

**Hidalgo County
Emergency Services
District No. 4**

**Audited
Financial Report**

**Year Ended
December 31, 2019**

**Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants**

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
For The Year Ended December 31, 2019

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INTRODUCTORY SECTION

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
For the Year Ended December 31, 2019

OFFICERS AND DIRECTORS

CHIEF TIRSO GARZA
President

CHIEF MENTOR GARZA
Vice President

MICKY ROJAS
Secretary

ERIC SANCHEZ
Treasurer

JAVIER ALANIZ
Assistant Treasurer

FINANCIAL SECTION



208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hidalgo County Emergency Services District No. 4

Report on the Financial Statements

We have audited the accompanying statement of net position of the governmental activities and the balance sheet of each major fund, and the aggregate remaining fund information of the Hidalgo County Emergency Services District No. 4 (the District), as of and for the year ended December 31, 2019, and were engaged to audit the related statement of activities and the statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 conducting our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the change in net position of the governmental activities or the changes in fund balance or the consistency of application of accounting principles with the preceding year.

We conducted our audit of the statement of net position of the governmental activities and the balance sheet of each major fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 on the statement of net position of the governmental activities and the balance sheet of each major fund.

Basis for Disclaimer of Opinion on the Change in Net Position, Changes in Fund Balance and Consistency

Because we were unable to obtain sufficient appropriate audit evidence about the opening balances of the net position and balance sheet amounts in a first-year audit, including classifications and amounts, materially affect the determination of the change in net position and changes in fund balance for the year ended December 31, 2019, and the consistency of application of accounting principles between 2019 and 2018.

Disclaimer of Opinion on the Change in Net Position, Changes in Fund Balance and Consistency

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the change in net position and changes in fund balance for the year ended December 31, 2019, or on the consistency of application of accounting principles with the preceding year. Accordingly, we do not express an opinion on the change in net position and changes in fund balance for the year ended December 31, 2019, or on the consistency of application of accounting principles with the preceding year.

Opinion on the Statement of Net Position and Balance Sheet

In our opinion, the statement of net position and balance sheet present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hidalgo County Emergency Services District No. 4, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 27 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of the Hidalgo County Emergency Services District No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hidalgo County Emergency Services District No 4's internal control over financial reporting and compliance.

Handwritten signature of Oscar R. Gonzalez, CPA & Associates, PLLC.

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

Pharr, Texas
October 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hidalgo County Emergency Services District Number 4 (The District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

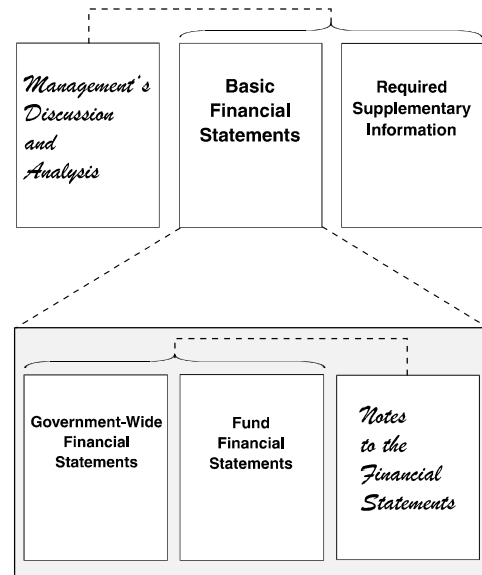
- The District's total combined net position was \$984,254 as of December 31, 2019.
- During the year, the District's expenses were \$106,749 and \$356,859 was generated in taxes and interest revenue for governmental activities.
- The general fund reported a fund balance this year of \$869,742.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

Figure A-1, Required Components of the District's Annual Financial Report

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

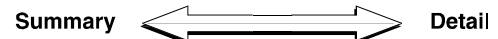


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the district government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

| Type of Statements | Government-wide | Governmental Funds |
|--|--|--|
| Scope | Entire Agency's government (except fiduciary funds) and the Agency's component units | The activities of the district that are not proprietary or fiduciary |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as emergency services. Property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Members of the District Board of Directors established other funds to control and manage money for particular purposes or to show that it is properly using certain taxes.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$984,354 at December 31, 2019. (See Table A-1).

Table A-1

Hidalgo County Emergency Services District No. 4
(In dollars)

| | Primary Government <i>Unaudited</i> | | Increase / Decrease |
|---|--|-------------------|------------------------|
| ASSETS | 2019 | 2018 | 2019-2018 |
| Current Assets: | | | |
| Cash, Cash Equivalents, and Investments | \$ 75,193 | \$ 24,767 | \$ 50,426 |
| Property Taxes Receivable (Net) | 215,547 | 221,272 | (5,725) |
| A/R - Administrator Contractor | 731,445 | 636,655 | 94,790 |
| Total Current Assets | 1,022,185 | 882,694 | 139,491 |
| Total Assets | 1,022,185 | 882,694 | 139,491 |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Aggregated Deferred Outflows | - | - | - |
| Total Deferred Outflows of Resources | - | - | - |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 37,831 | 148,450 | (110,619) |
| Total Liabilities | 37,831 | 148,450 | (110,619) |
| DEFERRED INFLOW OF RESOURCES | | | |
| Aggregated Deferred Inflows | - | - | - |
| Total Deferred Inflows of Resources | - | - | - |
| NET POSITION | | | |
| Net Investment in Capital Assets | - | - | - |
| Restricted | - | - | - |
| Unrestricted | 984,354 | 734,244 | 250,110 |
| Total Net Position | \$ 984,354 | \$ 734,244 | \$ 250,110 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis:

- Total assets for the primary government increased from \$882,694 to \$1,022,185 a net increase of \$139,491 from last year.
- Total liabilities for the primary government were \$148,450 and \$37,831 for the prior and current year.
- In 2019 net position for the Primary Government increased from \$734,244 to \$984,354, a net increase of \$250,110 from last year.
- There was an increase in unrestricted net position from \$734,244 to \$984,354, a net increase of \$250,110 from last year.

Change in Net Position. Referring to Table A-2, the total change in net position for the year was an increase of \$250,110.

Table A-2
Hidalgo County Emergency Services District No. 4
(In dollars)

| | Primary Government | | Increase / |
|--|--------------------|------------------|------------|
| | <i>Unaudited</i> | <i>Unaudited</i> | Decrease |
| | 2019 | 2018 | 2019-2018 |
| General Purpose Revenues and Transfers: | | | |
| Revenues | | | |
| Property Tax Revenue | \$ 356,859 | \$ 353,973 | \$ 2,886 |
| Total General Revenues and Transfers | 356,859 | 353,973 | 2,886 |
| Governmental Activities | | | |
| Emergency Service | 106,749 | 162,145 | (55,396) |
| Total Expenses | 106,749 | 162,145 | (55,396) |
| Change in Net Position | 250,110 | 191,828 | 58,282 |
| Net Position Beginning-of Period | 734,244 | 542,416 | 191,828 |
| Net Position at End of Period | \$ 984,354 | \$ 734,244 | \$ 250,110 |

- Total general revenues for the primary government increased from \$353,973 to \$356,859 a net increase of \$2,886 from last year.
- Total expenses for the primary government decreased from \$162,145 to \$106,749 a net decrease of \$55,396 from last year.
- The total change in net position for the fiscal year 2019 was \$250,110, an increase from last year's net position of \$734,244.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

- Expenditures were budgeted on September 2018, for year 2019 at \$162,145. Actual expenditures for the year were \$106,749, which creates a positive variance of \$55,396.
- Revenues were budgeted on September 2018, for year 2019 at \$225,142. Actual revenues for the year were \$242,247, which creates a positive variance of \$17,105.
- Overall revenues over expenditures were of \$135,498 which in comparison with budgeted expenditures over revenues of \$62,997 created a variance of \$72,501.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had \$-0- invested in Capital Assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2020 Proposed Budget calls for revenues of \$225,142 and total expenditures of \$162,145, no difference compared to 2019.
- Tax Revenue for 2020 is based on a purposed \$0.0253/\$100 tax rate same as in 2019.
- General operating fund spending budget for 2020 was prepared based on history of actual definite revenues and essential expenses to operate.
- District is planning to renew the ambulance services for next year increasing expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Board of Directors on 814 Del Oro Lane, Pharr, Texas 78577.

BASIC FINANCIAL STATEMENTS

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Statement of Net Position

December 31, 2019

| | <u>Primary Government</u> | |
|---|---------------------------|---------------------|
| | <u>Governmental</u> | |
| | <u>Activities</u> | <u>Total</u> |
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 75,193 | \$ 75,193 |
| Property Taxes Receivable (net) | 215,547 | 215,547 |
| A/R - Contract Administrator | 731,445 | 731,445 |
| Total Current Assets | <u>1,022,185</u> | <u>1,022,185</u> |
| Total Assets | <u>1,022,185</u> | <u>1,022,185</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Aggregated Deferred Outflows | - | - |
| Total Deferred Outflows of Resources | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>1,022,185</u> | <u>1,022,185</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 37,831 | 37,831 |
| Total Liabilities | <u>37,831</u> | <u>37,831</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Aggregated Deferred Inflows | - | - |
| Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> |
| NET POSITION | | |
| Restricted | - | - |
| Unrestricted | 984,354 | 984,354 |
| Total Net Position | <u>984,354</u> | <u>984,354</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | <u>\$ 1,022,185</u> | <u>\$ 1,022,185</u> |

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Statement of Activities

For the Year Ended December 31, 2019

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---|---------------------------------|-------------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| Emergency Services | \$ 106,749 | \$ - | \$ - | \$ - |
| <i>Total Governmental Activities</i> | <u><u>\$ 106,749</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

**General Purpose Revenues and Transfers:
Revenues**

Property Tax Revenue

Interest Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Net Position at End of Period

The notes to these statements are an integral part of these statements.

Net (Expense) Revenue

Primary Government

**Governmental
Activities**

Total

| | | | |
|----|-------------|----|-------------|
| \$ | (106,749) | \$ | (106,749) |
| | (106,749) | | (106,749) |

| | |
|---------|---------|
| 356,859 | 356,859 |
|---------|---------|

| | |
|---|---|
| - | - |
|---|---|

| | |
|---|---|
| - | - |
|---|---|

| | |
|---------|---------|
| 356,859 | 356,859 |
|---------|---------|

| | |
|----------------|----------------|
| 250,110 | 250,110 |
|----------------|----------------|

| | |
|---------|---------|
| 734,244 | 734,244 |
|---------|---------|

| | | | |
|----|----------------|----|----------------|
| \$ | 984,354 | \$ | 984,354 |
|----|----------------|----|----------------|

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Balance Sheet
Governmental Funds
December 31, 2019

| | <u>General Fund</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|---|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 75,193 | \$ 75,193 |
| Property Taxes Receivable (Net) | 215,547 | 215,547 |
| A/R - Contract Administrator | 731,445 | 731,445 |
| <i>Total Assets</i> | <u>1,022,185</u> | <u>1,022,185</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Aggregated Deferred Outflows | - | - |
| <i>Total Assets and Deferred Outflows of Resources</i> | <u><u>\$ 1,022,185</u></u> | <u><u>\$ 1,022,185</u></u> |
| LIABILITIES | | |
| Accounts Payable | \$ 37,831 | \$ 37,831 |
| <i>Total Liabilities</i> | <u>37,831</u> | <u>37,831</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Property Tax | 114,612 | 114,612 |
| <i>Total Liabilities and Deferred Inflows of Resources</i> | <u>152,443</u> | <u>152,443</u> |
| FUND BALANCE | | |
| Committed for | - | - |
| Unassigned | 869,742 | 869,742 |
| <i>Total Fund Balance</i> | <u>869,742</u> | <u>869,742</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and and Fund Balance</i> | <u><u>\$ 1,022,185</u></u> | <u><u>\$ 1,022,185</u></u> |

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2019

| | | |
|---|-----------|-----------------------|
| Total Fund Balance - Governmental Funds | \$ | 869,742 |
| Property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the statement of Net Position. | | |
| | | 114,612 |
| Rounding | | - |
| Total Net Position-Governmental Funds | \$ | <u>984,354</u> |

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

| | General Fund | Total Governmental Funds |
|--|---------------------|---|
| REVENUES | | |
| Property Tax Revenue | \$ 242,247 | \$ 242,247 |
| <i>Total Revenues</i> | 242,247 | 242,247 |
| EXPENDITURES | | |
| Annual Assesment | 4,282 | 4,282 |
| Attorney Fees | 2,462 | 2,462 |
| Contract Labor - Administrator | 23,380 | 23,380 |
| Contribution to San Juan Fire Department | 454 | 454 |
| Equipment | 8,380 | 8,380 |
| First Responder Service | 57,996 | 57,996 |
| Insurance | 5,753 | 5,753 |
| Office Supplies | 409 | 409 |
| Other Expenses | 1,922 | 1,922 |
| Repairs and Maintenance | 1,561 | 1,561 |
| Travel | 150 | 150 |
| <i>Total Expenditures</i> | 106,749 | 106,749 |
| <i>Excess of Revenues Over (Under) Expenditures</i> | 135,498 | 135,498 |
| <i>Net Change in Fund Balance</i> | 135,498 | 135,498 |
| <i>Fund Balance at Beginning of Period</i> | 734,244 | 734,244 |
| <i>Fund Balance at End of Period</i> | \$ 869,742 | \$ 869,742 |

The notes to these statements are an integral part of these statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Reconciliation of Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2019

Total Net Change in Fund Balances - Governmental Funds \$ 135,498

The amount of current property tax levy that has been recorded as revenue during the period and is expected to be collected within about 60 days after year-end should be included as revenue for the current period. 114,612

Changes in Net Position-Governmental Funds \$ 250,110

The notes to these statements are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

This summary of significant accounting policies of Hidalgo County Emergency Services District No. 4 (The District) is presented to assist the reader in understanding the District's financial statements. The financial statements and notes are representations of the District's management.

The District was created and organized as provided by Article III, Section 48-d, of the Texas Constitution to protect life and property from fire and to conserve natural and human resources. The District is a political subdivision of the state. A five-member fire commissioners board governs operations of the District. Members of the board are appointed by the Hidalgo County Commissioner's Court.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to the state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units by the Financial Accounting Standards Board (FASB), when applicable.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary Government: Hidalgo County Emergency Services District No. 4

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units with a governmental reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District.

Based on these criteria, the District is a component unit of Hidalgo County.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of the net position and the statement of activities. These statements report information on all of the non-fiduciary financial information for the District. Eliminations have been made to minimize the double-counting of internal activities. Individual funds are not displayed, but the statements highlight governmental activities (generally supported by taxes and the District general revenue). The effect of interfund activity has been removed from these statements.

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 function or program. Program revenues includes 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide reports on the financial condition and results of operations about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Currently the District only has one General Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB pronouncements or APB opinions issued after November 30, 1989.

The government-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 increase (revenues) and decrease (expenses) in net total assets.

Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of current period. The District considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received if any.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as needed.

New Accounting Pronouncements

In year 2019, the District adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 87, *Leases*
- Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

a. **Statement No. 87** The objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The District has not determined the impact of the implementation of this standard.

Statement No. 90 The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity I.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Statement No. 90 (continued)

interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

The District has not determined the impact of the implementation of this standard.

Fund Types and Major Funds

Governmental Funds

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations

- *General Fund* – reports the primary fund of the District. This fund is used to account for all financial resources not reported in other funds.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Cash and Investments

The District considers cash and cash equivalents any account maturing within ninety days for financial statement reporting purposes. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Property Taxes *(continued)*

become due or past due and receivable within the current period. The District considers property taxes as available if collected within 60 days after year end.

Taxable property includes real property and certain personal property situated in the District. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to county-wide revaluation every five years. The effective rate is based upon the previous year's total assessed valuation.

Allowances for uncollectible tax receivables within the General and Debt Service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and included as part of the allowance for uncollectible; except for tax receivables over 20 year, the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The District does no write off tax receivable greater than 20 years.

3. Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the Governmental funds.

4. Capital Assets

Capital assets include property, plant, and equipment, are reported in the applicable governmental activities' column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are capital assets valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|-------------------------|------------|
| Buildings | 50 Years |
| Infrastructure | 30 Years |
| Improvements | 20 Years |
| Machinery and Equipment | 3-15 Years |

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Long-Term Obligations

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance cost are deferred and amortized over the life of the bonds using the straight line method as the amount is immaterial against the effective interest method. Unamortized bond premium and discount, issuance cost and gain or loss on refunding are not netted against the liability, but recorded in the asset portion of the financial statements. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made

by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources. As of the end of the fiscal year there are no outstanding long-term obligations.

6. Net Position / Fund Equity

In the government-wide financial statements, net position is classified as Invested in Capital Assets-Net of Related Debt, Restricted Net Position, or Unrestricted Net Position. The three categories are described below:

- *Invested in Capital Assets-Net of Related Debt:* This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.
- *Restricted Net Position:* This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position:* This category represents the net position of the District which is not restricted for any project or any other purpose.

The District adopted GASB 54 as part of its fiscal year end December 31, 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Net Position / Fund Equity *(continued)*

constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.

- *Nonspendable*—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted*—Amounts that can be spent only for specific purposes because of the District Charter, the District Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed*—Amounts that can be used only for specific purposes determined by a formal action by Board Members ordinance or resolution.
- *Assigned*—Amounts that are designated by the President of the Board for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board Members.
- *Unassigned*—All amounts not included in other spendable classifications.

7. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. An estimate is used for the allowance for uncollectible Taxes, which is calculated by management in accordance with policy and is based on prior year's results of collectability.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budget Basis of Accounting

The District prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the District's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2. Excess of General

Expenditures exceeded appropriation in the following line items:

| Budget to Actual | Excess |
|--|--------|
| Contribution to San Juan Fire Department | \$ 454 |

3. Committed Fund Balance / Restricted Net Position

This year, the District's Board of Directors committed the fund balance towards the following projects:

None

III. DETAILED NOTES ON FUNDS

A. Deposits

District's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect

District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At December 31, 2019, the carrying amount of the District's deposits was \$24,767. The District has one depository account which is with Frost Bank.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk. As of December 31, 2019, the District's actual bank balance of \$62,126 was not exposed to custodial credit risk and was fully insured or collateralized by Federal Deposit Insurance Corporation (FDIC) for up to \$250,000.

B. Investments

The District is required by Government code Chapter 2256, the public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

III. DETAILED NOTES ON FUNDS (CONTINUED)

B. Investments (Continued)

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purposes financial statements disclosed that in the areas of investment practices, management does not report nor do they have the appropriate policies in place.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk. By limiting the exposure of its investments, the District reduces its risk to the rising or decreasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by the depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District money was not exposed to custodial credit risk.

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

III. DETAILED NOTES ON FUNDS (CONTINUED)

C. Tax Receivables

Receivables for the District at December 31, 2019, were as follows:

| <u>General Fund</u> | <u>Receivable</u> | <u>Allowance for Uncollectibles</u> | <u>Total (Net)</u> |
|---------------------|-------------------|---|--------------------|
| Property Taxes | \$ 226,891 | \$ (11,344) | \$ 215,547 |
| | <u>\$ 226,891</u> | <u>\$ (11,344)</u> | <u>\$ 215,547</u> |

D. Deferred Inflow of Resources

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the deferred inflows of resources reported in the fund financial statements were as follows:

| <u>Deferred Inflow of Resources</u> | <u>General Fund</u> | <u>Total</u> |
|-------------------------------------|-------------------------|-------------------|
| Deferred Property Taxes | \$ 114,612 | \$ 114,612 |
| | <u>\$ 114,612</u> | <u>\$ 114,612</u> |

E. Litigation

There is no known litigation pending against the District as the date of the report. The management of the District is unaware of any pending or threatened litigation, assessments, or unasserted claims against the District.

F. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Notes to Financial Statements

December 31, 2019

III. DETAILED NOTES ON FUNDS (CONTINUED)

F. Fair Value of Financial Instruments (continued)

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the District.

The following methods and assumptions were used by the District in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

Time deposits: Fair values of certificates of deposit are at cost plus accrued interest.

Accounts Receivable – The carrying amount approximates fair value because of the short maturity of these instruments.

Payable and Accruals: The carrying amounts approximate fair value because of the short maturity period.

| <u>Financial Assets</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|---------------------------------|----------------------------|-------------------|
| Cash and Cash Equivalents | \$ 75,193 | \$ 75,193 |
| Property Taxes Receivable (net) | \$ 215,547 | \$ 215,547 |
| A/R - Administrator Contractor | \$ 731,445 | \$ 731,445 |

G. Commitments and Contingencies

None

H. Subsequent Events

In addition, the COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect collectability of future revenue billings of the District due to the significant economic impact on unemployment of the Districts' customers.

For the purposes of reporting subsequent events, management has considered events occurring up to October 22, 2021. The date the report was available to be issued. There are no additional subsequent events as of the date of the report.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4

Schedule of Revenues, Expenditures, and
Changes in Fund Balance-Budget and Actual
General Fund (Non-GAAP, Budgetary Basis)
For the Year Ended December 31, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual Budget Basis</u> | <u>Final Variance Budget Basis</u> |
|---|-------------------------|-------------------|------------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Tax Revenue | \$ 225,142 | \$ 225,142 | \$ 242,247 | \$ 17,105 |
| Total Revenues | <u>225,142</u> | <u>225,142</u> | <u>242,247</u> | <u>17,105</u> |
| Other Financing Sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues and Other Financing Sources | <u>225,142</u> | <u>225,142</u> | <u>242,247</u> | <u>17,105</u> |
| Expenditures | | | | |
| Annual Assessment | 4,500 | 4,500 | 4,282 | 218 |
| Attorney Fees | 7,000 | 7,000 | 2,462 | 4,538 |
| Audit | 4,500 | 4,500 | - | 4,500 |
| Capital Outlay | - | - | - | - |
| Contract Labor - Administrator | 23,400 | 23,400 | 23,380 | 20 |
| Contribution to San Juan Fire Department | - | - | 454 | (454) |
| Equipment | 30,000 | 30,000 | 8,380 | 21,620 |
| First Responder Service | 64,000 | 64,000 | 57,996 | 6,004 |
| Insurance | 7,000 | 7,000 | 5,753 | 1,247 |
| Office Supplies | 1,170 | 1,170 | 409 | 761 |
| Other Expenses | 2,075 | 2,075 | 1,922 | 153 |
| Repairs and Maintenance | 12,000 | 12,000 | 1,561 | 10,439 |
| Travel | 6,500 | 6,500 | 150 | 6,350 |
| Total Expenditures | <u>162,145</u> | <u>162,145</u> | <u>106,749</u> | <u>55,396</u> |
| Other Financing Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures and Other Financing Uses | <u>162,145</u> | <u>162,145</u> | <u>106,749</u> | <u>55,396</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | <u>62,997</u> | <u>62,997</u> | <u>135,498</u> | <u>72,501</u> |
| Net Change in Fund Balance | <u>62,997</u> | <u>62,997</u> | <u>135,498</u> | <u>72,501</u> |
| Fund Balance at Beginning of Period | 734,244 | 734,244 | 734,244 | - |
| Fund Balance at End of Period | <u>\$ 797,241</u> | <u>\$ 797,241</u> | <u>\$ 869,742</u> | <u>\$ 72,501</u> |

INTERNAL CONTROL/COMPLIANCE SECTION



208 W. Ferguson Unit #1 • Pharr, Texas 78577

Tel: (956) 787-9909 • Fax: (956) 787-3067

Email: org110n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Hidalgo County Emergency Services District No. 4

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hidalgo County Emergency Services District No. 4, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Hidalgo County Emergency Services District No. 4's basic financial statements, and have issued our report thereon dated October 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hidalgo County Emergency Services District No. 4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hidalgo County Emergency Services District No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hidalgo County Emergency Services District No. 4's internal control.

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

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

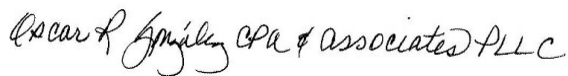
and questioned costs as items 2019-1, 2019-2 and 2019-3 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hidalgo County Emergency Services District No. 4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Oscar R. Gonzalez in cursive, followed by the text "CPA & Associates PLLC".

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

Pharr, Texas
October 22, 2021

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Schedule of Findings and Responses
For the Year Ended December 31, 2019

A. Summary of Auditor's Results

| | UNMODIFIED |
|--|---|
| 1. Financial Statements | |
| Type of Report Issued: | _____ YES <u> X </u> NO |
| Internal control over financial reporting: | |
| One or more material weaknesses identified? | _____ YES <u> X </u> NONE REPORTED |
| One of more significant deficiencies identified that are not considered to be material weaknesses? | <u> X </u> YES _____ NONE REPORTED |

B. Financial Statement Findings

Schedule Reference (2019-1) - CONTROLS OVER FINANCIAL STATEMENTS

Criteria: Management is responsible for establishing and maintaining effective internal controls for year-end closing of the financial statements and controls over compliance of financial reporting with requirements of laws, regulation and contracts.

Condition: The audited annual financial and compliance reports for year ended December 31, 2019 were not prepared and submitted within the timeline.

Cause: The District did not have the appropriate resources and adequate number of trained personnel to manage the financial reporting operations to provide timely reporting.

Effect: The District did not adhere to the financial reporting requirements.

Recommendation: Auditors recommend a comprehensive timeline should be established by the District in order to ensure that financial reporting requirements is adhered to. Further, the District should secure an adequate number of trained personnel.

Questioned Cost: \$-0-

Schedule Reference (2019-2) - CONTROLS OVER CASH RECONCILIATIONS

Criteria: Bank reconciliations should be done on a timely basis and someone in a supervisory capacity should review the reconciliations and document their review monthly.

Condition: Upon our review of the submitted bank reconciliations, auditor noted there were not prepared timely nor did anyone with a supervisory capacity review.

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Schedule of Findings and Responses
For the Year Ended December 31, 2019

B. Financial Statement Findings

Schedule Reference (2019-2) - CONTROLS OVER CASH RECONCILIATIONS (continued)

Cause: The District had several checks due to insufficient funds and fraud occurred.

Effect: Bank reconciliations were not done timely, insufficient funds transactions occurred, and transactions were not coded to proper accounts due to lack of documentation. Fraud was not able to be prevented.

Recommendation: Bank reconciliations need to be prepared accurately and should be done on a timely manner. Additionally, someone in a supervisory capacity should be performing a monthly review of the reconciliation and signing off.

Questioned Cost: \$94,790

Schedule Reference (2019-3) - INTERNAL CONTROL SYSTEM

Criteria: Management needs to implement and design an internal control system that effectively and efficiently addresses risks, and allows the District to achieve their objectives. The internal controls should be communicated through written policies and procedures.

Condition: District does not have an effective internal control system nor do they have written policies and procedures.

Cause: The District's internal controls system has not been designed effectively resulting in noncompliance and fraud.

Effect: Noncompliance with reporting, transactions that occurred were not recorded timely or accurately and fraud occurred.

Recommendation: District internal control system should be evaluated and written policies and procedures should be adopted.

Questioned Cost: \$0

HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

N/A – No Prior Year Audit