

**Harris County Emergency  
Services District #1**

Financial Statements  
and Independent Auditors' Report  
for the year ended December 31, 1996

Blazek & Vetterling LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report**

To the Board of Commissioners of  
Harris County Emergency Services District #1:

We have audited the accompanying balance sheet of Harris County Emergency Services District #1 as of December 31, 1996, and the related statements of revenues, expenses, and changes in fund balance and of cash flows for the year then ended. These financial statements are the responsibility of the management of Harris County Emergency Services District #1. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harris County Emergency Services District #1 as of December 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Blazek & Vetterling*

March 7, 1997

# Harris County Emergency Services District #1

Balance Sheet as of December 31, 1996

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## ASSETS

### Current assets:

Cash and cash equivalents	\$ 516,465
Taxes receivable (less allowance for uncollectible items of \$68,125)	790,133
Other receivables and prepaid expenses	<u>2,623</u>
Total current assets	<u>1,309,221</u>

### Fixed assets:

Land	25,203
Building and improvements	155,564
Ambulances and other vehicles	747,064
Furniture and equipment	207,465
Accumulated depreciation	<u>(368,794)</u>
Fixed assets, net	<u>766,502</u>

TOTAL ASSETS \$2,075,723

## LIABILITIES AND FUND BALANCE

### Current liabilities:

Accounts payable and accrued expenses	\$ 13,307
Current portion of capital lease obligations	<u>162,045</u>
Total current liabilities	175,352

Capital lease obligations, net of current portion 224,329

Total liabilities 399,681

Fund balance 1,676,042

TOTAL LIABILITIES AND FUND BALANCE \$2,075,723

*See accompanying notes to financial statements.*

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# Harris County Emergency Services District #1

Statement of Revenues, Expenses and Changes in Fund Balance  
for the year ended December 31, 1996

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## REVENUES:

Taxes	\$ 801,146
Investment income	11,087
Other income	<u>855</u>
Total revenues	<u>813,088</u>

## EXPENSES:

Service provider contract	271,471
Depreciation	160,392
Salary and payroll taxes	70,880
Bad debt expense	29,777
Legal and other professional fees	16,361
Education	8,712
Ambulance and vehicle repairs	7,652
Harris County Appraisal District fees	6,826
Interest	6,798
Office supplies	4,724
General liability insurance	4,585
Telephone	4,216
Station repairs	4,003
Other	<u>11,111</u>
Total expenses	<u>607,508</u>

REVENUES OVER EXPENSES 205,580

Fund balance, beginning of year 1,470,462

Fund balance, end of year \$1,676,042

See accompanying notes to financial statements.

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## Harris County Emergency Services District #1

Statement of Cash Flows for the year ended December 31, 1996

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Revenues over expenses	\$ 205,580
Adjustments to arrive at net cash provided by operating activities:	
Depreciation and amortization	160,392
Decrease in taxes receivable	28,978
Decrease in other receivables and prepaid expenses	8,242
Increase in accounts payable and accrued expenses	<u>7,780</u>
Net cash provided by operating activities	<u>410,972</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	<u>(38,143)</u>
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### CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease obligations	<u>(178,355)</u>
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NET INCREASE IN CASH 194,474

Cash and cash equivalents, beginning of year 321,991

Cash and cash equivalents, end of year \$ 516,465

### Supplemental disclosure of non-cash investing and financing activities:

Purchase of equipment financed through capital lease agreements \$350,745

*See accompanying notes to financial statements.*

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# Harris County Emergency Services District #1

Notes to Financial Statements for the year ended December 31, 1996

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## NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Harris County Emergency Services District #1 (the “District”) was approved by the voters of Harris County on May 4, 1991. The purpose of the District is to provide emergency ambulance services and medical aid, generally within the boundaries of the District in North Harris County. Such services are provided by a third-party contractor (See Note 3).

The District is governed by a five-member Board of Commissioners, members of which are appointed by Harris County Commissioners’ Court. The District’s operating budget is subject to approval by Commissioners’ Court. The District’s share of County property tax levy of \$.03 per \$100 of valuation is set by the legislature of the State of Texas. Such taxes are collected by the Harris County Appraisal District.

Federal Income Tax Status – The District is exempt from federal income taxes as a political subdivision of the State of Texas.

Cash Equivalents include highly-liquid investments with original maturities of three months or less and are grouped with cash on the balance sheet.

Fixed Assets are stated at cost; items costing less than \$500 are expensed when purchased. Depreciation is calculated using the straight-line method over estimated useful lives of twenty years for the building, ten years for improvements and three to five years for other depreciable assets. The ambulances are in the possession of and operated by the third-party service provider (See Note 3).

Tax Revenues are recognized in the year of assessment. The majority of these tax revenues receivable are collected in the calendar year following assessment. An allowance is recorded to estimate potentially uncollectible tax revenues.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

## NOTE 2 - CONCENTRATION OF CREDIT RISK

The District maintains cash for daily operations in one banking institution. At times, total deposits at this institution exceed the federally insured limit of \$100,000 per depositor.

At December 31, 1996, cash equivalents consisted of money market funds totaling \$238,022.

### NOTE 3 – SERVICE PROVIDER CONTRACT

The District has a contract with Harris County Emergency Corps (the “Corps”), an unrelated non-profit organization, for the Corps to provide emergency medical services to the District. The contract expires July 31, 1997. The majority of the revenue of the Corps consists of contract payments from the District and insurance proceeds collected for services provided under this contract. The amount due under this contract is determined annually, based upon discussions between and budget considerations of the District and the Corps.

### NOTE 4 - CAPITAL LEASE OBLIGATIONS

The District purchased various equipment which it financed through capital lease agreements. Property acquired in this manner is grouped with other fixed assets in the balance sheet and consists of the following equipment:

Ambulances and other vehicles	\$ 452,608
Equipment	<u>154,629</u>
Total	607,237
Less accumulated depreciation	<u>(92,017)</u>
Net fixed assets under capital lease	<u>\$ 515,220</u>

Annual payments include interest from 5.48% to 7.15%. Future minimum lease payments are due as follows:

1997	\$ 185,353
1998	162,002
1999	52,364
2000	<u>29,898</u>
Total obligation	429,617
Less interest	<u>(43,243)</u>
Net capital lease obligation	<u>\$ 386,374</u>

Interest expense related to capital leases in 1996 was \$6,798.

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