

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

**Financial Statements & Auditor's Report**  
For the Fiscal Year Ended  
September 30, 2018

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

Annual Financial Report  
For the Year Ended September 30, 2018

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**NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1**  
 Board Members, Key Personnel and Consultants  
 September 30, 2018

Mailing Address: North Hays County Emergency Services District #1  
 P.O. Box 1604  
 Dripping Springs, Texas 78620-1604

Direct Telephone: 512-829-4356

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

Names:	Fees of Office Paid*	Expense Reimbursements	Title at Year End
Board Members:			
Walter Krudop	0	0	President
Geoffrey Tahuahua	0	0	Vice-President
Dan O'Brien	0	0	Treasurer
Dennis Lane	0	0	Asst - Treasurer
Keith Hughart	0	0	Secretary
Robert Lamb	0	0	Administrator

Consultants:

Luanne Caraway	Tax Collector
Williams, Crow, Mask, LLP	Auditor
The Carlton Law Firm	Legal Counsel

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



## williams crow mask

*Deep roots. Deep resources. Deep in the heart of Texas*

### Independent Auditor's Report

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

We 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, 2018, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 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, 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 opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the District as of September 30, 2018 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. 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 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 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, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the District'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 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 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.

### *Prior Period Financial Statements*

The financial statements of the District as of September 30, 2017 and supplementary information on Schedule V were audited by other auditors whose report dated January 6, 2018, expresses an unmodified opinion on those statements.

Williams, Crow, Mask, LLP  
January 31, 2019  
San Antonio, Texas 78209

*Williams, Crow, Mask LLP*

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2018

**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, 2018. 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 adjustment's 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 HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2018

**Fund Financial Statements**

Funds may be considered as operating companies of the parent corporation (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 HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2018

**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 \$2,006,815
- The District's net assets increased during the year by \$289,819
- The District's tax revenues, including penalty and interest Collections, increased by \$173,606

**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 HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2018**

**Government-Wide Financial Statements**

**Summary of Net Positions**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and investments	\$ 1,345,220	1,330,153
Capital assets (net)	625,213	359,869
Taxes receivable (net)	33,082	25,224
Other assets	<u>3,300</u>	<u>1,750</u>
<b>Total Assets</b>	<u><u>2,006,815</u></u>	<u><u>1,716,996</u></u>
<b>Net position:</b>		
Capital assets in excess of debt	238,638	359,869
Unrestricted	1,715,839	1,304,789
Restricted	<u>52,338</u>	<u>52,338</u>
<b>Total Net Position</b>	<u><u>2,006,815</u></u>	<u><u>1,716,996</u></u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 2,006,815</u></u>	<u><u>1,716,996</u></u>

**Summary of Statement of Activities**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Property taxes, penalties and interest	\$ 1,550,257	1,376,651
Investment income	22,506	7,773
Other	<u>-</u>	<u>534</u>
<b>Total Revenues</b>	<u><u>1,572,763</u></u>	<u><u>1,384,958</u></u>
<b>Expenses</b>		
Service	949,374	1,065,378
Administration	215,615	173,144
Tax collection expense	12,914	12,996
Depreciation	<u>121,232</u>	<u>90,012</u>
<b>Total Expenses</b>	<u><u>1,299,135</u></u>	<u><u>1,341,530</u></u>
Excess revenues over expenditures	<u>273,628</u>	<u>43,428</u>
Gain of asset sale	<u>16,401</u>	<u>-</u>
Increase (decrease) in Net Position	290,029	43,428
Net Position, beginning of year	1,716,996	1,673,568
Prior adjustment	<u>(210)</u>	<u>-</u>
Net Position, end of year	<u><u>\$ 2,006,815</u></u>	<u><u>1,716,996</u></u>

NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2018

**Capital Assets and Cash**

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

	<u>Capital Assets</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 65,870	65,870
Building and leaseholds	170,244	131,050
Vehicles	620,473	561,766
Equipment - electronics	252,646	188,673
Furniture and fixtures	9,095	9,095
	<u>1,118,328</u>	<u>956,454</u>
Less accumulated depreciation	<u>(493,115)</u>	<u>(596,585)</u>
Net Capital Assets	<u>\$ 625,213</u>	<u>359,869</u>

	<u>Cash and Investments</u>	
	<u>2018</u>	<u>2017</u>
Broadway Bank	\$ 210,869	138,535
Pioneer Bank	-	250,845
Texpool Investments	<u>1,134,351</u>	<u>940,773</u>
<b>Total</b>	<u>\$ 1,345,220</u>	<u>1,330,153</u>

**Governmental Fund Financial Statements**

Summary of Governmental Funds Balance Sheet

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current and other assets	\$ 1,345,220	1,330,153
Taxes receivable (net)	33,082	25,224
Other assets	<u>3,300</u>	<u>1,750</u>
<b>Total Assets</b>	<u>\$ 1,381,602</u>	<u>1,357,127</u>
<b>Liabilities and Deferred Inflow of Resources</b>		
Current and other liabilities	-	-
Deferred inflow of resources	<u>33,082</u>	<u>25,224</u>
<b>Total Liabilities</b>	<u>33,082</u>	<u>25,224</u>
<b>Fund Balance</b>		
Restricted	52,338	52,338
Unrestricted	<u>1,296,182</u>	<u>1,279,565</u>
<b>Total Fund Balance</b>	<u>1,348,520</u>	<u>1,331,903</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,381,602</u>	<u>1,357,127</u>



**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2018**

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

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Property taxes, penalties and interest	\$ 1,542,187	1,373,730
Investment income	22,506	8,307
Other income	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	1,564,693	1,382,037
<b>Expenditures</b>		
Service	949,374	1,065,378
Administration	215,615	173,144
Tax collection expense	<u>12,914</u>	<u>12,996</u>
<b>Total Expenditures</b>	<u>1,177,903</u>	<u>1,251,518</u>
Excess of revenues over expenditures	386,790	130,519
Other financing activities		
Gain on sale of assets	<u>16,401</u>	<u>-</u>
Excess (deficiency) of revenues and capital expenditures	403,191	130,519
Fund balance – beginning of year	1,331,903	1,201,384
Change in fixed assets	<u>(386,574)</u>	<u>-</u>
Fund balance -end of year	<u>\$ 1,348,520</u>	<u>1,331,903</u>

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

**Property Tax Base**

The District's 2017 certified taxable value was \$50,970,567. The 2017 total adopted tax rate was based on \$0.0300/\$100.00 of value.

**Budget**

For the fiscal year ending September 30, 2018, 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 ten 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.

**NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1**  
Statement of Net Positions and Governmental Funds Balance Sheet  
September 30, 2018

	<u>Government Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 210,869	-	210,869
Investments	1,134,351	-	1,134,351
Taxes receivable (net of allowance for uncollectibles)	29,973	-	29,973
Due from Tax Collector	3,109	-	3,109
Capital assets (net)	-	625,213	625,213
Other assets	<u>3,300</u>	<u>-</u>	<u>3,300</u>
<b>Total Assets</b>	<u><u>1,381,602</u></u>	<u><u>625,213</u></u>	<u><u>2,006,815</u></u>
 Deferred inflow of resources – property taxes	 33,082	 33,082	
<b>Fund Balance/ Net Position</b>			
Fund balances:			
Restricted	52,338		
Unassigned	<u>1,296,182</u>		
<b>Total Fund Balance</b>	<u><u>1,348,520</u></u>		
 <b>Total Liabilities, Deferred inflows of resources and Fund Balance</b>	 <u><u>\$ 1,381,602</u></u>		
 <b>Net Position</b>			
Capital assets in excess of debt			238,638
Unrestricted			1,715,839
Restricted			<u>52,338</u>
<b>Total Net Position</b>			<u><u>2,006,815</u></u>
<b>Total Liabilities and Net Position</b>			<u><u>\$ 2,006,815</u></u>

See accompanying notes to financial statements

**NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1**  
Statement of Activities and Statement of Revenues,  
Expenditures and Changes in Fund Balances – Governmental Funds  
September 30, 2018

	Government Funds	Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 1,535,253	7,965	1,543,218
Penalties and interest	6,934	105	7,039
Investment earnings	22,506	-	22,506
<b>Total revenues</b>	1,564,693	8,070	1,572,763
<b>Expenditures/ Expenses</b>			
Service operations			
Contract service expenditures	949,374	-	949,374
Administrative expenditures	215,615	-	215,615
Tax Collection expenditures	12,914	-	12,914
Depreciation	-	121,232	121,232
<b>Total Expenditure/Expenses</b>	1,177,903	121,232	1,299,135
Excess (deficiency) of Revenues over Expenditures	386,790	(113,162)	273,628
<b>Other Financing Activities</b>			
Gain on sale of assets	16,401	-	16,401
Capitalized expenses	(386,575)	386,575	-
<b>Total Other Financing Activities</b>	(370,174)	386,575	16,401
Excess (deficiency) of Revenues and Excess (deficiency) of Revenues over Expenditures	16,616		290,029
<b>Fund Balance - Government Funds</b>			
Beginning of the year	1,331,903		
Refunding	1		
Fund Balance – End of the year	\$ 1,348,520		
<b>Net Position</b>			
Beginning of the year			1,716,996
Prior period adjustment			(210)
Net Position – End of the year			\$ 2,006,815

See accompanying notes to financial statements

## NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1

Notes to Basic Financial Statements

September 30, 2018

### 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.

### 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.

#### 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.



## NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1

Notes to Basic Financial Statements  
September 30, 2018

### 2) Summary of Significant Accounting Policies (continued)

#### B. Basic Financial Statements (continued)

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.

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.

#### 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.

**NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1**  
Notes to Basic Financial Statements  
September 30, 2018

**2) Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting (continued)**

Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for un-matured 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, 2018, the District's taxes receivable consisted of \$26,500 less an allowance of \$1,276.

**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 \$2,500 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.

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.



NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1  
Notes to Basic Financial Statements  
September 30, 2018

2) Summary of Significant Accounting Policies (continued)

I. Fund Equity/ Restricted Assets

In the fund financial statements, reserved or designated equity balances represent those portions of fund balance not appropriable 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.

M. Prior Period Adjustments

Prior period adjustments reflect changes to a prior audited financial year. Prior period adjustments do not affect current years Statement of Activities or Government Funds Statement of Revenues, Expenditures and Changes in Fund Balances. A charge of \$210 was recorded in the net position and is shown in the Statement of Activities report. This charge was a correction in ad valorem taxes receivable from NHCESD#1 predecessor entity.

**NORTH HAYES COUNTY EMERGENCY SERVICE DISTRICT #1**  
Notes to Basic Financial Statements  
September 30, 2018

**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		\$ 1,348,520
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.</p>		
Historical costs	1,118,328	
Less: accumulated amortization	<u>(493,115)</u>	
Changes due to intangible capital assets		625,213
<p>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.</p>		
Record old district tax outstanding		127
Tax collection expense		<u>32,955</u>
Total net position – government activities		<u>\$ 2,006,815</u>

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

Net change in fund balances – total governmental funds		\$ 403,191
<p>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.</p>		
Property taxes	7,965	
Penalties and interest	<u>105</u>	
		8,070
<p>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.</p>		
Depreciation/amortization	<u>(121,232)</u>	
Net		<u>(121,232)</u>
Change in net position of governmental activities		<u>\$ 290,029</u>

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

Notes to Basic Financial Statements

September 30, 2018

**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, 2018, are as follows:

<u>Institution</u>	<u>Interest</u>	<u>Maturity</u>	<u>Balances at End of</u>	<u>Interest Earned During</u>
	<u>Rate</u>	<u>Date</u>	<u>Year</u>	<u>Year</u>
<u>Cash and Equivalents:</u>				
Cash – Broadway - 1575	Mkt	n/a	\$ 23,233	-
Cash – Broadway - 1575	n/a	n/a	<u>187,636</u>	<u>285</u>
			210,869	285
 <u>Temporary Investments:</u>				
Pioneer Bank	1.15%	Various	-	1,131
TexPool	Mkt	n/a	<u>1,134,351</u>	<u>21,090</u>
			<u>1,134,351</u>	<u>21,221</u>
			<u>\$ 1,345,220</u>	<u>22,506</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 HAYES COUNTY EMERGENCY SERVICE DISTRICT #1**

Notes to Basic Financial Statements

September 30, 2018

**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.

<u>Property Tax Summary</u>	
Operating taxes as adjust	\$ 1,529,117
Debt service	-
Total taxes	\$ 1,529,117
Base assessment	\$ 50,970,567
Tax rate = \$3.00/100	

**6) Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2018 follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Dispositions</u>	<u>End of Year</u>
Land	\$ 65,870	-	-	65,870
Building	131,050	28,904	-	159,954
Building – leaseholds	-	10,290	-	10,290
Vehicles	561,766	283,408	224,701	620,473
Equipment	188,673	63,973	-	252,646
Furniture and fixtures	9,095	-	-	9,095
Total	<u>956,454</u>	<u>386,575</u>	<u>224,701</u>	<u>1,118,328</u>
Depreciation	<u>(596,585)</u>	<u>(121,231)</u>	<u>224,701</u>	<u>(493,115)</u>
Net Assets	\$ 359,869	265,344	-	625,213

The District is entered into an agreement with San Marcos Hays County Emergency Medical Services (SMHC EMS) to maintain the District's vehicles and related equipment on a reimbursement basis.

**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.



**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**BUDGETARY COMPARISON SCHEDULE- GOVERNMENTAL FUNDS**  
**Year Ended September 30, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>	\$ 1,355,000	1,564,693	209,693
<b>Expenses</b>			
Contract Service Expenditures	950,000	949,374	(626)
Administrative Expenditures			
Wages	72,000	71,692	(308)
Payroll taxes	5,000	5,500	500
Benefits	8,000	8,177	177
Payroll processing	3,500	3,495	(5)
Accounting fees	10,000	8,620	(1,380)
Advertising fees	5,000	4,075	(925)
Auditing	6,500	5,450	(1,050)
Bank fees	50	56	6
Dues and publications	2,500	2,355	(145)
Equipment maintenance	15,000	12,986	(2,014)
Insurance- building	3,800	3,727	(73)
Insurance – liability	1,800	1,700	(100)
Legal	15,000	12,789	(2,211)
License and permits	200	7	(193)
Miscellaneous	-	20,111	20,111
Office expenses	8,000	7,937	(63)
Postage and freight	100	54	(46)
Rents	18,000	18,900	900
Repair and maintenance –building	20,000	15,515	(4,485)
Telephone and communications	3,000	2,701	(299)
Travel	3,000	2,562	(438)
Utilities	7,500	7,206	(294)
Total administrative expenditures	<u>207,950</u>	<u>215,615</u>	<u>7,665</u>
Tax Collection Expenditures			
Appraisal District fees	10,500	10,119	(381)
Tax collector fees	2,800	2,795	(5)
Total tax collection expenditure	<u>13,300</u>	<u>12,914</u>	<u>(386)</u>
<b>Total Expenses</b>	<u>1,171,250</u>	<u>1,177,903</u>	<u>6,653</u>
Revenues in excess of expenses	183,750	386,790	203,040
Gain on sale of assets	-	16,401	16,401
Purchase of capital items	<u>(183,750)</u>	<u>(386,575)</u>	<u>(202,825)</u>
Excess (deficiency) of Revenues	<u>\$ -</u>	<u>16,616</u>	<u>16,616</u>

## SCHEDULE II

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**COMPARATIVE SCHEDULE OF STATEMENT OF REVENUES AND EXPENDITURES**  
**Year Ended September 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>	1,564,693	1,382,037
<b>Expenses</b>		
Contract Service Expenditures	949,374	1,065,378
Administrative Expenditures		
Wages	71,692	60,000
Payroll taxes	5,500	5,124
Benefits	8,177	4,433
Payroll processing	3,495	1,829
Accounting fees	8,620	7,076
Advertising fees	4,075	3,176
Ambulance repairs	-	4,973
Ambulance supplies	-	50
Auditing	5,450	5,000
Bank fees	56	7
Dues and publications	2,355	2,160
Equipment maintenance	12,986	-
Insurance- building	3,727	1,700
Insurance – liability	1,700	2,488
Legal	12,789	6,248
License and permits	7	7
Miscellaneous	20,111	475
Office expenses	7,937	2,057
Postage and freight	54	112
Rate notification expenses	-	32,199
Rents	18,900	12,600
Repair and maintenance – building	15,515	12,419
Telephone and communications	2,701	2,605
Travel	2,562	622
Utilities	<u>7,206</u>	<u>5,784</u>
Total administrative expenditures	215,615	173,144
Tax Collection Expenditures		
Appraisal District fees	10,119	10,201
Tax collector fees	<u>2,795</u>	<u>2,795</u>
Total tax collection expenditure	<u>12,914</u>	<u>12,996</u>
<b>Total Expenses</b>	<u>1,177,903</u>	<u>1,251,518</u>
Revenues in excess of expenses	386,790	130,519
Gain on sale of assets	16,401	-
Capital expenses	<u>(386,575)</u>	<u>-</u>
Excess (deficiency) of Revenues	<u>\$ 16,616</u>	<u>130,519</u>

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



**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**COMPARATIVE SCHEDULE OF STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>	1,572,763	1,384,958
<b>Expenses</b>		
Contract Service Expenditures	949,374	1,065,378
Administrative Expenditures		
Wages	71,692	60,000
Payroll taxes	5,500	5,124
Benefits	8,177	4,433
Payroll processing	3,495	1,829
Accounting fees	8,620	7,076
Advertising fees	4,075	3,176
Ambulance repairs	-	4,973
Ambulance supplies	-	50
Auditing	5,450	5,000
Bank fees	56	7
Dues and publications	2,355	2,160
Equipment maintenance	12,986	-
Insurance- building	3,727	1,700
Insurance – liability	1,700	2,488
Legal	12,789	6,248
License and permits	7	7
Miscellaneous	20,111	475
Office expenses	7,937	2,057
Postage and freight	54	112
Rate notification expenses	-	32,199
Rents	18,900	12,600
Repair and maintenance – building	15,515	12,419
Telephone and communications	2,701	2,605
Travel	2,562	622
Utilities	<u>7,206</u>	<u>5,784</u>
Total administrative expenditures	215,615	173,144
Tax Collection Expenditures		
Appraisal District fees	10,119	10,201
Tax collector fees	<u>2,795</u>	<u>2,795</u>
Total tax collection expenditure	<u>12,914</u>	<u>12,996</u>
Depreciation	121,232	90,012
<b>Total Expenses</b>	<u>1,299,135</u>	<u>1,341,530</u>
Revenues in excess of expenses	273,628	43,428
Gain on sale of assets	16,401	-
Excess (deficiency) of Revenues	<u>\$ 290,029</u>	<u>43,428</u>

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

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**TAXES LEVIED AND RECEIVABLE**  
**Year Ended September 30, 2018**

	Operations Tax
Taxes Receivable, Beginning of Year	\$ 24,422
2017 Original Tax Levy	1,479,840
Add: Rollbacks and adjustments	<u>63,815</u>
<b>Total to be accounted for</b>	<u>1,568,077</u>
Tax Collections:	
Current year	(1,520,088)
Prior years	(7,324)
Adjustments	<u>(9,248)</u>
<b>Total Collections</b>	<u>(1,536,660)</u>
	31,417
Allowance for uncollectable taxes	<u>(1,571)</u>
Taxes Receivable, End of Year (Net)	<u>\$ 29,846</u>
Taxes Receivable, By Years	
2011 and before	\$ 4,242
2012	1,159
2013	1,254
2014	1,541
2015	1,999
2016	3,815
2017	<u>9,052</u>
	23,062
Rollbacks	<u>8,355</u>
Taxes Receivable, End of Year	31,417
Allowances for uncollectable taxes	<u>(1,571)</u>
<b>Taxes Receivable, End of Year (Net)</b>	<u>\$ 29,846</u>

The District also has tax receivables in the amount of \$127 from the disbanded North Hayes Co. Emergency Service District.

**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**COMPARATIVE SCHEDULE OF ACTIVITIES**  
**Year Ended September 30,**

	<b>AMOUNTS</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>					
Property taxes	\$ 1,543,218	1,368,485	1,014,825	885,844	762,764
Penalties and interest	7,039	8,166	12,758	4,797	4,790
Investment Earnings/Other	<u>22,506</u>	<u>8,307</u>	<u>8,122</u>	<u>6,554</u>	<u>7,004</u>
<b>Total Revenues</b>	<b>1,572,763</b>	<b>1,384,958</b>	<b>1,035,705</b>	<b>897,195</b>	<b>774,558</b>
<b>Expenses</b>					
Service Expenses	949,374	1,065,378	903,414	588,012	503,988
Administrative Expenses	215,615	173,144	202,007	78,927	32,189
Tax Collection Expenses	12,914	12,996	6,172	7,063	5,282
Depreciation	<u>121,232</u>	<u>90,012</u>	<u>105,037</u>	<u>73,642</u>	<u>36,564</u>
<b>Total Expenses</b>	<b>1,299,135</b>	<b>1,341,530</b>	<b>1,216,630</b>	<b>747,644</b>	<b>578,023</b>
<b>Other Financing Activities</b>	<u>16,401</u>	-	-	-	-
<b>Excess Revenues Over (under) Expenses</b>	<u>\$ 290,029</u>	<u>43,428</u>	<u>(180,925)</u>	<u>149,551</u>	<u>196,535</u>
<b>PERCENT OF FUND TOTAL REVENUES</b>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>					
Property taxes	98.2%	98.8%	98.0%	98.8%	98.5%
Penalties and interest	0.4%	0.6%	1.2%	0.5%	0.6%
Investment Earnings/Other	<u>1.4%</u>	<u>0.6%</u>	<u>0.8%</u>	<u>0.7%</u>	<u>0.9%</u>
<b>Total Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenses</b>					
Service Expenses	60.4%	76.9%	87.3%	65.5%	65.0%
Administrative Expenses	13.7%	12.6%	19.5%	8.8%	4.2%
Tax Collection Expenses	0.8%	0.9%	0.6%	0.8%	0.7%
Depreciation	<u>7.7%</u>	<u>6.5%</u>	<u>10.1%</u>	<u>8.2%</u>	<u>4.7%</u>
<b>Total Expenditures</b>	<b>82.6%</b>	<b>96.9%</b>	<b>117.5%</b>	<b>83.3%</b>	<b>74.6%</b>
<b>Other Financing Activities</b>	1.0%	0.0%	0.0%	0.0%	1.0%
<b>Excess Revenues Over (under) Expenses</b>	<u>18.4%</u>	<u>3.1%</u>	<u>-17.5%</u>	<u>16.7%</u>	<u>26.4%</u>



**williams crow mask**

*Deep roots. Deep resources. Deep in the heart of Texas*

**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***

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

We 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated January 31, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 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.

*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 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 our audit we did not identify any deficiencies in internal control that we 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, 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*. We 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 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams, Crow, Mask, LLP  
January 31, 2019  
San Antonio, Texas 78209

*Williams, Crow, Mask LLP*



**NORTH HAYS COUNTY EMERGENCY SERVICES DISTRICT #1**  
**SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CORRECTIVE ACTION PLAN**  
**Year Ended September 30, 2018**

**1) Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

1.) Material weakness identified None

2.) Reportable conditions identified that are not considered  
to be material weakness? None

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

**2) Financial Statement Findings**

The last prior audited financial statements were for the year ended  
September 30, 2017.

The findings were as follows: None

**3) Prior Year Findings and Questioned Costs**

The last prior audited financial statements were for the year ended  
September 30, 2017.

The findings were as follows: None