

**Palo Pinto County Emergency
Services District No. 2
Financial Statements
For the Period Ended
December 31, 2018**

Taber & Burnett, P.C.
A Professional Corporation
Certified Public Accountants

Palo Pinto County Emergency Services District No. 2

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION**

As management of the Palo Pinto County Emergency Services District No. 2 (the District), we are pleased to offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the seven months ended December 31, 2018. We encourage readers to consider it in conjunction with the additional information presented in the accompanying basic financial statements and the notes to the financial statements.

Financial Statements

- ⑥ The net position of the District increased by \$141,955 as a result of the current period's operations. Net position at period end consisted of invested in capital assets, net of related debt of \$143,868, unrestricted net assets of \$548,501, for a total net position of \$692,369.
- ⑥ Total revenues from all sources were \$214,274. This represents a decrease of \$112,445 due primarily to the short year sales tax collections.
- ⑥ Total costs of all programs were \$72,319. This represents a decrease of \$3,873 due primarily to no training expenses in the short year.
- ⑥ As of December 31, 2018, the District's governmental fund reported an ending fund balance of \$548,501, an increase of \$3,329.

Using this Annual Report

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the District as a whole.
2. Fund financial statements provide detailed information for the District's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. The other information includes this management's discussion and analysis as well as a budgetary comparison schedule.

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.

Palo Pinto County Emergency Services District No. 2

Management's Discussion and Analysis (Continued)

December 31, 2018

The *Statement of Net Position* presents information on all of the assets and liabilities of the District. The difference between assets and liabilities is 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 on how the District's net position changed during the most recent fiscal period. This statement is presented using the accrual basis of accounting, which means that all of the current period's revenues and expenses are taken into account regardless of when the cash is received or paid.

Both the Statement of Net Position and the Statement of Activities present information for the following:

- Governmental activities—This includes all of the District's emergency medical services which are primarily supported by sales tax collections.

The government-wide financial statements begin on page 9. The following is a summary of net assets as of December 31, 2018:

**Table 1
Net Assets**

	<u>Governmental Activities</u>	
	<u>12/31/18</u>	<u>5/31/18</u>
Current assets	\$ 548,501	\$ 545,172
Capital assets, net	<u>143,868</u>	<u>5,242</u>
Total assets	<u>692,369</u>	<u>550,414</u>
Current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net position:		
Invested in capital assets, net of related debt	143,868	5,242
Unrestricted	<u>548,501</u>	<u>545,172</u>
Total net position	\$ <u>692,369</u>	\$ <u>550,414</u>

The following table is a summary of changes in net position:

**Table 2
Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>12/31/18</u>	<u>5/31/18</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	-	-
Capital grants and contributions	-	-
General revenues:		
Sales taxes	212,204	326,300
Interest income	<u>2,070</u>	<u>419</u>
Total revenues	<u>214,274</u>	<u>326,719</u>
Expenses:		
General government	5,495	11,188
Public safety	<u>66,824</u>	<u>65,004</u>
Total expenses	<u>72,319</u>	<u>76,192</u>
Increase in net position	141,955	250,527
Net position - June 1	<u>550,414</u>	<u>299,887</u>
Net position - December 31	\$ <u>692,369</u>	\$ <u>550,414</u>

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 objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the District's significant funds - not the District as a whole. The District's funds fall into one category - 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal period.

Palo Pinto County Emergency Services District No. 2

Management's Discussion and Analysis (Continued)

December 31, 2018

The *governmental funds statements* provide a detailed short-term view of the government operations and the basic services it provides, and are reported on the modified accrual basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the District's short-term financing requirements. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balance* provide a reconciliation to the government-wide financial statements.

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 14 through 21 of this report.

General Fund Budgetary Highlights

The District Commissioners did not amend the budget during the short year ended December 31, 2018.

Actual expenses on a budgetary basis were 69 percent less than budgeted expenditures, due primarily to no emergency expenditures and fewer other expenses during the short year. The District's overall revenues were 30 percent more than budgeted due primarily to increased sales tax collections.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2018, amounts to \$143,868 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment, and vehicles.

**Capital Assets
Governmental Activities
(net of depreciation)**

	<u>12/31/18</u>	<u>5/31/18</u>
Furniture and equipment	\$ 31,368	\$ 5,242
Vehicles	<u>112,500</u>	<u>-</u>
Total	\$ <u>143,868</u>	\$ <u>5,242</u>

During the period ended December 31, 2018, the District purchased a Physio-Control Monitor and a 50% interest in a Rescue Truck. The District had no disposals in the period ended December 31, 2018.

Additional information on the District's capital assets can be found in Note 3 on page 20 of this report.

Debt Administration

As of December 31, 2018, the District had no debt.

Economic Factors and Next Year's Budgets and Rates

The District's tax revenues are expected to continue to grow with the steady population growth and an increase in online shopping. These additional funds will be used for funding of the Emergency Medical Services as needed.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives from the citizens of the Palo Pinto County Emergency Services District No. 2. If you have any questions about this report or need further information, contact the Palo Pinto County Emergency Services District No. 2, P.O. Box 163, Santo, TX 76472.

Taber & Burnett, P.C.

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INDEPENDENT AUDITORS' REPORT

To The Commissioners
Palo Pinto County Emergency Services District No. 2

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Palo Pinto County Emergency Services District No. 2 (District), as of and for the seven months ended December 31, 2018, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

The District's 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the basic 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 basic financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Palo Pinto County Emergency Services District No. 2 as of December 31, 2018, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules on pages 2 through 6 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This supplemental information is the responsibility of the District's management. 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.

Taber & Burnett, P.C.

Burnet, Texas
May 21, 2019

Palo Pinto County Emergency Services District No. 2*Statement of Net Position**As of December 31, 2018*

	<u>Primary Government</u>	
	<u>Governmental</u>	
	<u>Activities</u>	<u>Total</u>
Assets		
Cash and cash equivalents	\$ 485,161	\$ 485,161
Sales taxes receivable	63,340	63,340
Capital assets, net	<u>143,868</u>	<u>143,868</u>
Total assets	<u>692,369</u>	<u>692,369</u>
Liabilities		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net Position		
Invested in capital assets, net of related debt	143,868	143,868
Unrestricted assets	<u>548,501</u>	<u>548,501</u>
Total Net Position	\$ <u>692,369</u>	\$ <u>692,369</u>

The accompanying notes are an integral part of the financial statements

Palo Pinto County Emergency Services District No. 2

Statement of Activities

For the Period Ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
General government	\$ 5,495	\$ -	\$ -	\$ -	\$ (5,495)	\$ (5,495)
Public safety	<u>66,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,824)</u>	<u>(66,824)</u>
Total net (expense) revenue for governmental activities and the primary government	\$ <u>72,319</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	<u>(72,319)</u>	<u>(72,319)</u>
General revenues:						
Taxes:						
					212,204	212,204
					<u>2,070</u>	<u>2,070</u>
					<u>214,274</u>	<u>214,274</u>
					141,955	141,955
					<u>550,414</u>	<u>550,414</u>
					\$ <u>692,369</u>	\$ <u>692,369</u>

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

Palo Pinto County Emergency Services District No. 2*Balance Sheet - Governmental Funds**As of December 31, 2018*

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets		
Cash	\$ 485,161	\$ 485,161
Sales taxes receivable	<u>63,340</u>	<u>63,340</u>
Total Assets	<u>548,501</u>	<u>548,501</u>
Liabilities		
Accounts payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Unassigned	<u>548,501</u>	<u>548,501</u>
Total Fund Balance	<u>548,501</u>	548,501
Total Liabilities and Fund Balance	\$ <u>548,501</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (See Note 3)		<u>143,868</u>
Net Position of Governmental Activities		\$ <u>692,369</u>

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

Palo Pinto County Emergency Services District No. 2*Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds**For the Period Ended December 31, 2018*

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Sales taxes	\$ <u>212,204</u>	\$ <u>212,204</u>
Total Revenues	<u>212,204</u>	<u>212,204</u>
Expenditures		
Emergency medical disbursements	63,665	63,665
Insurance	1,363	1,363
Legal and professional	3,652	3,652
Office and administration	<u>480</u>	<u>480</u>
Total Expenditures	<u>69,160</u>	<u>69,160</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>143,044</u>	<u>143,044</u>
Other Financing Sources (Uses):		
Interest income	2,070	2,070
Capital outlay	<u>(141,785)</u>	<u>(141,785)</u>
Total Other Financing Sources (Uses)	<u>(139,715)</u>	<u>(139,715)</u>
Excess (Deficiencies) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	3,329	3,329
Fund Balance, Beginning of Period	<u>545,172</u>	<u>545,172</u>
Fund Balance, End of Period	\$ <u>548,501</u>	\$ <u>548,501</u>

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

Palo Pinto County Emergency Services District No. 2

*Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds to the Statement
of Activities*

For the Period Ended December 31, 2018

Net Change in Fund Balance-Governmental Funds \$ 3,329

Amounts reported for governmental activities
in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This amount is
the net effect of these differences in the treatment of capital assets and
related items. (See Note 3)

138,626

Change in Net Position of Governmental Activities \$ 141,955

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Palo Pinto County Emergency Services District No. 2 (the District) was created by election held on November 4, 2014. The District operates under Article III, Section 42-e of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a Board of Commissioners appointed by the Palo Pinto County Commissioners Court. The District's major activities include providing emergency medical services to the residents of the district.

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in U.S. generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other indications 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. The other 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. The District had no component units for the period ended December 31, 2018.

Management's Discussion and Analysis

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the District's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each period, not just those received or paid in the current period or soon thereafter.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government (governmental activities) and its discretely presented component units, if any. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - invested in capital assets, net of related debt; restricted; and unrestricted.

Statement of Activities

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the District’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Fund Financial Statements

Fund financial statements are provided for the governmental funds.

General Fund

The General Fund is the principal fund of the District which accounts for all financial transactions not accounted for in other funds. The District had no other funds for the period ended December 31, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

The District implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2017. In the fund financial statements, governmental funds report the following classifications of fund balance:

- 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.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the Board, the District's highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the District's Board.
- 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 - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy as unassigned.

When an expenditure is incurred for purposes 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, as needed.

In fiscal year 2017, the District adopted a minimum fund balance policy. The policy requires the unassigned fund balance to be at least equal to \$250,000.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments are required to provide the District's original budget with the comparison of final budget and actual results.

The budget is adopted by the Commissioners prior to the beginning of the fiscal period. Amendments are made during the period on approval by the Commissioners. The District adopted the current period's budget on a line item basis.

Basis of Presentation

The accounting and reporting policies of the District relating to the accompanying financial statements conform to U.S. generally accepted accounting principles as applicable to governmental units. U.S. generally accepted accounting principles for governmental units include those principles prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and appropriate pronouncements of the American Institute of Certified Public Accountants (AICPA).

Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. As of December 31, 2018, the District had no business-type activities.

In the government-wide Statement of Net Position, the governmental activities column is to be presented on a consolidated basis, and is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety), which are otherwise being supported by general government revenues (property taxes, sales taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety). The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The District does not allocate indirect expenses.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Likewise, general revenues include all taxes.

The governmental fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile funds based on fund financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, financial transactions of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures. Government resources are allocated to, and accounted for, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The focus of the reporting model is on the District as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories (if any), as well as the fiduciary funds, and the component units (if any). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statement of net position and statement of activities, are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liabilities associated with the operation of these activities are included on the statement of net position.

All revenue and expenditure recognition for governmental funds are accounted for using the modified accrual basis of accounting. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The District’s revenues are recognized when they become measurable and available as current assets. Available means collectible within the current period or as soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital outlays are recorded as expenditures of the general fund and as assets in the government-wide financial statements of the District. Depreciation is recorded on general fixed assets on a government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of furniture, equipment, and vehicles the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Palo Pinto County Emergency Services District No. 2

Notes to the Financial Statements

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 to 7 years
Vehicles	5 years

NOTE 2 - DEPOSITS, SECURITIES AND INVESTMENTS

As of December 31, 2018, cash deposits were with a depository bank, and these balances approximated fair value. As of the balance sheet date, the District's deposits totaled \$485,161 and the bank balance was \$485,161 of which \$94,377 is not insured by the Federal Deposit Insurance Corporation.

NOTE 3 - CAPITAL ASSETS

Changes in general fixed assets during the period ended December 31, 2018, were as follows:

	Balance June 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2018</u>
Capital Assets				
Furniture and equipment	\$ 6,154	\$ 29,285	\$ -	\$ 35,439
Vehicles	<u>-</u>	<u>112,500</u>	<u>-</u>	<u>112,500</u>
Total Capital Assets	6,154	141,785	-	147,939
Less accumulated depreciation	<u>(912)</u>	<u>(3,159)</u>	<u>-</u>	<u>(4,071)</u>
Total Capital Assets, Net of Depreciation	\$ <u>5,242</u>	\$ <u>138,626</u>	\$ <u>-</u>	\$ <u>143,868</u>

Current year depreciation expense of \$3,159 was charged to public safety.

Effective for the fiscal year ended May 31, 2017, the District entered into an automatically renewable annual lease with Palo Pinto County for an ambulance for \$1 per year.

NOTE 3 - CAPITAL ASSETS (Continued)

Effective during the year ended May 31, 2018, the District entered into an agreement with Santo Volunteer Fire & EMS. In the agreement, the District agreed to reimburse the Santo department for annual loan payments of \$27,179 to the United States Department of Agriculture (USDA) for their purchase of a 2015 ambulance. The Santo department agrees to transfer title of the ambulance to the District after the loan is paid off with the USDA. The loan and value of the ambulance at the time of purchase by the Santo department was \$224,600.

NOTE 4 - COMMITMENTS

During the prior fiscal year, the District entered into agreements with the Santo Volunteer Fire & EMS and the Lone Camp Volunteer Fire Department. These entities agreed to provide emergency medical services to all persons and property within the Emergency Services District, including response to life-threatening emergencies and rescue calls by making available adequate volunteers and administrative assistance.

Amounts to be paid to the entities shall be disbursed at the discretion of the Commissioners and may include expenses for operations and other expenditures approved by the District for maintaining emergency medical services within the District. If at any time the Department is dissolved or the agreement is terminated by either party, any assets purchased wholly or in part with funds from the ESD shall be immediately transferred to another Department contracted by the ESD or to the ESD at its sole discretion.

NOTE 5 - SUBSEQUENT EVENTS

Subsequent to year end, the District approved the purchase of a \$23,000 Stryker load system and a \$35,000 Ford truck.

The District did not have any other subsequent events through May 21, 2019, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal period ended December 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Palo Pinto County Emergency Services District No. 2

Budgetary Comparison Schedule

For the Period Ended December 31, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts Budgetary Basis	
	Original	Final		
Revenues				
Sales taxes	\$ 163,299	\$ 163,299	\$ 212,204	\$ 48,905
Total Revenues	<u>163,299</u>	<u>163,299</u>	<u>212,204</u>	<u>48,905</u>
Expenditures				
Emergency expenditures	75,000	75,000	-	75,000
Emergency medical disbursements	105,000	105,000	63,665	41,335
Insurance	1,500	1,500	1,363	137
Legal and professional	3,500	3,500	3,652	(152)
Office and administration	25,000	25,000	480	24,520
Travel and training	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Expenditures	<u>225,000</u>	<u>225,000</u>	<u>69,160</u>	<u>155,840</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(61,701)</u>	<u>(61,701)</u>	<u>143,044</u>	<u>204,745</u>
Other Financing Sources (Uses):				
Interest income	-	-	2,070	2,070
Capital outlay	<u>-</u>	<u>-</u>	<u>(141,785)</u>	<u>(141,785)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(139,715)</u>	<u>(139,715)</u>
Excess (Deficiencies) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ <u>(61,701)</u>	\$ <u>(61,701)</u>	3,329	\$ <u>65,030</u>
Fund Balance, Beginning of Period			<u>545,172</u>	
Fund Balance, End of Period			\$ <u>548,501</u>	