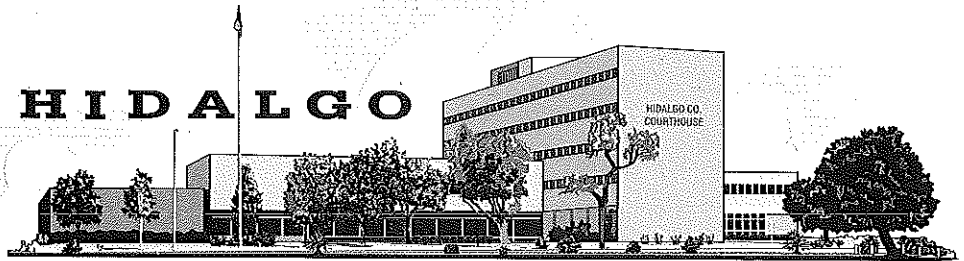


COUNTY of HIDALGO



EDINBURG, TEXAS 78539

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor

RECEIVED

SEP 26 2017

COUNTY JUDGE

September 26, 2017

Honorable Ramon Garcia, County Judge
Hidalgo County Judge's Office
100 E. Cano
Edinburg, Texas 78539

Subject: Emergency Services District No. 1
Financial Report for the Year Ended December 31, 2016

Dear Judge Garcia:

Pursuant to Health and Safety Code §775.082(b), an emergency services district shall prepare and file with the commissioners court of each county that contains any part of the district on or before June 1 of each year an audit report of the district's fiscal accounts and records.

Attached please find 5 copies of the audited financial report for Emergency Services District No. 1 for the Year Ended December 31, 2016 for the Commissioners Court. Please prepare an agenda item on the next available Commissioners Court meeting for presentation and acceptance of the financial report.

If you have questions, please do not hesitate to call me at 318-2511 ext. 4604.

Respectfully,

Raymundo Eufrazio, CPA
Hidalgo County Auditor

Enclosures (5)

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 82 ND D.C.	RODOLFO DELGADO JUDGE, 93 RD D.C.	J. R. "BOBBY" FLORES JUDGE, 139 TH D.C.	ROSE GUERRA REYNA JUDGE, 206 TH D.C.	JUAN R. PARTIDA JUDGE, 275 TH D.C.	MARIO E. RAMIREZ, JR. JUDGE, 332 ND D.C.	NOE GONZALEZ JUDGE, 370 TH D.C. OVERSEER	LETICIA LOPEZ JUDGE, 389 TH D.C.	L. KENO VASQUEZ JUDGE, 398 TH D.C.	ISRAEL RAMON, JR. JUDGE, 430 TH D.C.	RENEE R. BETANCOURT JUDGE, 449 TH D.C.
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LAW OFFICE OF RICHARD S. TALBERT

612 S. Texas
Weslaco, TX 78596-6222
(956) 968-1578

Fax (956) 968-0698

rstlaw@bizrgv.rr.com

File No. 8900

September 21, 2017

RCV'D AUDITORS
SEP 25 '17 PM 1:40

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 2016 Audit for Hidalgo County Emergency Services District No. 1 which was accepted by the Board of Commissioners at their monthly meeting on September 18, 2016.

As per your prior request, the 2016 Audit is being forwarded to your office with anticipation that your office will provide the necessary copies 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)

SCANNED
SEP 25 2017
INITIALS

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

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016**

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
AS OF DECEMBER 31, 2016**

TABLE OF CONTENTS

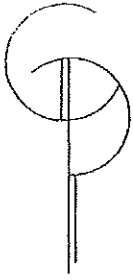
<u>PART 1 – FINANCIAL SECTION</u>	<u>PAGE</u>
Auditor’s Opinion	a
Management’s Discussion and Analysis	c
Government-Wide Statement of Net Assets	1
Government-Wide Statement of Activities	2
Statement of Cash Flows	4
Balance Sheets	5
Reconciliation of the Balance Sheets to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to Statement of Activities	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	9
Notes to Financial Statements	10
<u>PART 11 – SUPPLEMENTAL SECTION</u>	
Supplementary Information	17

HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
YEAR ENDED DECEMBER 31, 2016

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, 2016 with comparative totals for the year ended December 31, 2015, 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, 2016 and 2015, 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

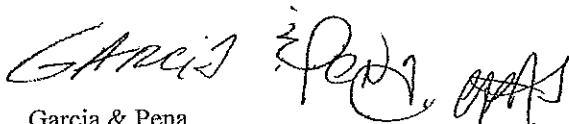
Required Supplementary Information

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.



Garcia & Pena,
Certified Public Accountants

September 7, 2017

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, 2016, 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 – Hidalgo County Emergency Services District No. 1 increased the tax rate from \$0.0185 to \$0.0200 during the current year. The tax rate increase became effective October 1, 2016. As a result of this year operations, net position increased \$22,633 from a decrease of \$3,572 the previous year.
- Due to the Hidalgo County Emergency Services District No. 1 increased tax rate, the adjusted tax assessment increased by \$30,483 and current year tax, penalties and interest revenues increased by \$29,582. Penalties and interest decreased by \$901. Total revenues increased by \$29,318, with total expenditures increasing by \$3,108 yielded an increase of \$22,633 in financial position.
- At the close of the current year, the Hidalgo County Emergency Services District No. 1's governmental fund reported an excess of expenses over revenues of \$2,163, reducing the fund balance to \$315,156, which is 208.33% (percent) of total general fund expenditures. Based on the previous year's collection effort, total tax revenues are expected to increase between \$18,000 and \$22,000 for the 2018 calendar 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. 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 \$460,621 at the close of the most recent fiscal year.

The largest portion of Hidalgo County Emergency Services District No. 1 net position (76.96%) reflects its investment in cash.

The remaining balance of \$145,465 (tax receivables) are not currently available until collected in subsequent years.

Governmental activities - Tax revenues, penalties and interest amounts were \$171,278, an increase of \$29,852 from the prior year. Interest earnings were \$2,983, an increase of \$77 from the prior year. Expenses were \$151,747 netting a \$22,633 increase 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 \$315,156, 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 \$315,156. 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 208.33% of total general fund expenditures.

The fund balance of Hidalgo County Emergency Services District No. 1's general fund decreased by \$2,163 during the current fiscal year, and \$5,587 in the prior year. Key factors in this change are as follows:

- The tax receipts, penalties and interest revenues were \$146,012, an increase of \$6,091 from the prior year. Interest and other revenues were \$3,102, a decrease of \$28. Expenditures were \$151,278, an increase of \$2,639. Total revenues were \$149,115, with total expenditures of \$151,278, yielding a decrease of \$2,163 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, 2016, 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, 2016 AND 2015**

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>2016</u>	<u>2015</u>
Cash	\$ 162,537	\$ 172,652
Certificate of Deposit	191,953	185,507
Due from County	7,674	7,481
Rollback Taxes Receivable (Note 4)	-	130
Tax Assessment Receivable (Net) (Note 4)	<u>145,465</u>	<u>120,539</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 507,629</u></u>	<u><u>\$ 486,309</u></u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES		
Liabilities		
Accounts Payable	\$ 31,250	\$ 31,250
Due to Tax Attorney	<u>15,758</u>	<u>17,071</u>
Total Liabilities	<u>47,008</u>	<u>48,321</u>
Deferred Inflow of Resources (Note 5)	<u>-</u>	<u>-</u>
Net Position		
Unrestricted	<u>460,621</u>	<u>437,988</u>
Total Net Position	<u>460,621</u>	<u>437,988</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u><u>\$ 507,629</u></u>	<u><u>\$ 486,309</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, 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	<u>\$ 148,639</u>	<u>\$ 141,696</u>	<u>\$ -</u>	<u>\$ (6,943)</u>
General revenues:				
				2,906
Investment earnings				
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
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Cash received from tax payers	\$ 147,131	\$ 148,812
Other operating cash receipts	-	-
Cash payments to suppliers for goods and services	(28,783)	(23,492)
Cash payments for service contracts	(125,000)	(125,000)
Net Cash Provided by Operating Activities	(6,652)	320
Cash Flows From Investing Activities:		
Interest on cash and cash investments	2,983	2,906
Net Increase (Decrease) In Cash	(3,669)	3,226
Cash at the Beginning of the Year	358,159	354,933
Cash at the End of the Year	\$ 354,490	\$ 358,159
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities		
Income (loss) from operations	\$ 19,531	\$ (6,943)
Changes in Assets		
Due from the County	(193)	7,105
Tax Receivable	(24,796)	(2,010)
Changes in Liabilities		
Accounts Payable		
Due to Tax Attorney	(1,313)	1,708
Other Income	119	460
Net cash provided (used) by operating activities	\$ (6,652)	\$ 320
Reconciliation of total cash and cash investments		
Current Cash	\$ 162,537	\$ 172,652
Certificate of Deposits	191,953	185,507
Total cash and cash investments	\$ 354,490	\$ 358,159

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, 2016 AND 2015**

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>2016</u>	<u>2015</u>
Cash	\$ 162,537	\$ 172,652
Certificate of Deposit	191,953	185,507
Due from County	7,674	7,481
Rollback Taxes Receivable (Note 4)	-	130
Tax Assessment Receivable (Net) (Note 4)	<u>145,465</u>	<u>120,539</u>
Deferred Outflow of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 507,629</u></u>	<u><u>\$ 486,309</u></u>
LIABILITIES, DEFERRED INFLOW OF RECOURCES, AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 31,250	\$ 31,250
Due to Tax attorney	<u>15,758</u>	<u>17,071</u>
Total Liabilities	<u>47,008</u>	<u>48,321</u>
Deferred Inflow of Resources (Note 5)	<u>145,465</u>	<u>120,669</u>
Fund Balance		
Unrestricted	<u>315,156</u>	<u>317,319</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u><u>\$ 507,629</u></u>	<u><u>\$ 486,309</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, 2016 AND 2015**

	2016	2015
Total fund balances-total governmental funds	\$ 315,156	\$ 317,319
<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>	145,465	120,669
Net position of governmental activities	\$ 460,621	\$ 437,988

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, 2016 AND 2015**

	General Fund	
	2016	2015
<u>Revenues</u>		
Tax Receipts, Net of Refunds	\$ 138,053	\$ 131,061
Penalties & Interest	7,960	8,861
Interest	2,983	2,906
Other	119	224
Total Revenues	<u>149,115</u>	<u>143,052</u>
<u>Expenditures</u>		
Collection and Assessment Fees Hidalgo County	1,432	1,363
Service Contract City of Weslaco (Note 6)	125,000	125,000
Administrative Fees and Contract Services	-	-
Legal and Professional	15,270	13,216
Insurance	6,556	6,558
Office	3,020	2,502
Total Expenditures	<u>151,278</u>	<u>148,639</u>
Excess of Revenues Over (Under) Expenditures	(2,163)	(5,587)
Fund Balance, Beginning of the Year	<u>317,319</u>	<u>322,906</u>
Fund Balance, End of Year	<u>\$ 315,156</u>	<u>\$ 317,319</u>

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, 2016 AND 2015**

	2016	2015
Net change in fund balance-total governmental funds	\$ (2,163)	\$ (5,587)
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.	25,572	2,404
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	(310)	(630)
Allowance for bad-debt expenses		
Decrease in allowance for uncollectible accounts	-	236
Increase in allowance for uncollectible accounts	(466)	
Changes in net position of governmental activities	\$ 22,633	\$ (3,577)

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, 2016**

	Budgeted Amounts		Actual GAAP Basis	Variance With Final Budget	2015 Actual
	Original	Final			
Revenues					
Property Taxes	\$ 123,020	\$ 123,020	\$ 138,053	\$ 15,033	\$ 131,060
Penalties & Interest	-	-	7,960	7,960	8,862
Interest	2,500	2,500	2,983	483	2,906
Other	-	-	119	119	224
Total Revenues	<u>125,520</u>	<u>125,520</u>	<u>149,115</u>	<u>23,595</u>	<u>143,052</u>
Expenditures					
General Government	36,600	36,600	26,278	10,322	23,639
Ambulance Services	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	-	<u>125,000</u>
Total Expenditures	<u>161,600</u>	<u>161,600</u>	<u>151,278</u>	<u>10,322</u>	<u>148,639</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(36,080)</u>	<u>(36,080)</u>	<u>(2,163)</u>	<u>33,917</u>	<u>(5,587)</u>
Other Financing Sources (Uses)					
Operating transfers-in	-	-	-	-	-
Operating transfers-out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and other Financing Sources Over Expenditures and Other Uses	<u>\$ (36,080)</u>	<u>\$ (36,080)</u>	<u>(2,163)</u>	<u>\$ 33,917</u>	<u>(5,587)</u>
Prior Period Adjustment			-		-
Fund Balance, January 1			<u>317,319</u>		<u>322,906</u>
Fund Balance, December 31,			<u>\$ 315,156</u>		<u>\$ 317,319</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, 2016

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.

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, 2016**

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

- (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, 2016 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 two 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	\$ -	\$ 162,537	\$ 87,463
Greater State Bank	250,000	-	191,953	58,047
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 354,490</u>	<u>\$ 145,510</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4. REVENUES AND REVENUE RECOGNITION (CONTINUED)

Revenues recognized by the District represent total tax assessments for the period. At December 31, 2016, 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,	\$ 128,515	\$ 130	\$ -	\$ 128,385
2015 Tax Assessments	163,628	-	163,628	-
Tax Collections	(138,056)	(130)	(51,872)	(86,054)
Adjustments	<u>(310)</u>	<u>-</u>	<u>458</u>	<u>(768)</u>
Property Tax Receivable, December 31,	153,777	-	112,214	41,563
Less: Allowance for Uncollectible	<u>(8,312)</u>	<u>-</u>	<u>-</u>	<u>(8,312)</u>
Total Tax Receivable (Net)	<u>\$ 145,465</u>	<u>\$ -</u>	<u>\$ 112,214</u>	<u>\$ 33,251</u>

Uncollectible amounts are estimated to be 20% of the delinquent taxes at December 31, 2016.

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>\$ 145,465</u>

**HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

(A) Services Provided to the Citizens of the District

Types of Service	<u>Years</u>	
	<u>2016</u>	<u>2015</u>
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	

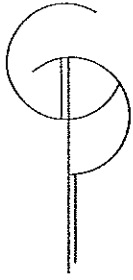
(B) Insurance Coverage is as follows:

<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

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

**COMMUNICATIONS WITH THOSE CHARGED
WITH GOVERNANCE**

DECEMBER 31, 2016



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Certified Public Accountants

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

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

Hidalgo County Emergency Services
District No. 1
P.O. Box 1010
Weslaco, Texas 78537

We have audited the financial statements of the governmental activities, and the aggregate remaining fund information of the Hidalgo County Emergency Services District No. 1 for the year ended December 31, 2016 and have issued our report thereon dated September 7, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 16, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hidalgo County Emergency Services District No. 1 are described in Note 1 to the financial statements. As noted and described in Note 1, Nature of District and Significant Accounting Policies, new policies were adopted for the year ending December 31, 2016. The policies did not have a significant effect on the District's finances, and no other policies were changed. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

- Management's estimate of the uncollectible accounts on its tax rolls. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole. The estimate is based on 20% (percent) of prior delinquent balances at December 31, 2016.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated September 7, 2017.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

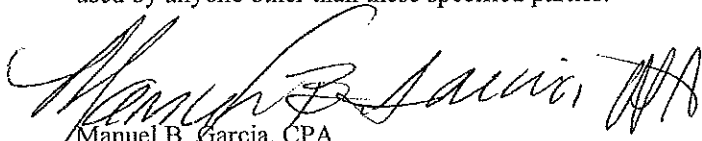
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Hidalgo County Emergency Services District No. 1
Page 3

This information is intended solely for the use of the Hidalgo County Emergency Services District No. 1 Board and management of the Hidalgo County Emergency Services District No. 1 and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Manuel B. Garcia", with a stylized flourish at the end.

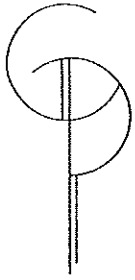
Manuel B. Garcia, CPA
Garcia & Pena
Certified Public Accountants

September 7, 2017

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

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND
MATERIAL WEAKNESSES**

DECEMBER 31, 2016



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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

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


In planning and performing our audit of the 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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Hidalgo County Emergency Services District No. 1's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control in the attached Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

This communication is intended solely for the information and use of management. Hidalgo County Emergency Services District No. 1, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Garcia & Peña
Certified Public Accountants

September 7, 2017

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

PROGRAM

DESCRIPTION

Reference Number 10-01

Controls Over Financial Reporting

Criteria:

The Auditing Standards Board recently issued guidance to auditors related to entity's internal control over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Condition Found:

In our judgment the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and detect and correct a material misstatement, if present.

Context:

The auditor prepared the financial statements.

Effect:

Material misstatements in financial statements could go undetected.

Recommendation:

In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Corrective Action Plan:

The Board of Directors (the Board) recognizes its duty to maintain a heightened awareness of all transactions transpiring during the year. Although neither the individual members of the Board, the District's Administrative Secretary nor the District's legal counsel are experts in regards to "generally accepted accounting principles", due to the specific circumstances relating to how the District receives revenue and the policies and procedures of the Board relating to issuance of checks, the Board is very knowledgeable relating to the District's finances.

All tax revenues of the Board are collected by a third party, the Hidalgo County Tax Assessor-Collector, and deposited directly to the Board's operating account by electronic transfer of funds so that no one associated with the District handles any cash or any checks related to such revenues.

In as much as the Hidalgo County Tax Assessor-Collector is subject to audit in its own right, it is the position of the Board that between such audit and the District's audit that revenues are adequately accounting for with little, if any, chance for material errors or misstatements.

HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
SCHEDULE OF FINDINGS
DECEMBER 31, 2016

PROGRAM

DESCRIPTION

Reference Number 10-01

Controls Over Financial Reporting

Corrective Action Plan: (Continued)

As to expenditures, all of the District's accounts require the signature of two (2) members of the Board of Directors. The actual expenditures each month are limited (normally not exceeding 3 to 5 checks per month) and are reviewed and approved by the Board as a whole prior to the signing of any checks. In addition, the checkbook and bank statements are maintained not by members of the Board but by the District's Administrative Secretary and legal counsel, neither of whom have any signature authority on behalf of the District. As such, the District's expenditures are adequately accounting for with little, if any, chance for material errors or misstatements.