

Hidalgo County Emergency Services District No. 2

P.O. BOX 1136
Elsa, Texas 78543

HAND DELIVERED

Board of Directors

Officers

Connie Villanueva
President

Oscar Garza
Vice President

Melissa Perez
Secretary/Treasurer

Members

Gilbert Hinojosa
Antonio Lopez

Legal Counsel

O'Hanlon, Rodriguez &
Demerath

Accountant

Antonio R. Sandoval

July 15, 2015

Honorable A.C. Cuellar Jr.,
Hidalgo County Commissioner Prct. 4/1
Weslaco, Tx 78596

Dear Commissioner Cuellar:

Enclosed herewith please find the audit report for The Hidalgo County Emergency Services District Number 2 as prepared by the auditing firm of Garcia & Pena for the year ended December 31, 2014. As noted in the report the auditing firm issued an unqualified opinion which gives the district a sound financial standing. Please review it and should you have any questions please do not hesitate to contact me.

With best wishes I remain,

Sincerely yours,



Antonio R. Sandoval
Accountant

for
CC
9/1/15

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 2**

**FINANCIAL STATEMENTS
DECEMBER 31, 2014**

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 2**

YEAR ENDED DECEMBER 31, 2014

OFFICERS

Connie Villanueva	President
Oscar Garza	Vice-President
Melissa Perez	Secretary/Treasurer
Gilbert Hinojosa	Board Member
Antonio Lopez	Board Member

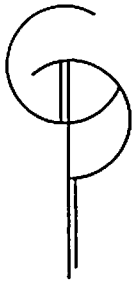
**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 2
AS OF DECEMBER 31, 2014**

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PART 1

FINANCIAL SECTION



GARCIA & PEÑA

Certified Public Accountants

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Weslaco, Texas 78599

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Manuel B. Garcia, CPA

Jaime X. Peña, CPA

INDEPENDENT AUDITOR'S REPORT

Hidalgo County Emergency Services
District No. 2
P.O. Box 1136
Elsa, Texas 78543

We have audited the accompanying financial statements of the government activities, and the aggregate remaining fund information of Hidalgo County Emergency Services District No. 2 as of and for the year ended December 31, 2014, with comparative totals for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Hidalgo County Emergency Services District No. 2's basic financial statements as listed in the Table of Contents.

Management 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. 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 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. 2 at December 31, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

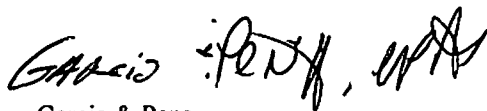
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages c 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 an opinion on the financial statements that collectively comprise Hidalgo County Emergency Services District No. 2'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

June 10, 2015

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to provide an overview of the Hidalgo County Emergency Services District No.2 financial performance for the year ended December 31, 2014 and the related effect on the Hidalgo County Emergency District No. 2's financial condition. Please read it in conjunction with the financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- The Hidalgo County Emergency District No. 2 Changes in Net Position – Governmental Type Activities – Total government-wide net position increased \$68,337 as a result of this year's operations, in the prior year the increase was \$56,366.
- The net increase from the prior year change in equity is \$11,971, due to an increase of \$8,811 in the tax assessment, a decrease of expenditures of \$3,438, and a decrease in penalties and interest of \$797 with an increase in miscellaneous receipts of \$1,142.
- At the close of the current year, the Hidalgo County Emergency Services District No. 2's governmental fund reported an increase of \$64,394, increasing the fund balance to \$435,812, which is 220.37% (percent) of total general fund expenditures. The current year fund balance increase of \$64,394 as compared to last year's increase of \$62,213 was caused by a decrease in expenditure collections of \$6,113, coupled with a decrease in revenues of \$3,932. This year's collection rate was 95.1% of the current year levy versus 100.6% in the prior year.

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. 2 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. 2 finances, in a manner similar to a private-sector business.

The statements of net position present information on all of Hidalgo County Emergency Services District No. 2 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 Hidalgo County Emergency Services District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net positions 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. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Hidalgo County Emergency Services District No. 2 include general government, and ambulance services provided through service contracts.

The Board sets expenditure caps over which Hidalgo County Emergency Services District No. 2 Commissioner's approval is required.

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

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Hidalgo County Emergency Services District No. 2 maintains one individual governmental fund.

Hidalgo County Emergency Services District No. 2 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 9-13 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 Hidalgo County Emergency Services District No. 2, assets exceeded liabilities by \$674,796 at the close of the most recent fiscal year.

By far the largest portion of Hidalgo County Emergency Services District No. 2 net position (58 percent) reflects its investment in cash, \$390,897.

The remaining balance of \$238,984 (tax receivables) are not currently available until collected in subsequent years.

Governmental activities. Tax receipts, penalties and interest amounts to \$265,583 an increase of 2.86% over the last fiscal year. Expenses were \$198,895, down from \$202,333 in the previous year, netting a \$68,377 increase in net position.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Hidalgo County Emergency Services District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds. The focus of Hidalgo County Emergency Services District No. 2'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. 2'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. 2 governmental fund reported an ending fund balance of \$435,812, 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. 2. At the end of the current fiscal year, unreserved fund balance of the general fund was \$435,812. 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 220.3% percent of total general fund expenditures.

The fund balance of Hidalgo County Emergency Services District No. 2's general fund increased by \$64,394 during the current fiscal year, which is \$2,181 more than the prior year. Key factors in this change are as follows:

- The tax receipts, penalties and interest revenues, and other income decreased by \$3,932 for the year, with expenditures decreasing by \$6,113. Total revenues were \$262,176 with total expenditures of \$197,782, netting the \$64,394 increase.

CAPITAL ASSETS

Capital Assets. Hidalgo County Emergency Services District No. 2's investment in capital assets for its governmental activities as of December 31, 2014, amounts to \$-0-.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Hidalgo County Emergency Services District No. 2'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. 2's, P.O. Box 1136, Elsa, Texas 78543.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
GOVERNMENT-WIDE STATEMENTS OF NET POSITION
DECEMBER 31, 2014**

**ASSETS AND DEFERRED
OUTFLOW OF RESOURCES**

	<u>2014</u>	<u>2013</u>
Cash	\$ 156,770	\$ 97,620
Certificate of Deposit	234,127	233,718
Due from County	56,550	59,376
Tax Assessment Receivable (Net)	<u>238,984</u>	<u>235,042</u>
Total Assets	<u>686,431</u>	<u>625,756</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 686,431</u>	<u>\$ 625,756</u>

**LIABILITIES, DEFERRED INFLOW OF
RESOURCES**

Liabilities		
Trade Payable	\$ -	\$ 13,750
Due to Tax Attorney	<u>11,635</u>	<u>5,546</u>
Total Liabilities	<u>11,635</u>	<u>19,296</u>
Deferred Inflow of Resources	<u>-</u>	<u>-</u>
Net Position		
Unrestricted	<u>674,796</u>	<u>606,460</u>
Total Net Position	<u>674,796</u>	<u>606,460</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 686,431</u>	<u>\$ 625,756</u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
DECEMBER 31, 2014**

<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	\$ 31,443	\$ 98,131	\$ -	\$ 66,688
Service Contracts	167,452	167,452		-
Interest on long-term debt				
Total governmental activities	<u>\$ 198,895</u>	<u>\$ 265,583</u>	<u>\$ -</u>	<u>\$ 66,688</u>
General revenues:				
Investment earnings				405
Gain (loss) on sale/retirement of capital assets				
Miscellaneous				1,244
Total general revenues				1,649
Changes in net position				68,337
Net position at beginning of year, as adjusted				606,460
Net position, at end of year				\$ 674,797

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
DECEMBER 31, 2013**

<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	\$ 31,333	\$ 87,196	\$ -	\$ 55,863
Service Contracts	171,000	171,000		-
Interest on long-term debt				
 Total governmental activities	 <u>\$ 202,333</u>	 <u>\$ 258,196</u>	 <u>\$ -</u>	 <u>\$ 55,863</u>
General revenues:				
Investment earnings				431
Gain (loss) on sale/retirement of capital assets				
Miscellaneous				72
Total general revenues				503
Changes in net position				56,366
Net position at beginning of year, as adjusted				550,094
Net position, at end of year				\$ 606,460

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Cash received from tax payers	\$ 267,143	\$ 245,950
Cash received from others	1,244	72
Cash payments to suppliers for goods and services	(28,031)	(35,259)
Cash payments for service contracts	<u>(181,202)</u>	<u>(157,250)</u>
Net Cash Provided by Operating Activities	59,154	53,513
Cash Flows From Investing Activities:		
Interest on cash and cash investments	<u>405</u>	<u>431</u>
Net Increase (Decrease) In Cash	59,559	53,944
Cash at the Beginning of the Year	<u>331,338</u>	<u>277,394</u>
Cash at the End of the Year	<u><u>\$ 390,897</u></u>	<u><u>\$ 331,338</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities		
Income (loss) from operations	\$ 66,688	\$ 55,863
Changes in Assets		
Due from the County	2,825	(23,502)
Changes in Liabilities		
Tax Receivable	(3,942)	5,847
Trade Payable	(13,750)	13,750
Accrued Expense	6,089	1,483
Other Income	<u>1,244</u>	<u>72</u>
Net cash provided (used) by operating activities	<u><u>\$ 59,154</u></u>	<u><u>\$ 53,513</u></u>
Reconciliation of total cash and cash investments		
Current Cash	\$ 156,770	\$ 97,620
Certificate of Deposits	<u>234,127</u>	<u>233,718</u>
	<u><u>\$ 390,897</u></u>	<u><u>\$ 331,338</u></u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u>
Cash	\$ 156,770	\$ 97,620
Certificate of Deposit	234,127	233,718
Due from County	56,550	59,376
Tax Assessment Receivable (Net)	<u>238,984</u>	<u>235,042</u>
Total Assets	<u>686,431</u>	<u>625,756</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 686,431</u>	<u>\$ 625,756</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION		
Trade Payable	\$ -	\$ 13,750
Due to Tax Attorney	<u>11,635</u>	<u>5,546</u>
Total Liabilities	<u>11,635</u>	<u>19,296</u>
Deferred Inflow of Resources	<u>238,984</u>	<u>235,042</u>
Fund Balance Unrestricted	<u>435,812</u>	<u>371,418</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u>\$ 686,431</u>	<u>\$ 625,756</u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
Total fund balances-total governmental funds	\$ 435,812	\$ 371,418
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Deferred revenues are not considered available financial resources and therefore, are not reported in the governmental fund balance sheet equity section</p>	<u>238,984</u>	<u>235,042</u>
Net position of governmental activities	<u>\$ 674,796</u>	<u>\$ 606,460</u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013**

	General Fund	
	2014	2013
<u>Revenues</u>		
Tax Receipts, Net of Refunds	\$ 242,369	\$ 246,650
Penalties & Interest	18,158	18,955
Interest	405	431
Other Income	1,244	72
Total Revenues	262,176	266,108
<u>Expenditures</u>		
Collection and Assessment Fees Hidalgo County (Note 1)	2,614	2,572
Service Contract		
Ambulance Contract	161,452	165,000
Aid to Communities	6,000	6,000
Administrative Fees and Contract Services		
Advertising	-	278
Travel	7,688	4,237
Legal and Professional	18,914	16,502
Insurance	267	7,463
Office	847	1,843
Total Expenditures	197,782	203,895
Excess of Revenues Over (Under) Expenditures	64,394	62,213
Fund Balance, January 1,	371,418	309,205
Fund Balance, December 31,	\$ 435,812	\$ 371,418

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
DECEMBER 31, 2014**

	2014	2013
Net change in fund balance-total governmental funds	\$ 64,394	\$ 62,213
Amounts reported for governmental activities in the statement of net position 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.	12,529	(1,523)
Tax adjustments and allowance for uncollectible amounts are recognized thru the deferred revenue accounts in the governmental funds		
Tax adjustments	(7,473)	(5,886)
Allowance for bad-debt expenses	(1,113)	1,562
Changes in net position of governmental activities	\$ 68,337	\$ 56,366

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 DECEMBER 31, 2014**

	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget	2013 Actual
	Original	Final			
Revenues					
Property Taxes	\$ 232,955	\$ 232,955	\$ 242,369	\$ 9,414	\$ 246,650
Penalties & Interest	12,000	12,000	18,158	6,158	18,955
Interest	700	700	405	(295)	431
Other Income	100	100	1,244	1,144	72
Total Revenues	<u>245,755</u>	<u>245,755</u>	<u>262,176</u>	<u>16,421</u>	<u>266,108</u>
Expenditures					
General Government	53,100	53,100	30,330	22,770	32,895
Service Contracts					
Ambulance Services	168,000	168,000	161,452	6,548	165,000
Aid to Communities	20,000	20,000	6,000	14,000	6,000
Grant Matching Funds				-	
Total Expenditures	<u>241,100</u>	<u>241,100</u>	<u>197,782</u>	<u>43,318</u>	<u>203,895</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,655</u>	<u>4,655</u>	<u>64,394</u>	<u>59,739</u>	<u>62,213</u>
Other Financing Sources (Uses)					
Operating transfers-in					
Operating transfers-out					
Total Other Financing Sources (Uses)					
Excess (Deficiency) of Revenues and other Financing Sources Over Expenditures and Other Uses	<u>\$ 4,655</u>	<u>\$ 4,655</u>	<u>64,394</u>	<u>\$ 59,739</u>	<u>62,213</u>
Fund Balance, January 1			<u>371,418</u>		<u>309,205</u>
Fund Balance, December 31,			<u>\$ 435,812</u>		<u>\$ 371,418</u>

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

NOTES TO FINANCIAL STATEMENTS

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. NATURE OF DISTRICT AND SIGNIFICANT ACCOUNTING POLICIES

The Hidalgo County Emergency Services District No. 2 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 78th 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, rural fire prevention and control services.

The geographical location is as follows for District No. 2

An area having the boundaries of Mile 14 ½ South, and Mile 7 West on the West, and Mile 2 West on the East, and Mile 20 on the Northside 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. 2 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 position) report information on all of the activities of the District. District activities, are normally supported by taxes and intergovernmental revenues.

Government Accounting Standards Board has issued the following pronouncements, which are relevant to Hidalgo County Emergency Services District No. 2 that became effective the prior year and have been implemented.

GASB Statement No 60, Accounting and Financial Reporting For Service Concession Arrangements

GASB Statement No 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No 34.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB AICPA Pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

Government Accounting Standards Board has issued the following pronouncement, which is relevant to the Hidalgo County Emergency Services District No. 2, became effective this fiscal year and has been implemented:

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No 65, Items Previously Reported as Assets and Liabilities

This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The following statements will become effective in future years. Management has not yet determined the effect of these statements; however, the impact is expected to be significant as it relates to GASB 68, as this statement will require the recognition of a previously unrecorded liability.

GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The statement is effective for fiscal years beginning after June 15, 2014.

GASB Statement No.69, Government Combinations and Disposals of Government Operations

The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term *government combinations* is used in this statement to refer to a variety of arrangement including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 70, Accounting and Financial Reporting for Non-Exchange Financial Guarantees

Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a non-exchange transaction). As a part of this non-exchange financial guarantee, a government commits to indemnify the holder of the obligations if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a non-exchange transactions.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. The provisions of the statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a non-exchange financial guarantee, the provisions of this statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a non-exchange financial guarantee may be applied prospectively.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68

The objective of this statement is to address an issue regarding application of the transition provisions of Statement No 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows or resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68.

Basis of Presentation

The District wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the District. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A. SUMMARY OF 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 position and the operating statements present increases (revenues) and decreases (expenses) in net total position. 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. 2 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (f). Advertising Costs
Advertising costs are charged to operations when incurred. Total advertising costs for the year ended December 31, 2014 were \$-0-
- (g). Reclassification
Certain items in the prior year report have been reclassified to conform, to current year reclassifications. Such reclassifications 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 Federal income taxes has been made in the accompanying financial statements.

NOTE 2. CONCENTRATION OF CREDIT RISK

The District maintains its cash balance in three accounts at one financial institution located in Elsa, Texas. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, the uninsured cash balance totaled \$140,897.

The District maintained account balances in one bank, as follows:

<u>Financial Institution</u>	<u>FDIC Coverage</u>	<u>Securities Pledged</u>	<u>Cash on Deposit</u>	<u>Excess (Deficiency) In Depository Security</u>
Elsa State Bank	\$ 250,000	\$ -	\$ 390,897	\$ (140,897)
	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 390,897</u>	<u>\$ (140,897)</u>

NOTE 3. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of Hidalgo County Emergency Services District No. 2's financial instruments at December 31, 2014 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, 2014.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 vote 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 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Tax Rate	0.0361	0.0361
Market Value	\$ 1,137,141,323	\$ 1,120,678,077
Assessed Value	705,812,438	678,545,239
Assessed Taxes	254,902	245,070
Tax Collections	242,369	246,593
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, 2014, the County's record reflected total tax receivable for the District as follows:

	<u>Total Tax</u>	<u>Rollback Tax</u>	<u>Current Tax</u>	<u>Delinquent Tax</u>
Property Tax Receivable, January 1,	\$ 293,636	\$ 665	\$ -	\$ 292,971
2014 Tax Assessments	254,902	-	254,902	-
Tax Collections	(242,374)	(1,140)	(77,268)	(163,966)
Adjustments	(7,473)	629	260	(8,362)
Property Tax Receivable, December 31,	298,691	154	177,894	120,643
Less: Allowance for Uncollectible	(59,707)			(59,707)
Total Tax Receivable (Net)	<u>\$ 238,984</u>	<u>\$ 154</u>	<u>\$ 177,894</u>	<u>\$ 60,936</u>

Uncollectible amounts are estimated to be 20% of the delinquent taxes at December 31, 2014.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet 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 that applies to a future period (s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and/or 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 that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. At the government fund level, revenues that have been billed but not yet collected or collected within the availability period are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has one category that qualified as deferred inflows or resources. The following table described the items and amounts:

<u>Deferred Inflows of Resources</u>	<u>Amount</u>
Property Taxes	<u>\$ 238,983</u>

NOTE 6. COMMITMENTS

Service Contract With Pro-Medic EMS

The District has entered into a two-year service contract with Guardian EMS requiring monthly payments of \$13,750 or \$165,000 annually. The contract will expire on December 31, 2014.

	2014	2013
Guardian EMS	<u>\$ 165,000</u>	<u>\$ 165,000</u>

NOTE 7. 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 8. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 10, 2015, which is the date the financial statements were available to be issued.