

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
**WITH INDEPENDENT AUDITOR'S REPORT**

## TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statement of Net Position and Government Fund Balance Sheet	7
Statement of Activities and Government Fund Revenues, Expenditures, and Changes in Fund Balance	8
Budgetary Comparison Schedule - General Fund	9
Notes to Financial Statements	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>	13

**WILLIAM B. SANDERS**  
**Certified Public Accountant**

P.O. BOX 21024  
WACO, TEXAS 76702  
west-cpa@msn.com

TEL. (254) 722-4071  
FAX (254) 751-0900

Independent Auditor's Report

To the Board of Directors  
Hill County Emergency Services District #2

**Report on the Financial Statements**

I have audited the accompanying financial statements of Hill County Emergency Services District #2 as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District'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 to 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes examining 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 opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hill County Emergency Services District #2 as of September 30, 2022 and the changes in financial position and budgetary comparison for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 basic 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.

*Bill Sanders*

West, Texas  
May 18, 2023

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

Within this section of Hill County Emergency Services District #2's (the ESD) financial report, the ESD's management provides narrative discussion and analysis of the financial activities of the ESD for the year ended September 30, 2022. The ESD's financial performance is discussed and analyzed within the context of the accompanying financial statements and following this section.

**Financial Highlights:**

The ESD's assets exceeded its liabilities by \$11,156,627 (net position) for the fiscal year reported. The ESD's net position improved dramatically during the fiscal year by \$2,831,892, primarily due to collection of sales taxes, which were approved by the voters in 2015, and fully implemented in the fiscal year ended September 30, 2018.

Total net position is comprised of the following:

- (1) Capital assets of \$3,310,156 include land, buildings, and equipment, net of accumulated depreciation.
- (2) Unrestricted net position of \$7,846,471 represents the portion available to maintain the ESD's continuing obligations to citizens and creditors.

The ESD's governmental fund reported an ending fund balance of \$7,846,471 this year. This compares to the prior year ending fund balance of \$6,164,331, showing an increase of \$1,682,140 again, largely due to sales tax collections. Other revenues were virtually unchanged compared to the previous year, and expenses rose slightly. Overall, the ESD is proud to have three stations in operation now (Hubbard, Itasca, and Whitney), with one more (Hillsboro) to be completed in fiscal 2023, with no future debt payments to burden the taxpayers.

**Overview of the Financial Statements**

Management's Discussion and Analysis introduces the ESD's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

***Government-wide Financial Statements***

The ESD's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the ESD's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Position*. This is the ESD-wide statement of financial position presenting information that includes all of the ESD's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the ESD as a whole is improving or deteriorating. Evaluation of the overall economic health of the ESD would extend to other nonfinancial factors such as the condition of the ESD infrastructure in addition to the financial information provided in this report.

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022  
(Continued)**

The ESD's financial reporting entity includes only the funds of the ESD, since there are no component units for which the ESD is accountable.

#### Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The ESD uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the ESD's most significant funds rather than the ESD as a whole.

The ESD has one kind of fund:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities reported in the government-wide financial statements. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

A budgetary comparison statement is included in the basic financial statements for the general fund. This statement demonstrates compliance with the ESD's budget.

Because the ESD qualifies as a *special-purpose government engaged in a single program*, its fund financial statements have been combined with its government-wide financial statements in a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

#### Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

#### Financial Analysis of the ESD

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the ESD.

The ESD's net position at fiscal year-end is \$11,156,627. This is a \$2,831,892 increase over last year's net position of \$8,324,735. The following table provides a summary of the ESD's net position at September 30:

HILL COUNTY EMERGENCY SERVICES DISTRICT #2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2022

(Continued)

Summary of Net Assets

	Governmental Activity		Change
	2022	2021	
Current assets	\$ 7,955,452	\$ 6,459,611	\$ 1,495,841
Capital assets	3,310,156	2,160,404	1,149,752
Total assets	11,265,608	8,620,015	2,645,593
Total liabilities	17,025	206,402	(189,377)
Deferred Inflow of Resources	91,956	88,878	3,078
Net position:			
Invested in capital assets	3,310,156	2,160,404	1,149,752
Unrestricted	7,846,471	6,164,331	1,682,140
Total net position	<u>\$ 11,156,627</u>	<u>\$ 8,324,735</u>	<u>\$ 2,831,892</u>

The following data provides a summary of the ESD's changes in net position for the years ended September 30, 2022 and 2021.

Summary of Changes in Net Assets

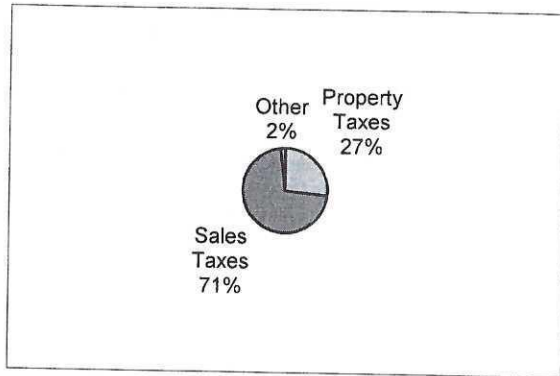
	2022	2021
Revenues:		
Property Taxes	\$ 1,035,850	\$ 1,015,759
Sales Taxes	2,775,575	1,995,482
Taxpayer Penalties	27,681	25,096
Rent	19,800	6,150
Interest	26,574	58,508
Total Revenues	\$ 3,885,480	\$ 3,100,995
Expenses:		
EMS Providers	714,375	700,367
Membership Fees	127,500	127,500
Collection Fees	21,503	21,056
Appraisal Fees	32,419	30,525
Legal & Professional	15,975	12,816
First Responder Fees	38,500	35,000
Conference Expenses	7,448	6,404
Insurance	17,628	10,100
Depreciation	52,373	37,055
Office & Other	25,867	8,219
Total Expenses	1,053,588	989,042
Change in Net Position	\$ 2,831,892	\$ 2,111,953
Beginning Net Position	8,324,735	6,212,782
Ending Net Position	<u>\$ 11,156,627</u>	<u>\$ 8,324,735</u>

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022  
(Continued)**

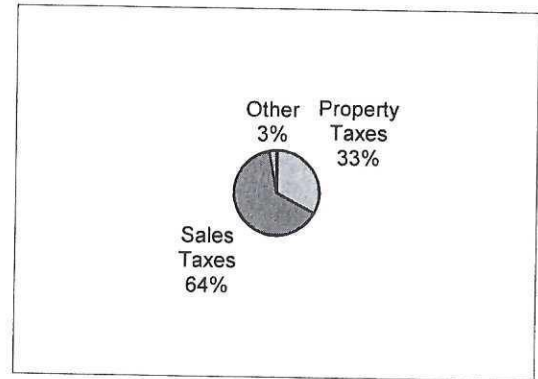
Graphic presentations of selected data from the summary of changes in net position follow to assist in the analysis of the ESD's activities for fiscal years 2022 and 2021:

**Revenues**

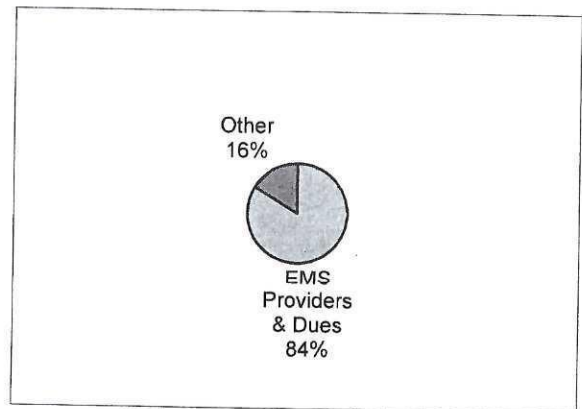
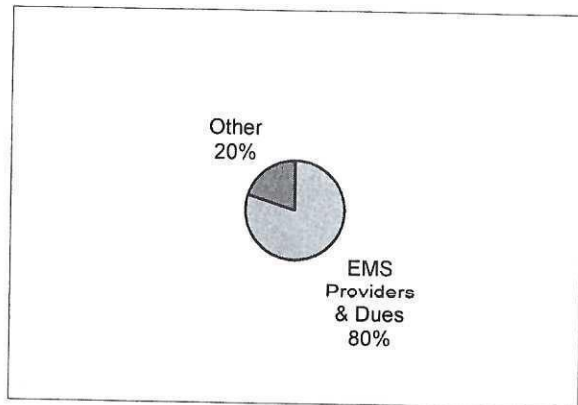
2022



2021



**Expenses**



These graphs show that virtually all of the ESD's revenues are comprised of property and sales taxes and over 80% of our expenses are payments to our Emergency Medical Service Providers and required dues to related organizations.

**Contacting the District's Financial Management**

This financial report is designed to provide an overview of the ESD's finances, comply with finance-related laws and regulations, and demonstrate the ESD's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the ESD at P.O. Box 392, Hillsboro, Texas 76645.



**HILL COUNTY EMERGENCY SERVICES DISTRICT #2**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET**  
**SEPTEMBER 30, 2022**

ASSETS	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Position</u>
Cash in Banks	\$7,261,646	\$ -	\$ 7,261,646
Sales Taxes Receivable	534,006		534,006
Property Taxes Receivable, Net	99,200		99,200
Prepaid Expenses	60,600		60,600
Capital Assets (net of accumulated depreciation)		<u>3,310,156</u>	<u>3,310,156</u>
 Total Assets	 <u>\$7,955,452</u>	 <u>\$ 3,310,156</u>	 <u>\$11,265,608</u>
 <b>LIABILITIES</b>			
Accounts Payable	<u>\$ 17,025</u>	<u>\$ -</u>	<u>\$ 17,025</u>
Total Liabilities	17,025	-	17,025
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	<u>91,956</u>	<u>-</u>	<u>91,956</u>
 <b>FUND BALANCE / NET POSITION:</b>			
Fund Balance:			
Nonspendable	60,600	(60,600)	
Unassigned	<u>7,785,871</u>	<u>(7,785,871)</u>	
Total Fund Balance	<u>7,846,471</u>	<u>(7,846,471)</u>	
Total Liabilities and Fund Balance	<u>\$7,955,452</u>		
 <b>Net Position:</b>			
Invested in Capital Assets		3,310,156	3,310,156
Unrestricted		<u>7,846,471</u>	<u>7,846,471</u>
Net Position		<u>\$11,156,627</u>	<u>\$11,156,627</u>

The accompanying notes are an integral part of this financial statement.

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Property Taxes	\$1,035,850	\$ -	\$ 1,035,850
Sales Taxes	2,775,575		2,775,575
Rents	19,800		19,800
Taxpayer Penalties	27,681		27,681
Interest	26,574		26,574
	<u>3,885,480</u>	<u>-</u>	<u>3,885,480</u>
Total Revenues			
Expenditures / Expenses:			
EMS Provider	714,375		714,375
Membership Fees	127,500		127,500
Collection Fees	21,503		21,503
Appraisal Fees	32,419		32,419
Election	-		-
Legal & Professional	15,975		15,975
First Responder Fees	38,500		38,500
Conference Expenses	7,448		7,448
Insurance	17,628		17,628
Office & Other	25,867		25,867
Depreciation	-	52,373	52,373
Capital Outlay	1,202,125	(1,202,125)	-
	<u>2,203,340</u>	<u>(1,149,752)</u>	<u>1,053,588</u>
Total Expenditures / Expenses			
Excess (Deficit) of Revenues Over (Under) Expenditures	1,682,140	1,149,752	2,831,892
Change in Net Position:			
Net Position / Fund Balance Beginning of Year	<u>6,164,331</u>	<u>2,160,404</u>	<u>8,324,735</u>
End of Year	<u>\$7,846,471</u>	<u>\$3,310,156</u>	<u>\$11,156,627</u>

The accompanying notes are an integral part of this financial statement.

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$ 997,518	\$ 1,035,850	\$ 38,332
Sales Taxes	1,885,000	2,775,575	890,575
Rents	24,800	19,800	(5,000)
Taxpayer Penalties	-	27,681	27,681
Interest	50,000	26,574	(23,426)
	\$2,957,318	\$3,885,480	\$ 928,162
Expenditures / Expenses:			
EMS Providers	714,375	714,375	-
Membership Dues	127,500	127,500	-
Collection Fees	-	21,503	(21,503)
Appraisal Fees	32,916	32,419	497
Election	-	-	-
Legal & Professional	17,500	15,975	1,525
First Responder Fees	35,000	38,500	(3,500)
Conference Expenses	8,200	7,448	752
Insurance	13,000	17,628	(4,628)
Office & Other	32,900	25,867	7,033
Capital Expenditures	655,000	1,202,125	(547,125)
	1,636,391	2,203,340	(566,949)
Excess of Revenues Over Expenditures	1,320,927	1,682,140	361,213
Fund Balance, Beginning of Year	6,164,331	6,164,331	-
Fund Balance, End of Year	\$7,485,258	\$7,846,471	\$ 361,213

The accompanying notes are an integral part of this financial statement.

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

1. Summary of Significant Accounting Policies

Reporting Entity

Hill County Emergency Services District #2 (the ESD) was created in 2005 as a political subdivision of the State of Texas, to provide emergency medical services within its boundaries. The ESD can acquire and sell real and personal property, enter into contracts, impose taxes, borrow money, and lease its facilities to others to accomplish its mission.

The ESD is governed by a separate five-member Board of Commissioners who are appointed by the Hill County Commissioners Court and serve two-year terms.

The ESD contracts with CareFlite for air ambulance services, and various cities and volunteer fire departments for first responder services.

The financial statements of the ESD are prepared in accordance with generally accepted accounting principles and all relevant Government Accounting Standards Board (GASB) pronouncements. The ESD is not included in any other reporting entity as defined in GASB pronouncements, nor is any component unit included in the ESD's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the ESD as a whole, and focus on the sustainability of the ESD as an entity and the change in financial position resulting in the activities of the fiscal year.

As a special-purpose government engaged in a single governmental program, the ESD has opted to combine its government-wide and fund financial statements in a columnar format, with one column reconciling the differences between the two formats.

The General Fund is the ESD's only operating fund, and accounts for all of the operations and financial resources of the ESD.. The principal source of revenue is property taxes. Fund financial statements are provided for governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the ESD are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements report using 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 related cash flows. Property taxes are recognized as revenue in the year in which they are levied.

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

The fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The ESD considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

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 year.

Budget

The ESD adopts annual an budget for the General Fund, which is prepared on the accrual basis of accounting.

Cash Deposits

The ESD's cash and cash equivalents are demand deposits and certificates of deposit with original maturities of one year or less. These funds are valued at cost.

The ESD 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 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 ESD demand deposits and certificates of deposit are stated in the ESD's Investment Policy. Balances in demand accounts and certificates of deposit were entirely covered by federal depository insurance or pledged collateral held by The Independent Bankers Bank in the ESD's name.

The ESD maintained deposits at one financial institution in Central Texas during the fiscal year. At year-end, these balances totaled \$7,261,646, and were covered by FDIC insurance of \$250,000, and collateral interests in sixteen municipal bonds of various entities in Texas, with combined face values of \$10,380,000, par values of \$10,380,000, book values of \$10,344,631, and market values of \$7,995,041.

Property Taxes

Property taxes receivable are shown net of an allowance for estimated uncollectible taxes. The estimated uncollectible amount is equal to ten percent of delinquent outstanding property taxes. At September 30, 2022, the ESD's taxes receivable consisted of \$110,223, less a ten percent allowance of \$11,022.

**HILL COUNTY EMERGENCY SERVICES DISTRICT #2**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**  
**(Continued)**

Property taxes attach as enforceable liens on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent on February 1 of the following year. The ESD's taxes are billed and collected by the Hill County Tax Office. ESD property tax revenues are recognized when levied.

Capital Assets and Depreciation

The ESD's capital assets consist of real and personal property with useful lives of five to ten years for equipment, forty years for station buildings, and fifty years for helipads, and is stated at historical cost and comprehensively reported in the government-wide financial statements. The costs of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in operations.

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 disclosures. Accordingly, actual results could differ from those estimates.

2. Changes in Capital Assets

The following is a summary of the changes in capital assets for the fiscal year:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Equipment	\$ 116,183	\$ 47,450	\$ -	\$ 163,633
Station Buildings	1,777,162	517,487		2,294,649
Helipads	63,757			63,757
Land	362,148	637,188		999,336
Accumulated Deprec.	(158,846)	(52,373)		(211,219)
	<u>\$ 2,160,404</u>	<u>\$ 1,149,752</u>	<u>\$ -</u>	<u>\$ 3,310,156</u>

Depreciation recognized in the fiscal year was \$52,373.

Construction in Progress at September 30, 2022 was \$1,125,315.

3. Economic Dependence

During the year ended September 30, 2022, the ESD used one contractor to provide all of its emergency air ambulance services to Hill County. This contract is established annually.

**WILLIAM B. SANDERS**  
**Certified Public Accountant**

P.O. BOX 21024  
WACO, TEXAS 76702  
west-cpa@msn.com

TEL. (254) 722-4071  
FAX (254) 751-0900

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

To the Directors  
Hill County Emergency Services District #2

I have audited the financial statements of the governmental activities of the Hill County Emergency Services District #2, as of and for the year ended September 30, 2022, which comprise the District's basic financial statements and have issued my report thereon dated May 18, 2023. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Hill County Emergency Services District #2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Hill County Emergency Services District #2's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Hill County Emergency Service District #2's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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 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. I consider the deficiency described below to be a material weakness.

Recently-issued auditing standards have clarified that the components of internal controls are the same for all entities. There is no exemption or special relief given to a smaller entity because of its size or the challenges present when achieving effective internal control. Certain internal controls that have often been overlooked by small businesses relate to the financial reporting process. Annual financial reporting control objectives address the preparation of accurate annual financial statements and related note disclosures in accordance with generally accepted accounting principles. That is to say, the system of internal control over financial reporting does not stop at the entity's general ledger. It includes controls over the actual financial statement preparation, including note disclosures.

I have drafted the annual financial statements and related note disclosures of the District at the District's request. This was done because, due to its limited resources, the District's internal personnel did not possess all the skills and competencies necessary to prepare its own financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, I can not be considered part of the District's internal controls. Consequently, the inability of the District to internally prepare its own financial statements and related notes is considered a control deficiency. The fact that I prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the District needs to ensure that appropriate personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process. Another remedy in this area may be for the District to engage another firm or person to outsource the financial statement preparation portion of the process. Alternatively, management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations. That decision would not affect my continued drafting of the District's financial statements and notes in the future. However, my responsibility under professional standards includes communicating deficiencies, regardless of management's decisions, as long as the deficiency exists.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hill County Emergency Services District #2's financial statements are free of material misstatement, I performed test 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*.

This report is intended solely for the use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

*Bill Sanders*

West, Texas  
May 18, 2023