

# ESD Audits



## How to prepare for the audit and understanding the audit report

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# ESD Audits



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**Certified Public Accountant – Principal / Owner – Margaret Nixon, CPA**

Margaret Nixon is the owner of Margaret Nixon, CPA firm licensed in the state of Texas. Margaret has 23 years overall experience in accounting and auditing in the manufacturing, insurance, and oil and gas industries for top Fortune 500 companies, as well as in the governmental sector. This includes 10 years of experience performing ESD audits as required by Texas Health and Public Safety Code 775. Margaret obtained her Bachelor's Degree in Accounting at the University of Texas in San Antonio in 1998. After graduation, Margaret obtained several professional certifications, Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and Certified Control Self-Assessor (CCSA).

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# ESD Audits

## CHAPTER 775. EMERGENCY SERVICES DISTRICTS

- County Auditor should have access to books, records, and assets of the District.
- The District shall prepare and file with the Commissioners Court an audit report of its financial records.
- Submit report before June 1<sup>st</sup>. May extend up to 30 days with approval.
- Must be performed by an independent Certified Public Accountant licensed in Texas.
- If not timely submitted, the county auditors may perform the audit.
- If audit not performed by September 1<sup>st</sup>. the President and Treasurer of the board are removed.

# ESD Audits

## Report Components:

- **Introductory Section**
- **Financial Section**
  - **Independent Auditor's Report**
    - Management's Responsibility for the Financial Statements
    - Auditor's Responsibility
    - Opinion
    - Report on Supplementary Information
    - Reports Issued in Accordance with Government Auditing Standards
  - **Management's Discussion and Analysis**
    - Discusses financial results comparing with prior year, shows some statistics, sources of income, etc.

# ESD Audits

## Report Components:

- **Financial Section (Cont.)**
  - **Government Wide Financial Statements (GASB 34 - Modified Approach)**
    - Includes Property Plant and Equipment, Long Term Debt and related expense accounts among other items.
  - **Fund Accounting Financial Statement**
    - Capital expenditures are expensed and includes deferred revenue among other items.
  - **Notes to the Basic Financial Statements**
    - Primarily includes accounting policies and financial disclosures.

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## Report Components

- **Financial Section (Cont.)**
  - **Required Supplementary Information**
    - Schedule of budgetary vs. actual results.
  - **Other Supplementary Information**
    - Other schedules.
- **Other Independent Auditor Reports/Letters**
  - Governance Communication
  - Weaknesses in Internal Controls Letter
  - Management Representation Letter
  - Listing of Proposed Journal Entries

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# ESD Audits

## HOW TO PREPARE FOR THE ANNUAL AUDIT

- **Be aware of your deadline and engage your auditor a few month in advance.**
- **Prepare Auditor's Information/Documentation Request**
  - Bank reconciliations, estimate calculations, minutes, tax statements, contracts, etc.
- **Prepare to discuss changes in your organization and activities**
  - Governance, personnel, accounting systems, policies, procedures, new developments, etc.
- **Reconcile your accounts and prepare inventory lists**
  - bank accounts, accounts receivable, accounts payable, fixed assets list, etc.
- **Prepare to explain variances of Budget vs. Actual**
- **Talk to your auditor**
  - Ask questions, discuss difficulties/concerns.