K. Deferred Inflows of Resources

The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). The District has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet.

L. Bad Debt Allowance

The bad debt allowance is 1% of the original tax levy, adjusted when the delinquent taxes for any year is less than the remaining reserve for that year. This resulted in a bad debt provision of \$16,106.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE 2 – CASH AND INVESTMENTS

The State Public Funds Investment Act authorize the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, banker's acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2019, the District did not own any types of securities other than permitted by statute.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. At September 30, 2019, \$214,104 of the District's deposits were not fully collateralized and insured.

NOTE 3 – PROPERTY TAX

The government's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located included in the District. Appraised values are established by the Parker County Appraisal District.

Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date.

In the governmental funds the District's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected as deferred inflows of resources.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 100,911	\$ -	\$ -	\$ 100,911
Total non - depreciable assets	<u>100,911</u>	<u>-</u>	<u>-</u>	<u>100,911</u>
Depreciable Assets:				
Equipment	271,719	8,240		279,959
Vehicles	<u>1,094,877</u>	<u>-</u>		<u>1,094,877</u>
Total depreciable assets	<u>1,366,596</u>	<u>8,240</u>	<u>-</u>	<u>1,374,836</u>
Accumulated depreciation:				
Equipment	(222,547)	(17,157)		(239,704)
Vehicles	<u>(667,602)</u>	<u>(81,376)</u>	<u>-</u>	<u>(748,978)</u>
Total accumulated depreciation	<u>(890,149)</u>	<u>(98,533)</u>	<u>-</u>	<u>(988,682)</u>
Governmental activities capital assets, net	<u>\$ 577,358</u>	<u>\$ (90,293)</u>	<u>\$ -</u>	<u>\$ 487,065</u>

Depreciation expense of \$98,533 was charged to the emergency services operations.

NOTE 5 – RECONCILIATION

Total Fund Balance - Governmental Fund	\$ 2,278,931
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets was \$1,475,747, and accumulated depreciation was \$988,682.	487,065
Capital leases payable is not due and payable in the current period and therefore not reported as a liability in the fund financial statements.	(291,293)
Accrued interest payable is not recognized as a liability in the governmental funds.	(8,137)
Property taxes receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	11,295
Net Position of Governmental Activities	<u>\$ 2,477,861</u>

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE 5 – RECONCILIATION (continued)

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities:

Total Net Change in Fund Balance - Governmental Fund	\$ 479,932
Current year capital outlay and lease payments are expenditures in the fund financial statements, they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The \$140,642 of lease payments and \$8,240 in capital outlay is to increase net position.	148,882
Depreciation is not recognized as an expense in governmental fund since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(98,533)
Current year interest payable of the governmental funds is not due and payable in the current period, and, therefore is not reported as liabilities in the fund financial statements.	4,886
Property tax revenues in the government-wide statement of activities that do not provide current financial resources are not reported in the funds.	(3,932)
Change in Net Position of Governmental Activities	<u>\$ 531,235</u>

NOTE 6 – LEASES

A. Operating Leases

The District is the lessee of a building under a twenty year operating lease, subject to conditional early termination with the City of Hudson Oaks. The District leases the fire station for \$1,925.92 per month. The District has the option to renew the lease for a period of ten additional years. Lease rental expense amounted to \$23,111 for the year.

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

The District is the lessee of a fire engine under a lease purchase agreement in the total amount of \$400,280 bearing interest at approximately 2.791% per annum. The agreement is dated October 1, 2015 and matures October 1, 2025. The agreement contains purchase options that are exercisable on October 1 of each year beginning October 1, 2015. The capital lease is payable in ten annual installments of \$46,426, including principal and interest. The cost of the leased asset is \$483,845 and the accumulated depreciation at September 30, 2019 is \$169,346. The balance outstanding at September 30, 2018 is \$291,293.

The future minimum lease payments of the two leases at September 30, 2019 are as follows:

Year Ending September 30	Governmental Activities
2020	46,426
2021	46,426
2022	46,426
2023	46,426
2024	46,426
2025 - 2027	<u>92,607</u>
Total	324,737
Amount Representing Interest	<u>(33,444)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 291,293</u></u>

Parker County Emergency Services District No. 3
Notes to the Financial Statements
September 30, 2019

NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

Long-term debt activity for the year ended September 30, 2019 was as follows:

	Balance 9/30/2018	Additions	Deletions	Balance 9/30/2019	Due within One year
Capital Leases	\$ 431,935	\$ -	\$ (140,642)	\$ 291,293	\$ 38,289
Total Long-term Liabilities	<u>\$ 431,935</u>	<u>-</u>	<u>\$ (140,642)</u>	<u>\$ 291,293</u>	<u>\$ 38,289</u>

Interest expense for the year ended September 30, 2019 is \$15,557.

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors and omissions and injuries to volunteer firefighters. Commercial insurance for liability was purchased through third party carriers. The District does not expect claims to exceed insurance coverage.

At September 30, 2019, there was no significant reduction in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 9 – CONTRACTS AND COMMITMENTS

On October 1, 2015, the District entered into an agreement with the City of Weatherford whereas the City will perform certain government functions and services for the District, which functions and services will be limited to providing certain emergency services within the entire response area of the District. The District paid the City according to the contract terms of 4.815 cents per \$100 valuation of the property tax assessment of the District.

NOTE 11– SUBSEQUENT EVENTS

On October 8, 2019, the District entered into a new lease with Government Capital Corporation in the amount of \$553,383.33 for the purchase of a new fire engine.

On October 8, 2019, the District purchased a new fire engine in the amount of \$653,383.33.

Subsequent events were evaluated through February 21, 2020 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Parker County Emergency Services District No. 3
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance With Budget Positive (Negative)
	Original	Final		
REVENUES:				
Program revenues:				
Operating grants and contributions	-	5,122	6,322	1,200
General revenues:				
Property taxes	1,575,708	1,620,354	1,620,326	(28)
Other Income	-	10,546	10,546	-
Investment earnings	1,000	2,186	35,852	33,666
Vehicle inventory tax	2,500	7,189	7,189	-
Total revenues	<u>1,579,208</u>	<u>1,645,397</u>	<u>1,680,235</u>	<u>34,838</u>
EXPENDITURES:				
Emergency services operations:				
Current:				
Contract Services	6,500	6,200	6,200	-
Legal	7,500	4,430	4,430	-
Rent	23,111	23,111	23,111	-
Bank Charges	500	188	218	(30)
Advertising	5,000	3,516	3,466	50
Dues and subscriptions	1,200	1,100	1,100	-
Insurance	13,907	11,220	11,220	-
Operations	122,374	61,122	55,400	5,722
Miscellaneous	2,626	2,626	2,626	-
Appraisal district fees	28,000	26,788	26,788	-
Travel and meetings	8,500	8,325	8,325	-
Payroll	94,550	97,638	97,689	(51)
Contract with City of Weatherford	780,788	780,790	790,405	(9,615)
Capital outlay	305,000	9,617	8,240	1,377
Debt service				
Principal	61,116	146,478	140,642	5,836
Interest	14,607	14,607	20,443	(5,836)
	<u>1,475,279</u>	<u>1,197,756</u>	<u>1,200,303</u>	<u>(2,547)</u>
Net change in fund balance	103,929	447,641	479,932	32,291
Fund balance October 1, 2018	<u>1,798,999</u>	<u>1,798,999</u>	<u>1,798,999</u>	<u>-</u>
Fund balance September 30, 2019	<u>\$ 1,902,928</u>	<u>\$ 2,246,640</u>	<u>\$ 2,278,931</u>	<u>\$ 32,291</u>

The notes to RSI are an integral part of this statment

Parker County Emergency Services District No. 3
Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

Budget

Annual operating budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The Board of Commissioners follow these procedures in establishing budgetary data reflected in the financial statements.

- a. Prior to the beginning of the fiscal year, proposed operating budget is submitted by the Budget Officer to the Board of Commissioners for the fiscal year commencing the following October 1. The operating budget includes proposed expenses and the means of financing them for the general fund.
- b. The budget may be amended with the approval of the Board of Commissioners. The budget was amended during the fiscal year.
- c. Budgetary control is maintained at the line item level, subject to adjustments permitted as described above.

**OVERALL COMPLIANCE AND INTERNAL
CONTROL SECTION**

Compliance and Other Matters

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

Purpose of this Report

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

George Morgan Frost, P.C.

Weatherford, Texas
February 21, 2020