

**PARKER COUNTY EMERGENCY  
SERVICES DISTRICT No. 1**

**ANNUAL FINANCIAL REPORT**

**September 30, 2018**

PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 1  
September 30, 2018

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PARKER COUNTY EMERGENCY SERVICES DISTRICT No. 1

BOARD OF COMMISSIONERS

SEPTEMBER 30, 2018

PRESIDENT – RENA PEDEN

VICE-PRESIDENT – MARK JACK

SECRETARY – STEPHANIE SCHNAIBLE

TREASURER – JUSTIN MCKINLEY

COMMISSIONER – BRANDON TATAREVICH



## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Parker County Emergency Services District No. 1  
Springtown, TX

### **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. 1 (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Parker County Emergency Services District No. 1 as of September 30, 2018, 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.

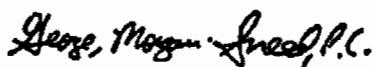
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary information and pension information on pages 4 – 8 and pages 28-31 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 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 March 20, 2019, 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 agreement 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* in considering the District's internal control over financial reporting and compliance.



Weatherford, Texas

March 20, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Parker County Emergency Services District No. 1, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2018. We encourage readers to consider the information presented here.

### FINANCIAL HIGHLIGHTS

- The assets of the Parker County Emergency Services District No. 1 exceeded its liabilities by \$9,099,787 (net position) for the fiscal year reported as compared to \$8,287,831 (net position) in the previous year.
- The District's total net position increased by 811,956 for the fiscal year reported. This compares to an increase of \$456,464 in the previous year.
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$1,600,331 or 25% of total governmental fund expenditures.

### 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. Reasonable tax rates serve to ensure cash reserves are adequately funded within the District.

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 11 - 26 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. 1, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,099,787 as of September 30, 2018.

The largest portion of the District's net position (81%) reflects its investment in capital assets (e.g. land, buildings, equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources cannot be used to liquidate these liabilities. \$1,710,694 represents unrestricted net position that may be used to meet the District's ongoing obligations to citizens and creditors.

Governmental activities increased the District's net position by \$811,956 compared with a \$456,464 increase in the prior year. The District's total revenues decreased \$1,329,533 to \$5,568,661. Property taxes increased \$555,462 primarily due to a \$554 million increase in the taxable value of property in the district. The District levied a sales tax beginning October 1, 2017 and recognized \$524,882 revenue for the year. The District's total expenses increased \$974,041 to \$4,756,705. Personnel expenses increased \$672,191 due to adding positions, raises, more paid volunteer shifts and health insurance. Depreciation expense increased \$151,593 because of new vehicles, equipment and fire stations.

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

Condensed Statement of Net Position

	2018	2017
<b>Assets:</b>		
Current assets	\$ 1,859,023	\$ 1,400,729
Noncurrent assets	9,229,124	8,630,379
Total Assets	<u>11,088,147</u>	<u>10,031,108</u>
 <b>Deferred outflows of resources:</b>		
Total deferred outflows of resources	<u>83,255</u>	<u>74,857</u>
 <b>Liabilities:</b>		
Current liabilities	116,583	262,951
Long-term liabilities	1,948,203	1,555,183
Total liabilities	<u>2,064,786</u>	<u>1,818,134</u>
 <b>Deferred inflows of resources:</b>		
Total deferred inflows of resources	<u>6,829</u>	<u>-</u>
 <b>Net Position:</b>		
Invested in capital assets	7,389,093	7,169,016
Unrestricted	1,710,694	1,118,815
Total Net Position	<u>\$ 9,099,787</u>	<u>\$ 8,287,831</u>

Changes in Net Position

	2018	2017
<b>Revenues:</b>		
Charges for services	\$ 260,806	\$ 204,423
Property taxes	4,484,333	3,928,871
Sales taxes	524,882	-
Operating grants and contributions	156,749	82,145
Sale of assets	134,072	11,325
Other income	4,540	10,452
Investment earnings	3,279	1,912
Total Revenues	<u>5,568,661</u>	<u>4,239,128</u>
 <b>Expenses:</b>		
Emergency services operations	4,756,705	3,782,664
Total expenses	<u>4,756,705</u>	<u>3,782,664</u>
Change in net position	811,956	456,464
Net position October 1	8,287,831	7,831,367
Net position September 30	<u>\$ 9,099,787</u>	<u>\$ 8,287,831</u>

## 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, unassigned 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 \$1,600,331. 100% represents unassigned fund balance that is available for spending at the District's discretion.

## Budgetary Fund Highlights

The District did not amend its budget during the year. Actual revenues were \$801,230 more than budgeted primarily because of property taxes and sales taxes. Actual expenditures were \$1,076,680 more than budgeted. Capital Purchases were \$926,739 more than budgeted primarily because 2 fire trucks purchased with a note payable were not included in the budget.

## Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$9,199,031 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- Motorola radios for \$112,536.
- New truck for \$45,792.
- 2 Pierce Enforcer fire trucks for \$1,141,854.
- Completed construction on the Aledo and Annetta Fire Stations for \$1,051,597 and \$782,330 respectively.
- Sold the old Aledo fire station property for \$440,000.

	2018	2017
Nondepreciable assets:		
Land	\$ 1,340,724	\$ 1,340,724
Construction in progress	-	1,647,791
Depreciable Assets:		
Buildings & improvements	3,640,872	2,133,176
Office equipment	87,508	20,940
Emergency equipment	887,278	763,398
Vehicles	3,242,649	2,721,014
 Total capital assets net of depreciation	 <u>\$ 9,199,031</u>	 <u>\$ 8,627,043</u>

### **Long-Term Debt**

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

	2018	2017
Notes Payable	\$ 1,041,422	509,787
Capital Leases Payable	768,516	948,240
<b>Total</b>	<b>\$ 1,809,938</b>	<b>\$ 1,458,027</b>

### **Economic Factors and the Next Year's Budgets and Rates**

Parker County ESD No. 1 2018 certified taxable values were approximately \$4.5 million. Emergency Services District's tax rates are capped by law at \$.10 per 100 valuation. It is anticipated that the ESD will retain this rate to ensure sufficient funds will be available to upgrade service to the area. Property tax revenue is budgeted to increase to approximately \$4.5 million. The 2018 budget includes \$400,000 sales tax for the  $\frac{1}{2}$  cent sales tax voters approved to begin October 1, 2017. Total revenues are budgeted to be \$5,252,241 and expenses are budgeted at \$5,525,321.

### **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 Parker County Emergency Services District No. 1, Attn: President, P.O. Box 282, Springtown, Texas 76082.

Parker County Emergency Services District No. 1  
 Governmental Fund Balance Sheet and Statement of Net Position  
 September 30, 2018

	Governmental Fund General Fund	Adjustments (Note 5)	Governmental Activities Statement of Net Position
<b>Assets:</b>			
Cash	\$ 1,590,405	\$ -	\$ 1,590,405
Receivable (Net of allowance for uncollectibles)			
Property taxes	50,474		50,474
Sales taxes	105,203		105,203
Intergovernmental	112,941		112,941
Net Pension Asset	-	30,093	30,093
Capital assets (net of accumulated depreciation):			
Land	-	1,340,724	1,340,724
Building & improvements	-	3,640,872	3,640,872
Office equipment	-	87,508	87,508
Emergency equipment	-	887,278	887,278
Vehicles	-	3,242,649	3,242,649
Total Assets	<u>1,859,023</u>	<u>9,229,124</u>	<u>11,088,147</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	-	83,255	83,255
Total Deferred Outflows of Resources	<u>-</u>	<u>83,255</u>	<u>83,255</u>
<b>Liabilities:</b>			
Accounts payable	29,380	-	29,380
Accrued payables	65,897	-	65,897
Accrued interest	-	21,306	21,306
Long-term liabilities			
Due within one year	-	427,240	427,240
Due after one year	-	1,520,963	1,520,963
Total Liabilities	<u>95,277</u>	<u>1,969,509</u>	<u>2,064,786</u>
Deferred Inflows of Resources			
Deferred Revenue	163,415	(163,415)	-
Deferred Inflows Related to Pensions	-	6,829	6,829
Total Deferred Inflows of Resources	<u>163,415</u>	<u>(156,586)</u>	<u>6,829</u>
Fund balance/Net position:			
Fund Balance:			
Unassigned	1,600,331	(1,600,331)	-
Total fund balance	<u>1,600,331</u>		
Total liabilities and fund balance	<u>1,859,023</u>		
Net position:			
Net investment in capital assets	7,389,093	7,389,093	
Unrestricted	1,710,694	1,710,694	
	<u>\$ 9,099,787</u>	<u>\$ 9,099,787</u>	

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

Parker County Emergency Services District No. 1  
 Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities  
 For the year ended September, 30, 2018

	Governmental Fund General Fund	Adjustments (Note 5)	Governmental Activities Statement of Activities
<b>Revenues:</b>			
Program revenue			
Charges for services	\$ 260,806	\$ -	\$ 260,806
Operating grants and contributions	98,873	57,876	156,749
General revenue:			
Property taxes	4,486,966	(2,633)	4,484,333
Sales taxes	524,882	-	524,882
Other income	4,540	-	4,540
Investment earnings	3,279	-	3,279
<b>Total revenues</b>	<b>5,379,346</b>	<b>55,243</b>	<b>5,434,589</b>
<b>Expenditures/expenses:</b>			
Emergency services operations:			
Current:			
Fleet/Maintenance lease	27,240		27,240
Equipment (Hand tools)	19,573	-	19,573
Fleet operations	320,422	-	320,422
Training Programs	60,107	-	60,107
Protective and uniform clothing	77,064	-	77,064
Administrative Expenses	401,502	-	401,502
Personnel Expenses	2,755,683	12,783	2,768,466
Depreciation	-	980,393	980,393
Capital purchases	1,849,559	(1,846,176)	3,383
Debt Service			
Interest	75,842	2,733	78,575
Principal	809,923	(809,923)	-
Debt issuance costs	19,980	-	19,980
<b>Total expenditures/expenses</b>	<b>6,416,895</b>	<b>(1,660,190)</b>	<b>4,756,705</b>
Excess (deficiency) of revenue over expenditures	(1,037,549)	1,715,433	677,884
Other financing sources (uses):			
Sale of capital assets	427,867	(293,795)	134,072
Proceeds from notes payable	1,161,834	(1,161,834)	-
Change in fund balance/net position	552,152	259,804	811,956
Fund balance/net position:			
Beginning of the year	1,048,179	7,239,652	8,287,831
End of the year	<b>\$ 1,600,331</b>	<b>\$ 7,499,456</b>	<b>\$ 9,099,787</b>

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

**Parker County Emergency Services District No. 1**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Creation of Emergency Services District**

Parker County Rural Fire Prevention District No. 1 (the “District”) was created after a public election held on May 2, 1998, under the provision of Section 48-d of Article III of the Constitution of Texas. The Board of Commissioners held its first meeting on June 8, 1998. The District was established to provide fire protection services to residents of the District. Effective September 13, 2001, Parker County Rural Fire Prevention District #1 converted to an emergency services district in accordance with The Texas Health and Safety Code Ann. 794.100 as amended by H.B. #1824. The conversion allows the District to collect tax levies for the purpose of acquiring and operating emergency service equipment within its geographic boundaries. As of September 13, 2001, the Parker County Rural Fire Prevention District #1 formally changed its name to Parker County Emergency Services District No. 1.

The basic financial statements of the District have been prepared in conformity with the generally accepted accounting 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’s primary source of revenue is ad valorem taxes. The District has contracts with Springtown Volunteer Fire Department “SVFD”, La Junta Volunteer Fire Department “LVFD”, Peaster Volunteer Fire Department “PVFD”, Silver Creek Volunteer Fire Department “SCVFD”, Aledo Volunteer Fire Department “AVFD”, and Poolville Volunteer Fire Department “PVFD” “ to provide firefighting and emergency rescue services to citizens of the District.

**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 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.

Parker County Emergency Services District No. 1  
Notes to the Financial Statements  
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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.

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 government defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 office equipment, 5 – 15 years for vehicles and additions to the vehicles, 5 – 10 years for emergency equipment and 39 years for buildings and building improvements.

**Parker County Emergency Services District No. 1**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. Use of Estimates**

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

**H. Allowance for uncollectible accounts.**

The allowance for uncollectible property taxes is 65% of outstanding property taxes at September 30. This resulted in an allowance for uncollectible accounts of \$93,826.

**I. 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.

Committed – includes amounts that can only be used for specific purposes.

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.

**J. Government-wide Net Position**

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt – 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.

**Parker County Emergency Services District No. 1**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**L. Compensated Absences**

Full-time staff members receive paid time off (PTO) that can be used for vacation, personal time, personal illness, or to care for dependents. Employees may not carry over more than 400 hours into the next calendar year. By December 1 of each year, an employee may request to "sell" 120 hours of PTO. Upon termination of employment, an employee will be paid for unused PTO that has been earned through the last day of work unless employment is terminated for gross misconduct. PTO benefits are accrued in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**M. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**N. Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows related to pensions is the only item that qualifies in this category and is reported in the governmental activities statement of net position.

In addition to liabilities, the governmental activities statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items in this category, deferred inflows of resources related to pensions in the governmental activities statement of net position and unavailable revenues for governmental funds. At the end of the fiscal year, the components of deferred inflows in the governmental funds were as follows:

Deferred property taxes receivable	\$ 50,474
Deferred intergovernmental receivable	<u>112,941</u>
Total deferred inflows of resources	<u><u>\$ 163,415</u></u>

Parker County Emergency Services District No. 1  
Notes to the Financial Statements  
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2018, 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, 2018, the District's deposits were covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateralized with securities held by the bank's agent in the District's name.

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 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. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

**Governmental Activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Nondepreciable assets</b>				
Land	\$ 1,340,724	\$ -	\$ -	\$ 1,340,724
Construction in progress	1,647,791	-	(1,647,791)	-
<b>Total nondepreciable assets</b>	<b>2,988,515</b>	<b>-</b>	<b>(1,647,791)</b>	<b>1,340,724</b>
 <b>Depreciable assets</b>				
Buildings & Improvements	2,630,780	1,908,872	(337,000)	4,202,652
Vehicles	5,987,108	1,252,418	-	7,239,526
Emergency Equipment	1,222,634	247,763	-	1,470,397
Office Furniture & Equipment	280,292	84,914	-	365,206
<b>Assets being depreciated</b>	<b>10,120,814</b>	<b>3,493,967</b>	<b>(337,000)</b>	<b>13,277,781</b>
 <b>Accumulated Depreciation</b>				
Buildings & Improvements	(497,604)	(107,381)	43,205	(561,780)
Vehicles	(3,266,094)	(730,783)		(3,996,877)
Emergency Equipment	(459,236)	(123,883)		(583,119)
Office Furniture & Equipment	(259,352)	(18,346)		(277,698)
<b>Total Accumulated Depreciation</b>	<b>(4,482,286)</b>	<b>(980,393)</b>	<b>43,205</b>	<b>(5,419,474)</b>
 <b>Governmental activities capital assets, net</b>	<b>\$ 8,627,043</b>	<b>\$ 2,513,574</b>	<b>\$ (2,027,996)</b>	<b>\$ 9,199,031</b>

Depreciation expense of \$980,393 was charged to the emergency services operations.

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 5 – RECONCILIATION**

Reconciliation of the Governmental Fund Balance to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$ 1,600,331
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 \$14,618,503 and accumulated depreciation was \$5,419,472.	9,199,031
Capital leases of \$948,241 and notes payable of \$509,786 are not due and payable in the current period and therefore not reported as a liability in the fund financial statements.	(1,809,938)
Compensated absences of \$138,265 and accrued interest payable of \$21,306 are not due and payable in the current period and are not reported as liabilities in the fund financial statements.	(159,571)
Included in the items related to long-term liabilities is the recognition of the District's net pension asset required by GASB 68 in the amount of \$30,093. The District also recognized a deferred resource outflow related to pensions of \$83,255 and a deferred resource inflow related to pensions of \$6,829. This resulted in an increase to net position.	106,519
Property taxes and intergovernmental receivables are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	163,415
<b>Net Position of Governmental Activities</b>	<b><u>\$ 9,099,787</u></b>

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

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	\$ 552,152
Current year capital outlay and long-term debt payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect including \$1,846,176 of capital outlays and \$809,923 of capital lease and note payments is to increase net position.	2,656,099
Depreciation is not recognized as an expense in governmental funds 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.	(980,393)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, forfeitures, and transfers) is to decrease net position.	(293,795)
Current year compensated absences and interest payable of the governmental funds are not due and payable in the current period, and, therefore is not reported as a liability in the fund financial statements. The change in these liabilities results in a decrease to net position.	(43,842)
Current year notes payable are other financing sources in the fund financial statements. The effect is a decrease in net position in the government-wide financial statements.	(1,161,834)
GASB required the District to recognize their net pension liability and deferred outflows related to pensions. The changes in these balances increased net position.	28,326
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	55,243
Change in net position of Governmental Activities	<u><u>\$ 811,956</u></u>

**Parker County Emergency Services District No. 1**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 6 – FIRE PROTECTION SERVICES**

The District has entered into agreements with the Springtown Volunteer Fire Department, the La Junta Volunteer Fire Department, The Peaster Volunteer Fire Department, the Silver Creek Volunteer Fire Department, the Aledo Volunteer Fire Department, and the Poolville Fire Department that provide fire protection and prevention services to the residents of each response area. Either party may terminate this continuous agreement upon written notice.

**NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES**

**Notes Payable:**

October 27, 2017, the District entered into a promissory note payable in the original amount of \$1,161,834 for the purchase of 2 fire trucks. The note is payable in annual installments of \$129,976.46 beginning March 1, 2018 and maturing March 1, 2027. The payments include interest at 2.39%. The balance of the note at September 30, 2018, was \$1,041,422.

Note payable debt service requirements to maturity are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2019	105,086	24,890	129,976
2020	107,598	22,378	129,976
2021	110,170	19,807	129,977
2022	112,803	17,174	129,977
2023	115,499	14,478	129,977
2024 - 2028	490,266	29,639	519,905
	<hr/> <u>\$ 1,041,422</u>	<hr/> <u>\$ 128,366</u>	<hr/> <u>\$ 1,169,788</u>

**Capital Leases:**

On October 11, 2012, the District entered into a lease agreement for three fire engines payable to SunTrust Bank. The interest rate is 2.44% per annum and the lease matures August 1, 2022. The agreement contains early redemption values, which are exercisable on August 1. The lease is payable in 10 annual installments of \$134,731, including principal and interest. The balance of the lease at September 30, 2018 was \$507,649.

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (continued)**

In 1999, the City of Springtown and Springtown Volunteer Fire Department entered into a lease agreement for the fire station constructed with the proceeds of bonds issued by the City. The annual lease payments due to the City are equal to the annual bond payments. The lease expires on August 15, 2019, at which time title transfers to the Fire Department. This lease is recognized as a capital lease. Interest is due in semiannual installments at 2% per annum. The balance of the lease at September 30, 2018, was \$15,000.

In 2013, the District entered into a lease agreement for one fire engine payable to SunTrust Bank. The interest rate is 2.78% per annum and the lease matures May 1, 2023. The lease is payable in 10 annual installments of \$53,341, including principal and interest. The balance of the lease at September 30, 2018, was \$245,867.

The future minimum capital lease payments at September 30, 2018 are as follows:

Year Ending September 30	Governmental Activities
2019	203,373
2020	188,073
2021	188,072
2022	188,072
2023	53,341
2024 - 2028	-
Total	<u>820,931</u>
Amount Representing Interest	<u>(52,415)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 768,516</u>

The following is an analysis of capital assets purchased under capital leases as of September 30, 2018:

	Governmental Activities
<b>Assets:</b>	
Building and Improvements	\$ 400,000
Vehicles	1,649,766
Less: accumulated depreciation	<u>(1,138,509)</u>
<b>Total</b>	<b><u>\$ 911,257</u></b>

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 7 – GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (continued)**

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Balance 9/30/2017	Additions	Retirements	Balance 9/30/2018	Due within One Year
Notes Payable	\$ 509,787	\$ 1,161,834	\$ (630,199)	\$ 1,041,422	\$ 105,086
Capital Leases	948,240		(179,724)	768,516	183,889
Compensated absences	97,156	138,265	(97,156)	138,265	138,265
<b>Total Long-term Liabilities</b>	<b>\$ 1,555,183</b>	<b>\$ 1,300,099</b>	<b>\$ (907,079)</b>	<b>\$ 1,948,203</b>	<b>\$ 427,240</b>

**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, 2018, there were no known claims against the District.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**Plan Description.** The District provides retirement benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 760 nontraditional defined benefit pension plans. TCDRS is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2043. The report is also available at [www.tcdrs.org](http://www.tcdrs.org).

**Benefits Provided.** The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)**

At the December 31, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>20</u>
	<u><u>21</u></u>

**Contributions.** The District has elected the annually determined contribution rate (Variable – Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually, however the District may elect to contribute at a higher than actuarially determined rate, or make additional lump sum contributions on an ad hoc basis to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

	2017	2018
Member Contribution Rates	6.00%	6.00%
Employer Contribution Rates	4.99%	4.92%
Employer Contributions	\$ 62,300	
Member Contributions	\$ 75,736	

**Actuarial Assumptions.** The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of payroll, closed
Remaining Amortization Period	17.4 years
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term Expected Investment Rate of Return	8.10%
Salary Increases*	4.9% average
Payroll Growth Rate	3.25%

\* Includes Inflation of 2.75%

Parker County Emergency Services District No. 1  
Notes to the Financial Statements  
September 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

**Discount Rate.** The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used by the employer TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by .010% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 10 year time horizon.

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)**

The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed Markets	11.00%	4.55%
International Equities - Emerging Markets	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	<u>18.00%</u>	<u>4.10%</u>
	<u>100.00%</u>	

**Pension Assets/Liabilities.** At September 30, 2018, the District reported a net pension asset of \$30,093 measured at December 31, 2017.

There were no changes in assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes in benefit terms that affected measurement of the total pension liability during the measurement period.

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)**

Changes in the net pension liability for the year ended December 31, 2017, are as follows:

<b>Change in net pension liability</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (a) - (b)</b>
Balances as of December 31, 2016	\$ 181,891	\$ 185,226	\$ (3,335)
<b>Changes for the year:</b>			
Service Cost	91,326	-	91,326
Interest on total pension liability	21,678	-	21,678
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	7,204	-	7,204
Effect of assumptions changes or inputs	(3,720)	-	(3,720)
Refund of contributions and benefit payments	(11,395)	(11,395)	-
Administrative expenses	-	(211)	211
Member contributions	-	61,918	(61,918)
Employer contributions	-	51,495	(51,495)
Net investment income	-	28,678	(28,678)
Other	-	1,366	(1,366)
Balances as of December 31, 2017	<u>\$ 286,984</u>	<u>\$ 317,077</u>	<u>\$ (30,093)</u>

The following represents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	7.10%	8.10%	9.10%
Net Pension Liability	\$ 29,086	\$ (30,093)	\$ (77,157)

**Pension expense and deferred outflows of resources related to pensions.**

For the year ended September 30, 2018, the District recognized pension expense of \$33,974.

Parker County Emergency Services District No. 1  
 Notes to the Financial Statements  
 September 30, 2018

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)**

At September 30, 2018, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,589	\$ -
Changes in actuarial assumptions	356	3,382
Differences between projected and actual investment earnings	-	3,447
Contributions paid subsequent to the measurement date	<u>48,310</u>	<u>-</u>
 Total	 <u>\$ 83,255</u>	 <u>\$ 6,829</u>

The \$48,310 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of net pension liability for the year ending September 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net deferred outflows (inflows) of resources
2018	\$ 3,143
2019	3,121
2020	2,279
2021	1,443
2022	3,358
Thereafter	<u>14,772</u>
	<u><u>\$ 28,116</u></u>

**NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 20, 2019, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Parker County Emergency Services District No. 1  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the year ended September, 30, 2018

	Budgeted Original	Final Budget	Actual	Variance With Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 4,195,499	\$ 4,195,499	\$ 4,486,966	291,467
Sales taxes	170,000	170,000	524,882	354,882
Charges for services	212,617	212,617	260,806	48,189
Operating grants and contributions	-	-	98,873	98,873
Other Income	-	-	4,540	4,540
Investment earnings	-	-	3,279	3,279
<b>Total revenues</b>	<b>4,578,116</b>	<b>4,578,116</b>	<b>5,379,346</b>	<b>801,230</b>
<b>Expenditures:</b>				
Emergency services operations:				
Fleet/Maintenance Lease	44,500	44,500	27,240	17,260
Equipment (Hand tools)	27,000	27,000	19,573	7,427
Fleet operations	235,500	235,500	320,422	(84,922)
Training Programs	47,500	47,500	60,107	(12,607)
Protective and uniform clothing	90,500	90,500	77,064	13,436
Administrative Expenses	400,342	400,342	401,502	(1,160)
Personnel Expenses	2,687,751	2,687,751	2,755,683	(67,932)
Capital Purchases	922,820	922,820	1,849,559	(926,739)
Debt service interest expense	75,840	75,840	75,842	(2)
Debt service principal payments	808,462	808,462	809,923	(1,461)
Debt service debt issuance costs		-	19,980	(19,980)
<b>Total expenditures</b>	<b>5,340,215</b>	<b>5,340,215</b>	<b>6,416,895</b>	<b>(1,076,680)</b>
Excess (deficiency) of revenue over expenditures	(762,099)	(762,099)	(1,037,549)	(275,450)
Other financing sources (uses):				
Sale of capital assets	419,067	419,067	427,867	8,800
Proceeds from notes payable	-	-	1,161,834	1,161,834
Net Change in Fund Balance	(343,032)	(343,032)	552,152	895,184
Fund Balance, October 1, 2017	1,048,179	1,048,179	1,048,179	-
<b>Fund Balance, September, 30, 2018</b>	<b>\$ 705,147</b>	<b>\$ 705,147</b>	<b>\$ 1,600,331</b>	<b>\$ 895,184</b>

The notes to the required supplementary information are an integral part of this schedule.

Parker County Emergency Services District No. 1  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 For the year ended September, 30, 2018

	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service Cost	\$ 28,787	\$ 34,275	\$ 79,362	\$ 91,326
Interest (on the Total Pension Liability)	1,143	3,548	9,869	21,678
Effect of plan changes	-	(6,504)	-	-
Effect of economic demographic (gains) or losses	27	23,676	12,318	7,204
Effect of assumption changes or inputs	-	473	-	(3,720)
Benefit payments/refunds of contributions	-	-	(5,083)	(11,395)
Net Change in Total Pension Liability	<u>29,957</u>	<u>55,468</u>	<u>96,466</u>	<u>105,093</u>
Total Pension Liability-Beginning	<u>-</u>	<u>29,957</u>	<u>85,425</u>	<u>181,891</u>
Total Pension Liability-Ending (a)	<u>29,957</u>	<u>85,425</u>	<u>181,891</u>	<u>286,984</u>
<b>Plan Fiduciary Net Position</b>				
Employer Contributions	1,490	39,071	46,378	51,495
Member Contributions	1,602	42,011	50,048	61,918
Investment income net of investment expenses	12	(708)	6,369	28,678
Benefit payments/refunds of contributions	-	-	(5,083)	(11,395)
Administrative Expense	-	(32)	(69)	(211)
Other	-	(4)	4,142	1,366
Net Change in Plan Fiduciary Net Position	<u>3,104</u>	<u>80,338</u>	<u>101,785</u>	<u>131,851</u>
Plan Fiduciary Net Position-Beginning	<u>-</u>	<u>3,104</u>	<u>83,442</u>	<u>185,226</u>
Plan Fiduciary Net Position-Ending (b)	<u>\$ 3,104</u>	<u>\$ 83,442</u>	<u>\$ 185,227</u>	<u>\$ 317,077</u>
Net Pension Liability-Ending (a) - (b)	<u>\$ 26,853</u>	<u>\$ 1,983</u>	<u>\$ (3,336)</u>	<u>\$ (30,093)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	10.36%	97.68%	101.83%	110.49%
Covered Employee Payroll	\$ 320,486	\$ 700,189	\$ 834,136	\$ 1,031,969
Net Pension Liability as a Percentage of Covered Employee Payroll	8.38%	0.28%	-0.40%	-2.92%

The Schedule of Changes in the District's Net Pension Liability and Related Ratios shows the changes in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the District. Note that this is a 10-year schedule, to be created by the District prospectively, over the next 10-year period.

The accompanying notes to required supplementary information are an integral part of this schedule.

Parker County Emergency Services District No. 1  
 Schedule of Employer Contributions and Related Ratios  
 For the year ended September, 30, 2018

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributons as a % of Covered Payroll
2015	\$ 29,494	\$ 29,494	\$ -	\$ 528,550	5.60%
2016	46,222	46,222	-	884,844	5.22%
2017	48,729	48,729	-	974,306	5.00%
2018	62,300	62,300	-	1,281,334	4.86%

The Schedule of Employer Contributions shows the District's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule will be built over the next 10-year period.

The accompanying notes to required supplementary information are an integral part of this schedule.

Parker County Emergency Services District No. 1  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018

NOTE 1 – BUDGET

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.
- c. Budgetary control is maintained at the line item level, subject to adjustments permitted as described above.

Excess of Expenditures over Appropriations of \$5,000 or more:

The following expenditures exceeded budget by more than \$5,000.

Expenditures	Budget	Variance	Explanation
Fleet operations	\$ 84,922		Fuel and repairs
Training programs		12,607	Continuing education
Personnel expenses		67,932	Health insurance
Capital purchases		926,739	Fire trucks purchased with note payable
Debt issuance costs		19,980	Cost to issue not payable

Parker County Emergency Services District No. 1  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018

**NOTE 2 – DEFINED BENEFIT PENSION PLANS**

**Notes to Schedule of Contributions**

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
<b><u>Methods and assumptions used to determine contribution rates:</u></b>	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.4 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

## **OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**



**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. 1  
Springtown, 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. 1 (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2019.

**Internal Control over Financial Reporting**

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

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

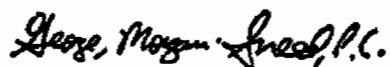
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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.



Weatherford, Texas

March 20, 2019