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COUNTY AUDIT

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2016 DEC 13 AM 10:11

File No. 8900

December 9, 2016

Mr. Raymundo Eufracio, CPA
Hidalgo County Auditor
2808 South Business Highway 281
Edinburg, TX 78539-6243

Re: Hidalgo County Emergency Services District No. 1

Dear Mr. Eufracio:

Enclosed please find (5) five copies of the 2015 Audit for Hidalgo County Emergency Services District No. 1 which was accepted by the Board of Commissioners at their monthly meeting on November 21, 2016.

Per your office request in 2015 Audit is being forwarded to your office with anticipation that your office will provide a copy to the County Judge's office for delivery to the Commissioner's Court.

Should you have any questions concerning this matter, please do not hesitate to contact me.

Very truly yours,

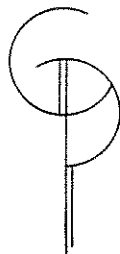
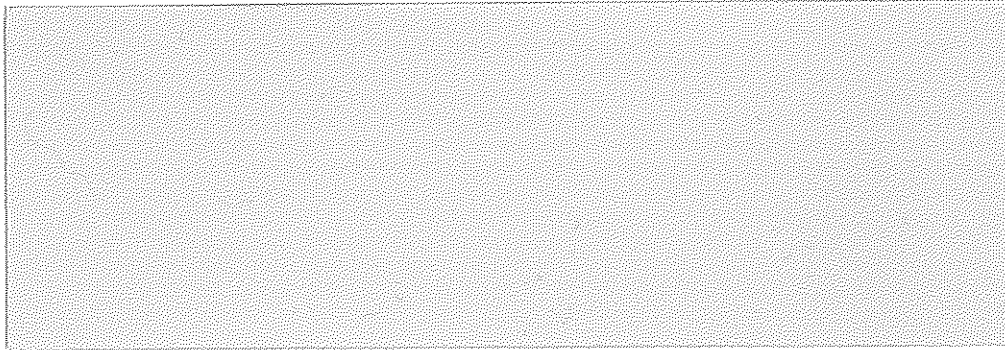


RICHARD S. TALBERT

RST/llt

Enclosures (as stated)

pc: Hon. Ramon Garcia
County Judge of Hidalgo County
P. O. Box 1356
Edinburg, TX 78540-1356
(w/o enclosures)



GARCIA & PEÑA
Certified Public Accountants
301 W. 4th • P. O. Box 8032
Weslaco, Texas 78599
969-1433 969-4460

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

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015**

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
AS OF DECEMBER 31, 2015**

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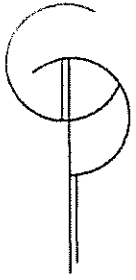
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**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
YEAR ENDED DECEMBER 31, 2015**

OFFICERS

Robert Rektorik	Chairman
Gerardo V. Latigo	Vice-Chairman
James Anthony Vos	Secretary/Treasurer
Larry Dittburner	Commissioner
Richard S. Talbert	Legal Counsel

PART I
FINANCIAL SECTION



GARCIA & PENA

Certified Public Accountants

P. O. Box 8032

301 West 4th

Weslaco, Texas 78599

956-969-1433 • Fax 956-968-1467 • 956-421-4601

Manuel B. Garcia, CPA
Jaime X. Pena, CPA

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, 2015 with comparative totals for the year ended December 31, 2014, 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. 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, 2015 and 2014, 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

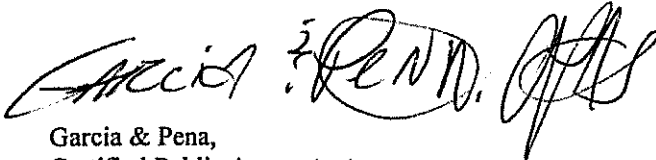
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 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 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.

Handwritten signatures of Garcia & Pena, Certified Public Accountants. The signatures are in black ink and appear to be 'Garcia' and 'Pena'.

Garcia & Pena,
Certified Public Accountants

September 19, 2016

Hidalgo County Emergency Services District No. 1 Management's Discussion and Analysis

This discussion and analysis is intended to provide an overview of the Hidalgo County Emergency Services District No. 1 financial performance for the year ended December 31, 2015, and the related effect on the Hidalgo County Emergency Services District No. 1's financial condition. Please read it in conjunction with the financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- The Hidalgo County Emergency Services District No. 1 Changes in Net Position – Governmental Type Activities – Total government-wide net position decreased \$3,577 as a result of this year's operations.
- The Hidalgo County Emergency Services District No. 1 increased the tax rate from \$0.0165 to \$0.0185 for the current year, due to a decrease in market values and assessed values of the district's properties. Assessed taxes increased by \$10,559 and current year collections increased by \$7,847 over the prior year. Total revenues increased by \$8,390 (\$145,062 and \$136,672 for 2015 and 2014, respectively) but expenditures for 2015 were \$148,639, causing a \$3,577 decrease in net position. Expenditures decreased by \$257.
- At the close of the current year, the Hidalgo County Emergency Services District No. 1's governmental fund reported a decrease of \$5,587, reducing the fund balance to \$317,319, which is 213.487% (percent) of total general fund expenditures.

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 statement of net position presents information on all of Hidalgo County Emergency Services District No. 1 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. 1 is improving or deteriorating.

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

Hidalgo County Emergency Services District No. 1 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. 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 \$437,988 at the close of the most recent fiscal year.

The largest portion of Hidalgo County Emergency Services District No. 1 net position (81.77%) reflects its investment in cash.

The remaining balance of \$120,539 (tax receivables) are not currently available until collected in subsequent years.

Governmental activities - Tax revenues, penalties and interest amounts were \$133,849, an increase of \$7,847 from the prior year. Interest earnings were \$2,906, an increase of \$258 from the prior year. Expenses were \$148,639, netting a \$3,577 decrease in net position.

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.

Hidalgo County Emergency Services District No. 1 Management's Discussion and Analysis

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 \$317,319, 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 \$317,319. 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 213.48% of total general fund expenditures.

The fund balance of Hidalgo County Emergency Services District No. 1's general fund decreased by \$5,587 during the current fiscal year, and \$23,288 in the prior year. Key factors in this change are as follows:

- The tax receipts, penalties and interest revenues were \$139,922, an increase of \$17,688 from the prior year. Interest and other revenues were \$3,130, an increase of \$356. Expenditures were \$148,639, a decrease of \$257. Total revenues were \$143,052, with total expenditures of \$148,639, yielding a decrease of \$5,587 in fund balance.

CAPITAL ASSETS

Capital Assets. Hidalgo County Emergency Services District No. 1's investment in capital assets for its governmental activities as of December 31, 2015, 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, 2015 AND 2014**

**ASSETS AND DEFERRED
OUTFLOW OF RESOURCES**

	<u>2015</u>	<u>2014</u>
Cash	\$ 172,652	\$ 171,246
Certificate of Deposit	185,507	183,687
Due from County	7,481	14,586
Rollback Taxes Receivable (Note 4)	130	869
Tax Assessment Receivable (Net) (Note 4)	<u>120,539</u>	<u>117,790</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 486,309</u>	<u>\$ 488,178</u>

**LIABILITIES, DEFERRED INFLOW OF
RESOURCES**

Liabilities		
Accounts Payable	\$ 31,250	\$ 31,250
Due to Tax Attorney	<u>17,071</u>	<u>15,363</u>
Total Liabilities	<u>48,321</u>	<u>46,613</u>
Deferred Inflow of Resources (Note 5)	<u>-</u>	<u>-</u>
Net Position		
Unrestricted	<u>437,988</u>	<u>441,565</u>
Total Net Position	<u>437,988</u>	<u>441,565</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 486,309</u>	<u>\$ 488,178</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, 2015**

<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	\$ 23,639	\$ 16,696	\$ -	\$ (6,943)
Service Contracts	125,000	125,000		-
Interest on long-term debt				
 Total governmental activities	\$ 148,639	\$ 141,696	\$ -	\$ (6,943)
General revenues:				
Investment earnings				2,906
Decrease in allowance for uncollectible accounts				236
Miscellaneous				224
Total general revenues				3,366
Changes in net position				(3,577)
Net position at beginning of year,				441,565
Net position at end of year				\$ 437,988

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, 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	\$ 23,896	\$ 8,849	\$ -	\$ (15,047)
Service Contracts	125,000	125,000		-
Interest on long-term debt				
 Total governmental activities	\$ 148,896	\$ 133,849	\$ -	\$ (15,047)
		General revenues:		
		Investment earnings		2,648
		Decrease in allowance for uncollectible accounts		49
		Miscellaneous		126
		Total general revenues		2,823
		Changes in net position		(12,224)
		Net position at beginning of year		453,789
		Net position at end of year		\$ 441,565

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Cash received from tax payers	\$ 148,812	\$ 125,467
Other operating cash receipts	-	-
Cash payments to suppliers for goods and services	(23,492)	(22,753)
Cash payments for service contracts	<u>(125,000)</u>	<u>(125,000)</u>
Net Cash Provided by Operating Activities	320	(22,286)
Cash Flows From Investing Activities:		
Interest on cash and cash investments	<u>2,906</u>	<u>2,648</u>
Net Increase (Decrease) In Cash	3,226	(19,638)
Cash at the Beginning of the Year	<u>354,933</u>	<u>374,571</u>
Cash at the End of the Year	<u><u>\$ 358,159</u></u>	<u><u>\$ 354,933</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities		
Income (loss) from operations	\$ (6,943)	\$ (15,047)
Changes in Assets		
Due from the County	7,105	1,381
Tax Receivable	(2,010)	(11,664)
Changes in Liabilities		
Accounts Payable		
Due to Tax Attorney	1,708	2,869
Other Income	<u>460</u>	<u>175</u>
Net cash provided (used) by operating activities	<u><u>\$ 320</u></u>	<u><u>\$ (22,286)</u></u>
Reconciliation of total cash and cash investments		
Current Cash	\$ 172,652	\$ 171,246
Certificate of Deposits	185,507	183,687
Total cash and cash investments	<u><u>\$ 358,159</u></u>	<u><u>\$ 354,933</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, 2015 AND 2014**

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>2015</u>	<u>2014</u>
Cash	\$ 172,652	\$ 171,246
Certificate of Deposit	185,507	183,687
Due from County	7,481	14,586
Rollback Taxes Receivable (Note 4)	130	869
Tax Assessment Receivable (Net) (Note 4)	<u>120,539</u>	<u>117,790</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 486,309</u></u>	<u><u>\$ 488,178</u></u>
LIABILITIES, DEFERRED INFLOW OF RECOURCES, AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 31,250	\$ 31,250
Due to Tax attorney	<u>17,071</u>	<u>15,363</u>
Total Liabilities	<u>48,321</u>	<u>46,613</u>
Deferred Inflow of Resources (Note 5)	<u>120,669</u>	<u>118,659</u>
Fund Balance		
Unrestricted	<u>317,319</u>	<u>322,906</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u><u>\$ 486,309</u></u>	<u><u>\$ 488,178</u></u>

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

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Total fund balances-total governmental funds	\$ 317,319	\$ 322,906
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Deferred revenues are not considered available financial resources and therefore are not reported in the governmental fund balance sheet equity section	120,669	118,659
Net position of governmental activities	\$ 437,988	\$ 441,565

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, 2015 AND 2014**

	General Fund	
	2015	2014
<u>Revenues</u>		
Tax Receipts, Net of Refunds	\$ 131,061	\$ 113,575
Penalties & Interest	8,861	8,659
Interest	2,906	2,648
Other	224	126
Total Revenues	143,052	125,008
<u>Expenditures</u>		
Collection and Assessment Fees Hidalgo County	1,363	1,142
Service Contract City of Weslaco (Note 6)	125,000	125,000
Administrative Fees and Contract Services	-	400
Legal and Professional	13,216	12,759
Insurance	6,558	6,308
Office	2,502	3,287
Total Expenditures	148,639	148,896
Excess of Revenues Over (Under) Expenditures	(5,587)	(23,888)
Fund Balance, Beginning of the Year	322,906	346,794
Fund Balance, End of Year	\$ 317,319	\$ 322,906

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, 2015 AND 2014**

	2015	2014
Net change in fund balance-total governmental funds	\$ (5,587)	\$ (23,888)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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.</p>	2,404	8,844
<p>These were tax collection in excess of the tax assessment, which have already been recognized as revenues in the previous year</p>		
<p>Tax adjustments and allowance for uncollectible amounts are recognized thru the deferred revenue accounts in the governmental funds</p>		
Tax adjustments	(630)	2,771
Allowance for bad-debt expenses		
Decrease in allowance for uncollectible accounts	236	49
Increase in allowance for uncollectible accounts	236	49
Changes in net position of governmental activities	\$ (3,577)	\$ (12,224)

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, 2015**

	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget	2014 Actual
	Original	Final			
Revenues					
Property Taxes	\$ 123,020	\$ 123,020	\$ 131,060	\$ 8,040	\$ 113,575
Penalties & Interest	-	-	8,862	8,862	8,659
Interest	2,500	2,500	2,906	406	2,648
Other			224	224	126
Total Revenues	<u>125,520</u>	<u>125,520</u>	<u>143,052</u>	<u>17,532</u>	<u>125,008</u>
Expenditures					
General Government	36,600	36,600	23,639	12,961	23,896
Ambulance Services	125,000	125,000	125,000	-	125,000
Total Expenditures	<u>161,600</u>	<u>161,600</u>	<u>148,639</u>	<u>12,961</u>	<u>148,896</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(36,080)</u>	<u>(36,080)</u>	<u>(5,587)</u>	<u>30,493</u>	<u>(23,888)</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>\$ (36,080)</u>	<u>\$ (36,080)</u>	<u>(5,587)</u>	<u>\$ 30,493</u>	<u>(23,888)</u>
Prior Period Adjustment			-		-
Fund Balance, January 1			<u>322,906</u>		<u>346,794</u>
Fund Balance, December 31,			<u>\$ 317,319</u>		<u>\$ 322,906</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, 2015

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 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, 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 position 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. 1, which 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 and Resources, Deferred Inflows of Resources and Net Position*

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Government Accounting Standards Board has issued the following pronouncement, which is relevant to the Hidalgo County Emergency District No. 1, became effective this fiscal year and has been implemented:

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 insignificant as it relates to GASB 68, as this statement will require the recognition of a previously unrecorded liability.

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 non-exchange transactions.

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.

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.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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.

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 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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.
- (f). Advertising Costs
Advertising costs are charged to operations when incurred. Total advertising costs for the year ended December 31, 2015 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, 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>
Rio Bank	\$ 250,000	\$ 40,973	\$ 172,652	\$ 118,321
Elsa State Bank	250,000	-	130,417	119,583
Greater State Bank	250,000	-	55,090	194,910
	<u>\$ 750,000</u>	<u>\$ 40,973</u>	<u>\$ 358,159</u>	<u>\$ 432,814</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

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, 2015 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, 2015.

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 2015 and 2014 are as follows:

	2015	2014
Tax Rate	0.0185	0.0165
Market Value	\$ 972,152,633	\$ 997,795,402
Assessed Value	721,128,219	744,486,833
Assessed Taxes	133,465	122,906
Tax Collections	131,061	113,575
Collection Fees:		
Assessment Fee	1.07%	1.07%
Collection Fee-Delinquent	0.8866	0.8866
Delinquent Tax-Attorney Fee	15%	15%

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4. REVENUES AND REVENUE RECOGNITION (CONTINUED)

Revenues recognized by the District represent total tax assessments for the period. At December 31, 2015, 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,	\$ 126,741	\$ 869	\$ -	\$ 125,872
2014 Tax Assessments	133,465		133,465	
Tax Collections	(131,061)	(739)	(44,585)	(85,737)
Adjustments	<u>(630)</u>	<u>-</u>	<u>277</u>	<u>(907)</u>
Property Tax Receivable, December 31,	128,515	130	89,157	39,228
Less: Allowance for Uncollectible	<u>(7,846)</u>			<u>(7,846)</u>
Total Tax Receivable (Net)	<u>\$ 120,669</u>	<u>\$ 130</u>	<u>\$ 89,157</u>	<u>\$ 31,382</u>

Uncollectible amounts are estimated to be 20% of the delinquent taxes at December 31, 2015.

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>\$ 120,669</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 6. 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, 2013 to September 30, 2015, requiring quarterly payments of \$31,250 per quarter, plus premiums on ambulance operating insurance. In the current fiscal year, the District paid \$125,000. On September 17, 2015 the contract was extended for the period October 1, 2015 to September 30, 2017.

	<u>City of Weslaco</u>
2016	\$ 125,000
2017	125,000
	<u>\$ 250,000</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 September 19, 2016 which is the date the financial statements were available to be issued.

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014**

(A) Services Provided to the Citizens of the District

Types of Service	<u>Years</u>	
	2015	2014
EMS Calls	Not Available	Not Available
Fire by Type:		
Business Structure and Dwellings	-	-
Mobile Home	-	-
Motor Vehicle Accidents	-	-
Grass	-	-
Refuse	-	-
Vehicles	-	-
Rescue	-	-
Assist EMS	-	-
Fire Alarms & Equipment	-	-
*Other	-	-
	* 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	2,000,000
Public Official's Liability	500,000
Ambulance Operators/Fire Fighter E & O	500,000
Mal-practice Insurance	1,000,000
Crime Policy	50,000