

**NORTH HAYS COUNTY**  
**EMERGENCY SERVICES DISTRICT #1**

**Financial Statements & Auditor's Report**

*For the Fiscal Year Ended*

*September 30, 2015*

Stephen W Cook



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**Contents**

	<b><u>Schedule</u></b>	<b><u>Page</u></b>
<b>Management Discussion and Analysis</b>		3
<b>Reports</b>		
Independent Auditor's Report		10
Report on Internal Control Over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		12
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Positions and Balance Sheet-Government Funds		15
Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances-Government Funds		16
Notes to Basic Financial Statements		18
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – Governmental Funds		26
<b>OTHER SUPPLEMENTARY INFORMATION</b>		
Comparative Schedule of Revenues and Expenditures	S-1	28
Comparative Schedule of Expenditures- Statement of Activities	S-2	29
Taxes Levied and Receivable	S-3	30
Comparative Schedule of Expenditures – Statement of Activities	S-4	31
Board Members, Key Personnel and Consultants	S-5	32
Schedule of Findings, Questioned Costs and Corrective Action Plan		33

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **NORTH HAYES COUNTY EMERGENCY SERVICES DISTRICT #1**

### **MANAGEMENTS DISCUSSION AND ANALYSIS**

September 30, 2015

#### **Using this Annual Report**

Within this section of the North Hays County Emergency Services District #1's (the District) annual report, the District's Board of Directors provide narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2015. This analysis should be read in conjunction with the basic financial statements that follow this section.

The annual report consists of the Management Discussion and Analysis, the basic financial statements plus required supplementary information to the financial statements as required. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities that engage in a single governmental program.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements, as presented in the special-purpose government format, combine two types of financial statements into one statement. These two types of financial statements are the *government-wide financial statements* and the *fund financial statements*. The *fund financial statements* are presented on the left side of the statements, a column for adjustments is to the right of those statements, and the *government-wide financial statements* are presented to the right side of the adjustments column. Details of this adjustment column are shown in Note 3 of the financial statements. The notes to the financial statements comprise the final part of the basic financial statements, providing all required disclosure to support the statements presented.

#### **Government-Wide Financial Statements**

The *government-wide financial statements* report information for the District as a whole. These statements include transactions and balances relating to all assets. These statements are designed to provide information about cost of services, operating results, and financial position of the district as in economic entity. The Statement of Net Position and the Statement of Activities report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over a period of time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as the District's property tax base and the condition of the infrastructure, need to be considered in order to assess the overall health of the District.

The Statement of Net Position and the Statement of Activities divide the District's financials into two classes of activities:

1. Governmental Activities - include the District's tax supported service, general and administrative services, and debt services (if any). Property taxes fund virtually all of the District's activities.

A limited government-wide statement can be found in the MD&A.

## **NORTH HAYES COUNTY EMERGENCY SERVICES DISTRICT #1**

### **MANAGEMENTS DISCUSSION AND ANALYSIS**

September 30, 2015

#### **Fund Financial Statements**

Funds may be considered as operating companies of the parent corporation, which is the District. Funds are segregated by specific activity. The District uses and accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The District uses only the governmental fund.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows* of spendable resources, as well as on balances of *spendable resources* available at the end of the year. Such information may be useful in evaluating the District'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*.

The District maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The District adopts an annual non-appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

#### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information required by *Governmental Accounting Standards Board* (GASB).

#### **Other Information**

In addition to the basic financial statements, MD&A, notes to the financial statements and the required supplementary information, the report provides additional schedules that provide additional information on the District as a whole.

**NORTH HAYES COUNTY EMERGENCY SERVICES DISTRICT #1**

**MANAGEMENTS DISCUSSION AND ANALYSIS**

September 30, 2015

**Financial Highlights**

**Financial Analysis of the District as a Whole**

The District's overall financial position and operations for the past year is summarized as follows based on the information included in the government-wide financial statements.

**Financial Highlights and Analysis**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$1,864,093
- The District's net assets increased during the year by \$149,551
- The District's tax revenues, including penalty and interest collections, increased by \$ 123,087

**Overall Financial Position of the District**

The following condensed financial statements present the District's overall financial position and operations for the current year and the preceding year. The government-wide financial statements are shown first followed by the governmental fund financial statements.

**NORTH HAYES COUNTY EMERGENCY SERVICES DISTRICT #1****MANAGEMENTS DISCUSSION AND ANALYSIS**

September 30, 2015

**Government-Wide Financial Statements**

	<b><u>Summary of Net Position</u></b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Assets</b>		
Current and other assets	\$ 1,300,846	\$ 1,447,168
Capital assets (net)	531,894	247,991
Taxes receivable(net)	29,603	19,433
Other assets	1,750	0
<b>Total Assets</b>	<b><u>1,864,093</u></b>	<b><u>1,714,592</u></b>
<b>Liabilities</b>		
Accounts payable	0	50
<b>Total Liabilities</b>	<b><u>0</u></b>	<b><u>50</u></b>
<b>Net Position:</b>		
Capital assets in excess of debt	531,894	247,991
Unrestricted	1,279,861	1,414,213
Restricted	52,338	52,338
<b>Total Net Position</b>	<b><u>1,864,093</u></b>	<b><u>1,714,542</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,864,093</u></b>	<b><u>\$ 1,714,592</u></b>

**Summary of Statement of Activities**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Revenues</b>		
Property taxes, penalties & interest	\$ 890,641	\$ 767,554
Investment income	6,554	7,004
<b>Total Revenues</b>	<b><u>897,195</u></b>	<b><u>774,558</u></b>
<b>Expenses</b>		
Service	588,012	503,988
Adminiitration	78,927	28,426
Tax collection expense	7,063	9,045
Other	0	0
Depreciation	73,642	36,564
<b>Total Expenses</b>	<b><u>747,644</u></b>	<b><u>578,023</u></b>
<b>Increase/(decrease) in Net Position</b>	<b>149,551</b>	<b>196,535</b>
Net Position, beginning of year	1,714,542	1,518,007
<b>Net Position, End of Year</b>	<b><u>\$ 1,864,093</u></b>	<b><u>\$ 1,714,542</u></b>

**NORTH HAYES COUNTY EMERGENCY SERVICES DISTRICT #1**

**MANAGEMENTS DISCUSSION AND ANALYSIS**

September 30, 2015

**Capital Assets**

Capital assets held by the District at the end of the current fiscal year are summarized as follows:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Land	\$ 65,870	\$ 65,870
Building	131,050	131,050
Vehicles	561,767	354,626
Equipment-Electronics	165,648	15,244
Furniture and Fixtures	9,095	9,095
	<u>933,430</u>	<u>575,885</u>
Less: Accumulated depreciation	(401,536)	(327,894)
Net Capital Assets	<u>\$ 531,894</u>	<u>\$ 247,991</u>

**Governmental Fund Financial Statements**

**Summary of Governmental Funds Balance Sheet**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Assets</b>		
Current and other assets	\$ 1,302,596	\$ 1,447,168
Taxes receivable(net)	29,603	19,433
<b>Total Assets</b>	<u>1,332,199</u>	<u>1,466,601</u>
<b>Liabilities</b>		
Current and other liabilities	0	50
Deferred revenues	28,603	18,437
<b>Total Liabilities</b>	<u>28,603</u>	<u>18,487</u>
<b>Fund Balance</b>		
Restricted	52,338	52,338
Unrestricted	1,251,258	1,395,776
<b>Total Fund Balance</b>	<u>1,303,596</u>	<u>1,448,114</u>
<b>Total Liabilities and Fund balances</b>	<u>\$ 1,332,199</u>	<u>\$ 1,466,601</u>



**NORTH HAYES COUNTY EMERGENCY SERVICES DISTRICT #1**

**MANAGEMENTS DISCUSSION AND ANALYSIS**

September 30, 2015

**Summary of Governmental Fund Revenue, Expenditures and  
Changes in Fund Balance**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Property taxes, penalties, interest	\$ 880,475	\$ 763,386
Investment income	6,554	7,004
<b>Total Revenues</b>	<u>887,029</u>	<u>770,390</u>
<b>Expenditures</b>		
Service	588,012	503,989
Adminitration	78,927	28,426
Tax collection expense	7,063	9,045
Other	0	0
<b>Total Expenditures</b>	<u>674,002</u>	<u>541,460</u>
<b>Excess of Revenues over Expenditures</b>	213,027	228,930
<b>Other Financing Activities</b>		
Capital purchases	<u>(357,545)</u>	<u>(8,272)</u>
<b>Excess (Deficiency) of Revenues and Capital Expenditures</b>	(144,518)	220,658
Fund Balance-beginning of year	1,448,114	1,227,456
<b>Fund Balance-end of year</b>	<u>\$ 1,303,596</u>	<u>\$ 1,448,114</u>

**Economic Factors and Next Year's Budget and Rates**

**Property Tax Base**

The District's 2014 certified taxable value was \$3,255,407,848. The 2014 total adopted tax rate was \$0.0241/\$100.00 of value.

**Budget**

For the fiscal year ending September 30, 2015, the District's budget remained virtually unchanged from the previous fiscal years. The District expects future revenues to show modest increases as the tax base increases. The District does not anticipate any major expenditures or significant changes in its expenditures in the near future.

The Board is developing a long-term strategic plan that will service the greater Dripping Springs and Northwest Hays County areas for the next twenty years. Due to the unusually large amount of surface area and the area's unique topography, the Board's strategic plan will attempt to increase the number of emergency stations located throughout the service area.

## **REPORTS**

# Stephen W Cook



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*Serving the San Antonio + Austin Corridor*

## **Independent Auditor's Report**

Board of Directors  
North Hays County Emergency Services District #1  
PO Box 1604  
Dripping Springs, Texas 78620

I have audited the accompanying financial statements of the business type activities of the North Hays County Emergency Services District #1 (the District) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the North Hays County Emergency Service District #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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the District as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis, and budgetary comparison as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information is presented for purposes of additional analysis and is not a required part to the basic financial statements. The Other Supplementary Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

### *Other Reporting Required by Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 24, 2016, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

*Stephen W Cook, CPA*

Stephen W. Cook, CPA, PLLC  
January 24, 2016  
San Antonio, Texas

# Stephen W Cook



CERTIFIED PUBLIC ACCOUNTANT, PLLC  
www.swc-cpa.com

## 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 ACORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
North Hays County Emergency Services District #1  
PO Box 1604  
Dripping Springs, Texas 78620

I have audited, 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, the financial statements of the business-type activities of the North Hays County Emergency Services District #1 (District) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report dated January 24, 2016.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District'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.

My consideration of internal control over financial reporting 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. I noted no matters that needed to be reported to management.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stephen W Cook, CPA, PLLC*

Stephen W. Cook, CPA, PLLC  
January 24, 2016  
San Antonio, Texas

## **BASIC FINANCIAL STATEMENTS**

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**STATEMENT OF NET POSITION AND BALANCE SHEET-GOVERNMENTAL FUNDS**  
September 30, 2015

	<b>Government Funds</b>	<b>Adjustments</b>	<b>of Net Position</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 463,363	\$	\$ 463,363
Investments	837,483		837,483
Taxes receivable (net of allowance for uncollectibles)	27,450		27,450
Due from Tax Collector	2,153		2,153
Capital assets (net)	0	531,894	531,894
Other assets	1,750	0	1,750
<b>Total Assets</b>	<u>1,332,199</u>	<u>531,894</u>	<u>1,864,093</u>
<b>Liabilities</b>			
Accounts payable	28,603	28,603	0
Deferred revenues	0	0	0
<b>Total Liabilities</b>	<u>28,603</u>	<u>          </u>	<u>0</u>
<b>Fund Balance/Net Position</b>			
Fund balances:			
Restricted	52,338		
Unassigned	1,251,258		
<b>Total Fund Balance</b>	<u>1,303,596</u>		
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,332,199</u>		
<b>Net Position:</b>			
Capital assets in excess of debt			531,894
Unrestricted			1,279,861
Restricted			52,338
<b>Total Net Position</b>			<u>1,864,093</u>
<b>Total Liabilites and Net Position</b>		\$	<u>1,864,093</u>



**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

STATEMENT OF ACTIVITIES and STATEMENT OF REVENUES,

EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	<b>Government Funds</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 875,713	10,131	\$ 885,844
Penalties and interest	4,762	35	4,797
Investment earnings	6,554	0	6,554
<b>Total Revenues</b>	<u>887,029</u>	<u>10,166</u>	<u>897,195</u>
<b>Expenditures/Expenses</b>			
Service operations			
Service expenditures	588,012	0	588,012
Administrative expenditures	78,927	0	78,927
Tax collection expenditures	7,063	0	7,063
Depreciation	0	73,642	73,642
<b>Total Expenditures/Expenses</b>	<u>674,002</u>	<u>73,642</u>	<u>747,644</u>
<b>Excess (deficiency) of Revenues over Expenditures</b>	213,027	(63,476)	149,551
<b>Other Financing Activities</b>			
Purchase of capital assets	(357,545)	357,545	0
Gain on sale of assets	0	0	0
<b>Total Other Financing Activities</b>	<u>(357,545)</u>	<u>357,545</u>	<u>0</u>
<b>Excess (deficiency) of Revenues and Capital Expenditures</b>	(144,518)	294,070	149,551
<b>Fund Balance-Government Funds</b>			
Beginning of the year	1,448,114		
<b>Fund Balance-End of the year</b>	<u>\$ 1,303,596</u>		
<b>Net Position</b>			
Beginning of the year			1,714,542
<b>Net Position-End of the year</b>			<u>\$ 1,864,093</u>

The Notes to the Financial Statements are an integral part of financial statements

**NOTES TO FINANCIAL STATEMENTS**

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO BASIC FINANCIAL STATEMENTS**

September 30, 2015

**NOTE 1 – CREATION OF DISTRICT**

In 1988 the voters of North Hays County and the Commissioners Court of Hays County, Texas approved the formation of North Hays County Emergency Services District # 1 under Article III, Section 48-E of the Texas Constitution. That District operated under the Health and Safety code found in Chapter 775, Emergency Services Districts.

In a special election on May 2, 1988, the voters elected to create a new district, the Wimberley, Hays County Emergency Services District #3. With the election and separation of the Wimberley District, the remainder of North Hays County Emergency Services District # 1 covers the Dripping Springs area of the county.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies.

**A. Reporting Entity**

The District is a political subdivision of the state with powers to acquire and sell real and personal property, enter into contracts, impose and collect taxes, accept donations, and to lease, own, maintain and operate and provide emergency services vehicles and other equipment to provide emergency services.

The District is governed by a separate five-member board of emergency services commissioners appointed by the County Commissioners. Board members serve two year terms.

The Board contracts with the non-profit emergency medical services corporation, located in San Marcos, to provide the emergency services for the Dripping Springs area.

Since the formation of the new district, taxes continue to be collected by the original North Hays County Emergency Services District #1 for taxes assessed prior to the division of the District, with all excess cash divided equally between the two districts. Starting with the 1999 fiscal year, each District will report half of taxes collected by the original District, and will assess and collect their separate taxes.

As a political subdivision of the state, the District is a primary government and has no component units to include in the financial statements. Although the County Commissioners appoint the Board, the budget and tax rate are set by the Board within limits authorized by Chapter 775 of the Health and Safety Code.

## **NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

September 30, 2015

#### **B. Basic Financial Statements**

These basic financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements and Management’s Discussion and Analysis – for State and Local governments. The Statements include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and changes in financial position.
- Fund financial statements for each fund.
- Government-wide financial statements prepared using the accrual basis of accounting for all the District’s activities.

The Statement also requires the reclassification of net assets into three components as follows:

- Invested in capital assets, net of related debt – this component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted – this component of net assets consists of constraints placed on net assets used through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or through contractual provisions or enabling legislation.
- Unrestricted – this component of net assets consists of net assets that do not meet the definition of the previous two categories.

#### **C. Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the district as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Inter-fund activity, if any, has been removed from these statements. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing a final column for reconciling items between the two. All funds are considered major funds under financial reporting guidelines.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. All funds are classified as governmental funds; following is a description of the various funds:

The General Fund is used to account for the operations of the District’s emergency services system and all other financial transactions not properly includable in other funds. The principal sources of revenue are property taxes.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO BASIC FINANCIAL STATEMENTS**

September 30, 2015

**D. Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are organized on the basis of funds, each of which is considered to be separate accounting entity. They use the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include interest earned on investments and income from District operations. Property tax revenues are generally recognized in the period for which the tax levy was made. Property taxes receivable at the end of the fiscal year are treated as deferred revenues because they are not considered available to pay liabilities of the current period. The District levies taxes for debt service purposes only, and all related liabilities had been paid by the end of the year. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt (if any), which is recognized when due.

Note 3 further details the adjustments from the governmental fund presentation to the government-wide presentation.

**E. Budget**

The budget is adopted for the General Fund using governmental accounting. The budget is prepared using the same method of accounting as for financial reporting.

**F. Investments**

The District classifies investments, which have a remaining maturity of one year or less at the date of purchase, as money market investments. The District values these funds at cost. The District's certificates of deposit, if any, are recorded also at cost.

Temporary investments consist of deposits in Tex-Pool, which is a public funds investment pool and are stated at cost, which approximates fair value and certificates of deposit at local banks.

**G. Taxes Receivable**

All receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. The estimated uncollectible is 5% of the outstanding tax receivable. At September 30, 2015, the District's taxes receivable consisted of \$28,893 less a 5% allowance of \$1,443.

**H. Capital Assets**

Capital assets, which include land and infrastructure, are reported in the government-wide financial statements. The district defines capital assets as assets with an initial valued cost of \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO BASIC FINANCIAL STATEMENTS**

September 30, 2015

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated over their remaining useful lives using the straight-line method as follows:

	Est. Depreciable Life
Vehicles	5 Yrs.
Equipment-Electronic	5 Yrs.
Equipment and Furniture	5 Yrs.

**I. Fund Equity/ Restricted Assets**

In the fund financial statements, reserved or designated equity balances represent those portions of fund balance not appropriate for expenditures or legally segregated for a specific future use. Undesignated fund balances represent available balances for the District's future use.

Proceeds of bonds and other resources set aside for specific purposes are classified as restricted assets on the balances sheet because their use is limited by applicable bond covenants or contractual agreements.

**J. Long Term Obligations**

The government-wide financial statement reports long-term debt as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

The fund financial statements report bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, net of issuance costs. Premiums or discounts associated with the debt are reported as other financing uses.

**K. Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

**L. Comparative Data/Reclassifications**

Comparative data for prior years has not been presented due to the implementation of Governmental Accounting Standards Board Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis – for State and Local governments. Prior years' data has not been restated.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO BASIC FINANCIAL STATEMENTS**

September 30, 2015

**NOTE 3 – ADJUSTMENT OF GOVERNMENTAL TO GOVERNMENT-WIDE BASIS**

**Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets**

Total fund balance, governmental funds		\$ 1,303,596
Intangible capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.		
Historical cost	933,430	
Less: accumulated amortization	<u>(401,536)</u>	
Change due to intangible capital assets		531,894
Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Deferred property taxes		<u>28,603</u>
Total net position - governmental activities		<u>\$ 1,864,093</u>

**Reconciliation of the Statement of Revenues, Expenditure and Changes in Fund Balance of the Governmental funds to the Statement of Activities**

Net change in fund balances - total governmental funds		\$ (144,518)
Governmental funds do not present revenues that are not available to pay current obligation. In contrast, such revenues are reported in the Statement of Activities when earned. The difference is for property taxes and related penalties and interest.		
Penalties and interest	<u>35</u>	10,166
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets are allocated over their estimated lives as depreciation/amortization expense.		
Purchase assets	357,545	
Depreciation/amortization	<u>(73,642)</u>	
Net		<u>283,903</u>
Change in net position of governmental activities		<u>\$ 149,551</u>

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO BASIC FINANCIAL STATEMENTS**

September 30, 2015

**NOTE 4 – CASH AND TEMPORARY INVESTMENTS**

Cash consists of checking and savings accounts. Investments consist of Certificates of Deposit and Tex-Pool. Cash and temporary investments in the Debt Service Fund are restricted for use in paying interest and principal on general long-term debt, paying agent fees and costs of assessing and collecting property taxes pursuant to the District’s bond resolutions. The carrying amounts for cash and temporary investment balances by fund at, September 30, 2014, are as follows:

<b><u>Institution</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>	<b><u>Balance at End of Year</u></b>	<b><u>Interest Earned During Year</u></b>
<b>Cash and Cash Equivalents:</b>				
Cash -Lone Star Capital Bank	NA	NA	\$ 188,216	104
Cash -Lone Star Capital Bank	Mkt	NA	272,304	1,476
Cash-Ozona Bank	Mkt	NA	2,843	1
			<u>463,363</u>	<u>1,581</u>
<b>Temporary Investments:</b>				
Pioneer Bank	1.15%	various	501,004	4,799
TexPool	Mkt	NA	336,479	174
			<u>837,483</u>	<u>4,973</u>
			<u>\$ 1,300,846</u>	<u>\$ 6,554</u>

**Investment Policies**

The District has adopted a written investment policy, as required by the Public Funds Investment Act, Chapter 2256, and Texas Government Code. The investments of the District are in compliance with their investment policies.

State statutes and provisions, included in the District’s bond resolution, require that all funds invested in depository institutions be covered by federal depository insurance and/or pledged collateral. The types of collateral to be pledged to secure District demand deposits and investments are stated in the District’s Investment Policy. Balances in demand accounts and investments were entirely covered by federal depository insurance or pledged collateral held by the District’s agent bank in the District’s name.

**Investment Pool**

The State Comptroller of Public Accounts exercises oversight responsibility of Tex-Pool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in Tex-Pool and other persons who do not have a business relationship with Tex-Pool. The Advisory Board members review the investment policy and management fee structure. Tex-Pool is rated AAA by Standard & Poor’s. Tex-Pool operates in a manner consistent with the SEC’s Rule 2.a.7 of the Investment Company Act of 1940. Tex-Pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Tex-Pool is the same as the value of Tex-Pool shares.



**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

**NOTES TO BASIC FINANCIAL STATEMENTS**

September 30, 2015

**Certificates of Deposit**

The District maintains certificates of deposits at local banks. These deposits are insured by the FDIC.

**NOTE 5 – PROPERTY TAXES**

All property values and exempt status, if any, are determined by the Hays County Appraisal District. Taxes are levied after receipt of the certified tax roll, are due upon receipt and are delinquent the following January 31<sup>st</sup>, at which time a tax lien attaches to the related property. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in of \$0.0241 per \$100 of assessed value in the year of the levy. All taxes were for maintenance and operations. The resulting tax levy was based on an initial taxable value of \$3,255,407,848.

**NOTE 6 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended September 30, 2015 follows:

	<b><u>Beginning of Year</u></b>	<b><u>Additions</u></b>	<b><u>Dispositions</u></b>	<b><u>End of Year</u></b>
Land	\$ 65,870			\$ 65,870
Building	131,050			131,050
Vehicles	354,626	207,141		561,767
Equipment	15,244	150,404		165,648
Furniture and fixtures	9,095			9,095
Total	<u>575,885</u>	<u>357,545</u>	<u>0</u>	<u>933,430</u>
Depreciation	<u>327,894</u>	<u>73,642</u>		<u>401,536</u>
Net Assets \$	<u><u>247,991</u></u>	<u><u>283,903</u></u>	<u><u>0</u></u>	<u><u>\$ 531,894</u></u>

The District is entered into an agreement with San Marcos Emergency Services to maintain the District's vehicles and related equipment on a reimbursement basis.

**NOTE 7 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 818,000	\$ 875,713	\$ 57,713
Penalties and interest	0	4,762	4,762
Investment earnings	4,000	6,554	2,554
Other Income	0	0	0
<b>Total Revenues</b>	<b>822,000</b>	<b>887,029</b>	<b>65,029</b>
<b>Expenditures</b>			
Service operations:			
Services expenditures	844,800	588,012	256,788
Administrative expenditures	55,860	78,927	(23,067)
Tax collection expenditures	10,340	7,063	3,277
<b>Total expenditures</b>	<b>911,000</b>	<b>674,002</b>	<b>236,998</b>
<b>Excess (deficiency) of Revenues over</b>			
<b>Expenditures</b>	<b>(89,000)</b>	<b>213,027</b>	<b>302,027</b>
<b>Other Financing Sources</b>			
Purchase of capital assets	(636,000)	(357,545)	(278,455)
Gain on sale of assets	0	0	0
Transfer of reserve funds	725,000	0	725,000
<b>Total Other Financing Sources</b>	<b>89,000</b>	<b>(357,545)</b>	<b>446,545</b>
<b>Excess (deficiency) of Revenues</b>			
<b>and Capital Expenditures</b>	<b>\$ 0</b>	<b>\$ (144,518)</b>	<b>\$ 748,572</b>

**OTHER SUPPLEMENTARY INFORMATION**

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

SUPPLEMENTAL SCHEDULE ONE (S-1)

COMPARATIVE SCHEDULE OF STATEMENT OF REVENUES AND EXPENDITURES

For the Years Ended September 30,

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>	\$ 887,029	\$ 770,390
<b>Expenses</b>		
Contract Service Expenditures	588,012	503,989
Administrative Expenditures		
Accounting fees	4,248	5,406
Advertising fees	1,257	0
Ambulance repairs	0	1,154
Ambulance supplies	32	0
Ambulance insurance	0	0
Auditing	4,950	0
Bank fees	0	28
Building maintenance	22,894	6,624
Consulting	17,820	0
Dues and publications	1,100	1,100
Equipment maintenance	1,441	0
Insurance - building	3,903	4,293
Insurance - liability	0	0
Legal	3,849	0
License and permits	15	92
Office expenses	540	1,878
Postage and freight	44	34
Rents	3,850	0
Telephone and communication	2,979	0
Travel	1,659	0
Utilities	8,346	7,817
Total administrative expenditures	<u>78,927</u>	<u>28,426</u>
Tax Collection Expenditures		
Appraisal District fees	7,063	5,282
Tax collector fees	0	3,763
Total tax collection expenditure	<u>7,063</u>	<u>9,045</u>
Capital additions	<u>357,545</u>	<u>8,272</u>
<b>Total Expenses</b>	<u>1,031,547</u>	<u>549,732</u>
<b>Excess (deficiency) of Revenues</b>	<u>\$ (144,518)</u>	<u>\$ 220,658</u>

\* Number of persons employed by the District:                    0      Full-Time    1    Part-Time

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**SUPPLEMENTAL SCHEDULE ONE (S-2)**  
**COMPARATIVE SCHEDULE OF STATEMENT OF ACTIVITIES**  
For the Years Ended September 30,

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>	\$ 897,195	\$ 774,558
<b>Expenses</b>		
Contract Service Expenditures	588,012	503,988
Administrative Expenditures		
Accounting fees	4,248	5,406
Advertising fees	1,257	0
Ambulance repairs	0	1,154
Ambulance supplies	32	0
Ambulance insurance	0	0
Auditing	4,950	0
Bank fees	0	28
Building maintenance	22,894	6,624
Consulting	17,820	0
Dues and publications	1,100	1,100
Equipment maintenance	1,441	0
Insurance - building	3,903	4,293
Insurance - liability	0	0
Legal	3,849	0
License and permits	15	92
Office expenses	540	1,878
Postage and freight	44	34
Rents	3,850	0
Telephone and communication	2,979	0
Travel	1,659	0
Utilities	8,346	7,817
Total administrative expenditures	<u>78,927</u>	<u>28,426</u>
Tax Collection Expenditures		
Appraisal District fees	7,063	5,282
Tax collector fees	0	3,763
Total tax collection expenditure	<u>7,063</u>	<u>9,045</u>
Depreciation	<u>73,642</u>	<u>36,564</u>
<b>Total Expenses</b>	<u>747,644</u>	<u>578,023</u>
<b>Excess (deficiency) of Revenues</b>	<u>\$ 149,551</u>	<u>\$ 196,535</u>

\* Number of persons employed by the District:                    0 Full-Time 1 Part-Time

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**SUPPLEMENTAL SCHEDULE TWO (S-3)**  
**TAXES LEVIED AND RECEIVABLE**  
September 30, 2015

	<b>Maintenance and Operations Tax</b>
Taxes Receivable, Beginning of Year	\$ 19,407
2014 Original Tax Levy	869,890
Add: Rollbacks and adjustments	<u>16,272</u>
Total to be accounted for	<u>905,569</u>
Tax collections:	
Current year	865,119
Prior years	<u>11,557</u>
Total Collections	<u>876,676</u>
	28,893
Allowance for uncollectable taxes	<u>(1,443)</u>
Taxes Receivable, End of Year (Net)	<u><u>\$ 27,450</u></u>
Taxes Receivable, By Years	
2010 and before	\$ 4,904
2011	1,184
2012	1,742
2013	2,449
2014	<u>7,086</u>
Taxes Receivable, End of Year	17,365
Rollbacks	11,528
Allowance for uncollectable taxes	<u>(1,443)</u>
Taxes Receivable, End of Year (Net)	<u><u>\$ 27,450</u></u>

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

SUPPLEMENTAL SCHEDULE THREE (S-4)

COMPARATIVE SCHEDULE OF ACTIVITIES

For the Years Ended September 30,

	<b>AMOUNTS</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>					
Property taxes	\$ 885,844	\$ 762,764	\$ 736,037	\$ 717,961	\$ 704,705
Penalties and Interest	4,797	4,790	5,588	5,336	5,717
Investment Earnings / Other	6,554	7,004	10,076	7,274	6,779
<b>Total Revenues</b>	<b>897,195</b>	<b>774,558</b>	<b>751,701</b>	<b>730,571</b>	<b>717,201</b>
<b>Expenses</b>					
Service Expenses	588,012	503,988	503,988	503,988	525,312
Administrative Expenses	78,927	32,189	16,016	16,688	11,111
Tax Collection Expenses	7,063	5,282	6,800	9,652	9,389
Depreciation	73,642	36,564	74,417	65,624	48,300
<b>Total Expenses</b>	<b>747,644</b>	<b>578,023</b>	<b>601,221</b>	<b>595,952</b>	<b>594,112</b>
<b>Other Financing Activities</b>	0	0	0	6,532	0
<b>Excess Revenues Over (Under) Expenses</b>	<b>\$ 149,551</b>	<b>\$ 196,535</b>	<b>\$ 150,480</b>	<b>\$ 141,151</b>	<b>\$ 123,089</b>

	<b>PERCENT OF FUND TOTAL REVENUES</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>					
Property taxes	98.7%	85.0%	97.9%	98.3%	98.3%
Penalties and Interest	0.5%	0.5%	0.7%	0.7%	0.8%
Investment Earnings / Other	0.7%	0.8%	1.3%	1.0%	0.9%
<b>Total Revenues</b>	<b>100.0%</b>	<b>86.3%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenses</b>					
Service Expenses	65.6%	56.2%	67.0%	69.0%	73.2%
Administrative Expenses	8.8%	3.6%	2.1%	2.3%	1.5%
Tax Collection Expenses	0.8%	0.6%	0.9%	1.3%	1.3%
Depreciation	8.2%	4.1%	9.9%	9.0%	6.7%
<b>Total Expenditures</b>	<b>83.3%</b>	<b>64.4%</b>	<b>80.0%</b>	<b>81.6%</b>	<b>82.8%</b>
<b>Other Financing Activities</b>	0.0%	0.0%	0.0%	0.9%	1.0%
<b>Excess Revenues Over (Under) Expenses</b>	<b>16.7%</b>	<b>21.9%</b>	<b>20.0%</b>	<b>19.3%</b>	<b>17.2%</b>



**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**

SUPPLEMENTAL SCHEDULE FIVE (S-5)

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS

September 30, 2015

Mailing Address: NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT  
P. O. Box 1604  
Dripping Springs, Tx 78620-1604

District Telephone Number: 512-392-7695

Limit on Fees of Office that a Director may receive during a fiscal year: \$0

<u>Names:</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
<b>Board Members:</b>			
Walter Krudop	0	0	President
Walt Garner	0	0	Vice-President
Kevin Lewis	0	0	Secretary
Lynn Alderson	0	0	Treasurer
Bob Chaffee	0	0	Commissioner
<b>Consultants:</b>			
Luanne Caraway			Tax Collector
Stephen W.Cook, CPA, PLLC			Auditor

\* *Fees of Office* are the amounts actually paid to a director during the district's fiscal year

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**SCHEDULE OF FINDINGS, QUESTIONED COSTS AND**  
**CORRECTIVE ACTION PLAN**  
For the Year Ended September 30, 2015

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

1 Material weakness identified? None

2 Reportable conditions identified that are  
not considered to be material weaknesses? None

Non-compliance that is material to financial  
statement notes? None

**SECTION 2 - FINANCIAL STATEMENT FINDINGS**

The last prior audited financial statements were for the year ended September 30, 2014.  
The findings were as follows: None

**SECTION 3 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

The last prior audited financial statements were for the year ended September 30, 2014.  
The findings were as follows: None

# Stephen W Cook



CERTIFIED PUBLIC ACCOUNTANT, PLLC  
www.swc-cpa.com

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## MANAGEMENT LETTER

Board of Directors  
North Hays County Emergency Services District #1  
PO Box 1604  
Dripping Springs, Texas

In planning and performing my audit of the financial statements of the North Hays County Emergency Services District #1 for the year ended September 30, 2015, I considered the District's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

However, during my audit, I became aware of an opportunity for strengthening internal controls and operating efficiency. This letter does not affect my report dated January 10, 2015, on the financial statements of the District.

I will review the status of this comment during my next audit engagement. I have already discussed this comment with the District's executive staff, and I will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. My comment is summarized as follows:

### **Recommendations**

#### *Organizational Structure*

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

This report is intended solely for the information and use of management, the finance committee, Board of Directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen W Cook, CPA, PLLC*

Stephen W. Cook, CPA, PLLC  
January 24, 2016  
San Antonio, Texas