

COUNTY of HIDALGO



HIDALGO COUNTY AUDITOR'S OFFICE
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Edinburg, Texas 78539-6243
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June 21, 2023

Honorable Richard F. Cortez, County Judge
Hidalgo County Judge's Office
100 E. Cano
Edinburg, Texas 78539

Re: ESD #1 2022 Audited Financial Report

Dear Judge Cortez,

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, 2022 for the Commissioners Court. Please prepare an agenda item on the next available Commissioner Court meeting for presentation and acceptance of the financial report.

If you have any questions, please contact Letty Chavez, First Assistant Auditor, at 318-2511 ext. 4651 or me at ext. 4668.

Respectfully,

Linda Fong, CPFO,
Interim County Auditor

Enclosure (5)

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JUN 22 2023

By: _____
Executive Office

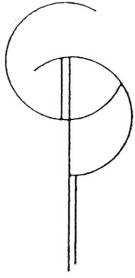
HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92 ND D.C.	FERNANDO MANCIAS JUDGE, 93 RD D.C.	J. R. "BOBBY" FLORES JUDGE, 139 TH D.C.	ROSE GUERRA REYNA JUDGE, 206 TH D.C.	MARLA CUELLAR 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, 388 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.	JOSE "JOE" RAMIREZ JUDGE, 464 TH D.C.	YSMAEL FONSECA JUDGE, 476 TH D.C.
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HIDALGO COUNTY EMERGENCY SERVICES DISTRICT NO. 1

**COMMUNICATIONS WITH THOSE CHARGED
WITH GOVERNANCE**

DECEMBER 31, 2022



GARCIA & PEÑA

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. Peña, CPA

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

Hidalgo County Emergency Services
District No. 1
P.O. Box 1136
Elsa, Texas 78543

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, 2022, and have issued our report thereon dated May 16, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 February 6, 2023. 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. No new policies were adopted for the year ending December 31, 2022, 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, 2022.

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 June 19, 2023.

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.

This information is intended solely for the use of the Hidalgo County Emergency Services District No. 2 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.

Mamuel B. Garcia, CPA
Garcia & Pena, CPAs

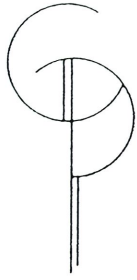
Garcia & Pena
Certified Public Accountants
Weslaco, Texas

May 16, 2023

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

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND
MATERIAL WEAKNESSES**

DECEMBER 31, 2022



GARCIA & PEÑA

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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, 2022, 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 & Pena
Certified Public Accountants
Weslaco, Texas 78596

May 16, 2023

**HIDALGO COUNTY EMERGENCY SERVICES
DISTRICT NO. 1
SCHEDULE OF FINDINGS
DECEMBER 31, 2022**

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, 2022**

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.