

**HIDALGO COUNTY EMERGENCY SERVICES  
DISTRICT NO. 1**

**FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2012**

**HIDALGO COUNTY EMERGENCY SERVICES  
DISTRICT NO. 1  
AS OF DECEMBER 31, 2012**

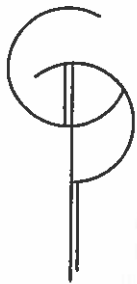
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**HIDALGO COUNTY EMERGENCY SERVICES  
DISTRICT NO. 1  
YEAR ENDED DECEMBER 31, 2012**

**OFFICERS**

<b>Robert Rektorik</b>	<b>Chairman</b>
<b>Gerardo Latigo</b>	<b>Vice-Chairman</b>
<b>Fred McCaleb</b>	<b>Secretary/Treasurer</b>
<b>Russell Vos</b>	<b>Commissioner</b>
<b>Larry Dittburner</b>	<b>Commissioner</b>



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Manuel B. Garcia, CPA  
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## INDEPENDENT AUDITOR'S REPORT

Hidalgo County Emergency Services  
District No. 1  
P.O. Box 1010  
Weslaco, Texas 78596

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of Hidalgo County Emergency Services District No. 1 as of and for the year ended December 31, 2012 with comparative totals for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise Hidalgo County Emergency Services District No. 1'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 opinion.

## 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 the aggregate remaining fund information, of Hidalgo County Emergency Services District No. 1 as of December 31, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages b and 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hidalgo County Emergency Services District No. 1's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Garcia & Pena,  
Certified Public Accountants

August 15, 2013

**PART I**  
**FINANCIAL SECTION**

## Management's Discussion and Analysis

As management of Hidalgo County Emergency Services District No. 1, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Hidalgo County Emergency Services District No. 1 for the fiscal year ended December 31, 2012.

### FINANCIAL HIGHLIGHTS

- The assets of Hidalgo County Emergency Services District No. 1 exceeded its liabilities at the close of the most recent fiscal year by \$465,368 (net assets). Of this amount, \$361,349 (unrestricted net assets) may be used to meet the district's ongoing obligations to citizens and creditors.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Hidalgo County Emergency Services District No. 1 basic financial statements comprise three components: 1.) Government-wide financial statements, 2.) Fund financial statements, and 3.) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of Hidalgo County Emergency Services District No. 1 finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of Hidalgo County Emergency Services District No. 1 assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Hidalgo County Emergency Services District No. 1 is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 the future fiscal period (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of Hidalgo County Emergency Services District No. 1 that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Hidalgo County Emergency Services District No. 1 include general government, and ambulance services provided through service contracts.

The Board sets expenditure caps over which Hidalgo County Emergency Services District No. 1 Commissioner's approval is required.

The government-wide financial statements can be found on pages 1-3 of this report.

**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. Hidalgo County Emergency Services District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** - A governmental fund is 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Hidalgo County Emergency Services District No. 1 maintains one individual governmental fund.

Hidalgo County Emergency Services District No. 1 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-8 of this report.

**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 9-12 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hidalgo County Emergency Services District No. 1, assets exceeded liabilities by \$465,368 at the close of the most recent fiscal year.

The largest portion of Hidalgo County Emergency Services District No. 1 net assets (79.42%) reflects its investment in cash.

The remaining balance of \$103,635 (tax receivables) are not currently available until collected in subsequent years.

**Governmental activities** - Tax revenues, penalties and interest amounts were \$107,716 an increase of \$5,770 from the prior year. Interest earnings were \$4,531, a decrease of \$1,084 from the prior year. Expenses were \$103,674, up from \$101,046 in the previous year, netting a \$8,647 increase in net assets.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, Hidalgo County Emergency Services District No. 1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** - The focus of Hidalgo County Emergency Services District No. 1's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Hidalgo County Emergency Services District No. 1's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Hidalgo County Emergency Services District No. 1 governmental fund reported an ending fund balance of \$361,349, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Hidalgo County Emergency Services District No. 1. At the end of the current fiscal year, unreserved fund balance of the general fund was \$361,349. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 383.7% of total general fund expenditures.

The fund balance of Hidalgo County Emergency Services District No. 1's general fund increased by \$4,742 during the current fiscal year. Key factors in this change are as follows:

- In the prior year, the General Fund increased by \$-0-, due to a prior year adjustment. The tax receipts, penalties and interest revenues increased by \$2,278, in the current year, and expenditures increased by \$2,628.

#### **CAPITAL ASSETS**

**Capital Assets.** Hidalgo County Emergency Services District No. 1's investment in capital assets for its governmental activities as of December 31, 2012, amounts to \$-0-.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Hidalgo County Emergency Services District No. 1's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hidalgo County Emergency Services District No. 1, P.O. Box 1010, Weslaco, Texas 78599.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
GOVERNMENT-WIDE STATEMENTS OF NET ASSETS  
DECEMBER 31, 2012 AND 2011**

ASSETS	<u>2012</u>	<u>2011</u>
Cash	\$ 199,464	\$ 190,878
Certificate of Deposit	180,074	177,047
Due from County	16,548	14,680
Rollback Taxes Receivable	384	151
Tax Assessment Receivable (Net)	<u>103,635</u>	<u>99,963</u>
Total Assets	<u><u>\$ 500,105</u></u>	<u><u>\$ 482,719</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 25,000	\$ 18,750
Due to Tax Attorney	<u>9,737</u>	<u>7,248</u>
Total Liabilities	<u><u>34,737</u></u>	<u><u>25,998</u></u>
<b>Net Assets</b>		
Unrestricted	<u>465,368</u>	<u>456,721</u>
Total Net Assets	<u><u>465,368</u></u>	<u><u>456,721</u></u>
Total Liabilities and Net Assets	<u><u>\$ 500,105</u></u>	<u><u>\$ 482,719</u></u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2012**

<u>Program Activities</u>	<u>Expenses</u>	<u>Taxes Penalties/Interest</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental activities				
General government and administration	\$ 22,424	\$ 26,466	\$ -	\$ 4,042
Service Contracts	81,250	81,250		-
Interest on long-term debt				
 Total governmental activities	\$ 103,674	\$ 107,716	\$ -	\$ 4,042
 General revenues:				
Investment earnings				4,531
Decrease in allowance for uncollectible accounts				74
Miscellaneous				-
Total general revenues				4,605
Changes in net assets				8,647
Net assets at beginning of year, as adjusted				456,721
Net assets at end of year				\$ 465,368

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2011**

<u>Program Activities</u>	<u>Expenses</u>	<u>Taxes Penalties/Interest</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental activities				
General government and administration	\$ 21,046	\$ 21,592	\$ -	\$ 546
Service Contracts	80,000	80,000		-
Interest on long-term debt				
Total governmental activities	<u>\$ 101,046</u>	<u>\$ 101,592</u>	<u>\$ -</u>	<u>\$ 546</u>
General revenues:				
Investment earnings				5,615
Decrease in allowance for uncollectible accounts				354
Miscellaneous				74
				<u>6,043</u>
Total general revenues				<u>6,043</u>
Changes in net assets				6,589
Prior Period Adjustment (Note 7)				(6,250)
Net assets at beginning of year, as adjusted				<u>456,382</u>
Net assets at end of year				<u>\$ 456,721</u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from tax payers	\$ 104,506	\$ 94,229
Other operating cash receipts	-	7,074
Cash payments to suppliers for goods and services	(22,424)	(21,046)
Cash payments for service contracts	<u>(75,000)</u>	<u>(87,000)</u>
<b>Net Cash Provided by Operating Activities</b>	7,082	(6,743)
<b>Cash Flows From Investing Activities:</b>		
Interest on cash and cash investments	<u>4,531</u>	<u>5,615</u>
<b>Net Increase (Decrease) In Cash</b>	11,613	(1,128)
<b>Cash at the Beginning of the Year</b>	<u>367,925</u>	<u>369,053</u>
<b>Cash at the End of the Year</b>	<u><u>\$ 379,538</u></u>	<u><u>\$ 367,925</u></u>
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b>		
<b>Income (loss) from operations</b>	\$ 4,042	\$ 546
<b>Changes in Assets</b>		
Due from the County	(1,868)	(10,299)
Tax Receivable	(3,905)	(339)
<b>Changes in Liabilities</b>		
Accounts Payable	6,250	-
Due to Tax Attorney	2,489	2,921
Other Income	<u>74</u>	<u>428</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 7,082</u></u>	<u><u>\$ (6,743)</u></u>
<b>Reconciliation of total cash and cash investments</b>		
Current Cash	\$ 199,464	\$ 190,878
Certificate of Deposits	180,074	177,047
	<u><u>\$ 379,538</u></u>	<u><u>\$ 367,925</u></u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
BALANCE SHEET  
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

ASSETS	<u>2012</u>	<u>2011</u>
Cash	\$ 199,464	\$ 190,878
Certificate of Deposit	180,074	177,047
Due from County	16,548	14,680
Rollback Taxes Receivable	384	151
Tax Assessment Receivable (Net)	<u>103,635</u>	<u>99,963</u>
<b>Total Assets</b>	<b><u>\$ 500,105</u></b>	<b><u>\$ 482,719</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 25,000	\$ 18,750
Due to Tax attorney	9,737	7,248
Deferred Revenue	<u>104,019</u>	<u>100,114</u>
<b>Total Liabilities</b>	<b><u>138,756</u></b>	<b><u>126,112</u></b>
 <b>Fund Balance</b>	 <b><u>361,349</u></b>	 <b><u>356,607</u></b>
 <b>Total Liabilities and Fund Balance</b>	 <b><u>\$ 500,105</u></b>	 <b><u>\$ 482,719</u></b>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

	General Fund	
	2012	2011
<u>Revenues</u>		
Tax Receipts, Net of Refunds	\$ 98,370	\$ 93,116
Penalties & Interest	5,515	8,491
Interest	4,531	5,615
Other	-	74
Total Revenues	108,416	107,296
<u>Expenditures</u>		
Collection and Assessment Fees Hidalgo County (Note 1)	946	909
Service Contract City of Weslaco (Note 4)	81,250	75,000
Valley Air Care (Note 4)	-	5,000
Administrative Fees and Contract Services	1,100	900
Legal and Professional	11,381	9,970
Insurance	5,837	5,889
Office	3,160	3,378
Total Expenditures	103,674	101,046
Excess of Revenues Over (Under) Expenditures	4,742	6,250
Prior Period Adjustment (Note 7)	-	(6,250)
Fund Balance, Beginning of the Year	356,607	356,607
Fund Balance, End of Year	\$ 361,349	\$ 356,607

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2012 AND 2011**

	2012	2011
Net change in fund balance-total governmental funds	\$ 4,742	\$ 6,250
Amounts reported for governmental activities in the statement of net assets are different because:		
Some property tax will not be collected for several months after the fiscal year-end assessments and these are not considered available revenues in the governmental funds.	2,645	(370)
These were tax collection in excess of the tax assessment, which have already been recognized as revenues in the previous year		
Tax adjustments and allowance for uncollectible amounts are recognized thru the deferred revenue accounts in the governmental funds		
Tax adjustments	1,186	355
Allowance for bad-debt expenses		
Decrease in allowance for uncollectible accounts	74	354
Increase in allowance for uncollectible accounts	74	354
Changes in net assets of governmental activities	\$ 8,647	\$ 6,589

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 DECEMBER 31, 2012**

	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget	2011 Actual
	Original	Final			
<b>Revenues</b>					
Property Taxes	\$ 93,559	\$ 93,559	\$ 98,370	\$ 4,811	\$ 93,116
Penalties & Interest	-	-	5,515	5,515	8,491
Interest	5,000	5,000	4,531	(469)	5,615
Other			-	-	74
<b>Total Revenues</b>	<u>98,559</u>	<u>98,559</u>	<u>108,416</u>	<u>9,857</u>	<u>107,296</u>
<b>Expenditures</b>					
General Government	36,000	46,000	22,424	23,576	21,046
Ambulance Services	80,000	80,000	81,250	(1,250)	80,000
<b>Total Expenditures</b>	<u>116,000</u>	<u>126,000</u>	<u>103,674</u>	<u>22,326</u>	<u>101,046</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(17,441)</u>	<u>(27,441)</u>	<u>4,742</u>	<u>32,183</u>	<u>6,250</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers-in					
Operating transfers-out					
<b>Total Other Financing Sources (Uses)</b>					
<b>Excess (Deficiency) of Revenues and other Financing Sources Over Expenditures and Other Uses</b>	<u>\$ (17,441)</u>	<u>\$ (27,441)</u>	<u>4,742</u>	<u>\$ 32,183</u>	<u>6,250</u>
Prior Period Adjustment			-		(6,250)
<b>Fund Balance, January 1</b>			<u>356,607</u>		<u>356,607</u>
<b>Fund Balance, December 31,</b>			<u>\$ 361,349</u>		<u>\$ 356,607</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1. NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES**

The Hidalgo County Emergency Services District No. 1 is a political subdivision, established in April 1982 (under Chapter 794 of the Health and Safety Code to Emergency Service Districts) to provide ambulance service to the citizens of Rural Hidalgo County. As of September 1, 2003, Senate Bill 1021, which passed during the 78<sup>th</sup> Regular Legislative Session, converted all fire prevention districts to emergency service districts. Emergency Services Districts are now required to operate under Chapter 775 of the Health and Safety Code.

Article III, Section 48e of the Texas Constitution authorizes the Commissioner's Courts of participating counties to levy a tax on the ad-valorem properties situated in their districts not to exceed .10 per one hundred valuations as approved by the qualified voters residing in the district. Such a district may provide emergency medical services, emergency ambulance services, and rural fire prevention and control services.

The geographical location is as follows:

- An area having the boundaries of the Rio Grande River on the south, Mile 7 West on the west, Mile 14 ½ North on the north, and Mile 2 West on the east, except for the area contained within the corporate boundaries of the City of Weslaco; all of which lie within Hidalgo County, Texas.

The District's books and records are maintained on the modified accrual basis of accounting.

(a). Basis of Presentation

The accounting policies of Hidalgo County Emergency Services District No. 1 conform to generally accepting accounting principles as applicable 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-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. District activities, are normally supported by taxes and intergovernmental revenues.

The statement of activities, demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) taxes billed against the citizen of its geographical area (2), penalties and interest billed for the late payments of taxes that are restricted to meeting the operational or capital requirements of the ambulance service. Interest and other items not properly included among program revenues are reported as general revenues.

(b). Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured: basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**NOTE 1. NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The district-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are taxes, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

(c). Cash and Cash Equivalents

Custodial Credit Risk

Deposits, Certificates of Deposit

Custodial credit risk refers to the risk that in the event of a bank failure, the District's deposits may not be returned to it.

In accordance with the District's fiscal policy as approved by the Board, the District maintains the demand and time deposits through a local depository bank that are members of the Federal Reserve System, and pledge securities to secure the funds of the District beyond the FDIC coverage.

In no time during the current fiscal year did the organization's deposits go over the Federal Depository Insurance Corporation (FDIC) Insurance of \$250,000, or the pledged securities.

Hidalgo County Emergency Services District No. 1 considers all short-term investments with an original maturity of three months or less to be cash equivalents.

(d). Investments

Investments are carried at cost plus accrued interest.

(e). Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted 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 reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1. NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- (f). Advertising Costs  
Advertising costs are charged to operations when incurred. Total advertising costs for the year ended December 31, 2012 were \$-0-.
- (g). Reclassification  
Certain items in the prior year report have been reclassified to conform, to current year reclassification. Such reclassification had no effect on previously reported net income.
- (h). Statement of Cash Flows  
For purposes of reporting cash flows, cash includes cash in banks and certificates of deposit, with maturity of three months or less to be cash equivalents.
- (i). Income Taxes  
The District is exempt from Federal income taxes and therefore no provision for the Federal income taxes has been made in the accompanying financial statements.

**NOTE 2. CONCENTRATION OF CREDIT RISK**

The District's policy limits the deposits in any one-bank institution to their extent of FDIC coverage and pledged securities.

The District maintained account balances in three banks, one of the bank deposits exceeded the FDIC coverage of \$250,000 during the year, but the pledged securities exceeded the bank deposits balance at all times during the year.

**NOTE 3. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair values of Hidalgo County Emergency Services District No. 1's financial instruments at December 31, 2012 and the methods and assumptions used to estimate such fair value are as follows:

Cash:

Fair value approximates the carrying amount because of the short maturity of the instruments.

Tax Assessment Receivable:

The fair value of the receivables approximates the carrying amount, as these balances are not considered available resources for the period ending December 31, 2012.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 4. REVENUES AND REVENUE RECOGNITION**

Substantially all of the District's revenue is derived from taxes levied against the citizens of its geographical areas. The District is authorized to levy a tax, not to exceed three cents (\$.03) per one hundred dollars (\$100.00) property valuation. If the District were to exceed three cents (\$.03) per one hundred dollars, it would require voter approval from the District.

Taxes are assessed and collected for the District by the Hidalgo County Office of Tax Assessor-Collector. The tax rates, assessed taxes, and collection fees for the tax years 2012 and 2011 are as follows:

	2012	2011
Tax Rate	0.0143	0.0134
Market Value	\$ 959,704,321	\$ 940,517,472
Assessed Value	705,359,844	697,193,597
Assessed Taxes	100,911	93,456
Tax Collections	98,266	93,116
Collection Fees:		
Assessment Fee	1.07%	1.07%
Collection Fee-Delinquent	0.8866	0.8866
Delinquent Tax-Attorney Fee	15%	15%

Revenues recognized by the District represent total tax assessments for the period. At December 31, 2012, the County's record reflected total tax receivable for the District as follows:

	Total Tax	Rollback Tax	Current Tax	Delinquent Tax
Property Tax Receivable, January 1,	\$ 108,517	\$ 151	\$ -	\$ 108,366
2012 Tax Assessments	100,911		100,911	
Tax Collections	(98,266)		(30,533)	(67,733)
Adjustments	1,186	233	(61)	1,014
Property Tax Receivable, December 31,	112,348	384	70,317	41,647
Less: Allowance for Uncollectible	(8,329)			(8,329)
Total Tax Receivable (Net)	\$ 104,019	\$ 384	\$ 70,317	\$ 33,318

Uncollectible amounts are estimated to be 20% of the delinquent taxes at December 31, 2012.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 5. COMMITMENTS**

Service Contract with City of Weslaco and South Texas Emergency Care

The District has a service contract with the City of Weslaco, Texas effective through October 1, 2012, requiring quarterly payments of \$18,750 per quarter, plus premiums on ambulance operating insurance. The contract for October 1, 2012 to September 30, 2013 is for \$100,000, requiring \$25,000 quarterly payments.

	2012	2011
City of Weslaco	\$ 81,250	\$ 75,000

The District has a service contract with Valley Air Care effective through May 2012 requiring an annual payment of \$12,000, plus premiums on ambulance operating insurance.

	2012	2011
Valley Air Care *	\$ -	\$ 5,000

\* On June 20, 2011, Hidalgo County Emergency Services District No. 1 paid the annual contract of \$12,000. On September 19, 2011, the Board approved the termination of the Service Agreement for the period from June 1, 2011 to May 31, 2012, effective November 1, 2011. Refund of \$7,000 was received from Valley Air Care on November 21, 2011. The contract was not renewed in the current year.

**NOTE 6. RISK MANAGEMENT**

The District is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, errors or omissions; catastrophes; and claims by patients or clients transported by ambulance units for which the District carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years.

The District's management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

**NOTE 7. PRIOR PERIOD ADJUSTMENT**

	2012	2011
Fund Balance, January 1,	\$ 356,607	\$ 356,607
Excess of Revenues Over (Under) Expenditures	4,742	6,250
Understatement of Expenditure		(6,250)
Fund Balance, December 31, As Restated	\$ 361,349	\$ 356,607

**NOTE 8. SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 15, 2013 which is the date the financial statements were available to be issued.

**PART II**  
**SUPPLEMENTAL SECTION**

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

(A) Services Provided to the Citizens of the District

Types of Service	<u>Years</u>	
	<u>2012</u>	<u>2011</u>
EMS Calls	Not Available	3,231
Fire by Type:		
Business Structure and Dwellings	-	22
Mobile Home	-	6
Motor Vehicle Accidents	-	110
Grass	-	118
Refuse	-	76
Vehicles	-	17
Rescue	-	9
Assist EMS	-	120
Fire Alarms & Equipment	-	38
*Other	-	130
	* Other-Washdowns	
	Search	
	Drownings	
	Electrical	
	Gas Leak	
	False Alarms	
	Bee Calls	

(B) Insurance Coverage is as follows:

<u>Type of Coverage</u>	<u>Dollar Amounts</u>
Fidelity Bond Coverage	\$ 100,000
Commerical General Liability	1,000,000
Public Official's Liability	500,000
Ambulance Operators/Fire Fighter E & O	500,000
Mal-practice Insurance	1,000,000
Crime Policy	50,000