

**Harris County Emergency  
Services District #1**

Financial Statements  
and Independent Auditors' Report  
for the nine months ended September 30, 1997

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 September 30, 1997, and the related statements of revenues, expenses, and changes in fund balance and of cash flows for the nine months 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 our 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 September 30, 1997, and the results of its operations and its cash flows for the nine months then ended in conformity with generally accepted accounting principles.

*Blazek & Vetterling*

January 16, 1998

# Harris County Emergency Services District #1

Balance Sheet as of September 30, 1997

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## ASSETS

### Current assets:

Cash and cash equivalents	\$ 337,872
Taxes receivable (less allowance for uncollectible items of \$118.502)	596,180
Other receivables and prepaid expenses	<u>12,729</u>
Total current assets	<u>946,781</u>

### Fixed assets:

Land	25,203
Building and improvements	163,480
Ambulances and other vehicles	911,524
Furniture and equipment	208,004
Accumulated depreciation	<u>(535,059)</u>
Fixed assets, net	<u>773,152</u>

TOTAL ASSETS \$1,719,933

## LIABILITIES AND FUND BALANCE

### Current liabilities:

Accounts payable and accrued expenses	\$ 44,361
Current portion of capital lease obligations	<u>135,506</u>
Total current liabilities	179,867

Capital lease obligations, net of current portion 95,256

Total liabilities 275,123

Fund balance 1,444,810

TOTAL LIABILITIES AND FUND BALANCE \$1,719,933

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 nine months ended September 30, 1997

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## REVENUES:

Taxes	\$ 568,791
Investment income	23,559
Other income	<u>2,419</u>
Total revenues	<u>594,769</u>

## EXPENSES:

Service provider contract – Harris County Emergency Corps	227,069
Depreciation	181,382
Salary and payroll taxes	107,764
Legal and other professional fees	99,033
Bad debt expense	50,377
Ambulance and vehicle repairs	33,000
Station rent and improvements	26,490
Responder program equipment and supplies	23,159
Property write-offs	18,572
Insurance	16,544
Interest	14,369
Harris County Appraisal District fees	8,388
Telephone	5,117
Public relations	3,893
Office supplies	3,477
Equipment repairs	1,761
Auto mileage and parking	1,154
Other	<u>4,452</u>
Total expenses	<u>826,001</u>

REVENUES OVER EXPENSES (231,232)

Fund balance, beginning of year 1,676,042

Fund balance, end of year \$1,444,810

See accompanying notes to financial statements.

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## Harris County Emergency Services District #1

Statement of Cash Flows for the nine months ended September 30, 1997

### CASH FLOWS FROM OPERATING ACTIVITIES:

Revenues over expenses	\$ (231,232)
Adjustments to arrive at net cash provided by operating activities:	
Depreciation and amortization	181,382
Net loss on disposition of assets	16,153
Decrease in taxes receivable	193,953
Decrease in other receivables and prepaid expenses	(10,105)
Increase in accounts payable and accrued expenses	<u>31,054</u>
Net cash provided by operating activities	<u>181,205</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	<u>(204,186)</u>
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### CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on capital lease obligations	<u>(155,612)</u>
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NET DECREASE IN CASH (178,593)

Cash and cash equivalents, beginning of year 516,465

Cash and cash equivalents, end of year \$ 337,872

See accompanying notes to financial statements.

# Harris County Emergency Services District #1

Notes to Financial Statements for the nine months ended September 30, 1997

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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 2).

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. The Harris County Appraisal District collects such taxes.

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.

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 September 30, 1997, cash and cash equivalents consisted solely of money market funds.

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 and various equipment are in the possession of and operated by the third-party service provider (See Note 2).

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 – SERVICE PROVIDER CONTRACT

The District provides emergency medical services through contracts with independent service providers. The District contracted with Harris County Emergency Corps, an unrelated non-profit organization, for these services through July 31, 1997. Effective August 1, 1997, the District contracted with American Medical Response (AMR) for the provision of these services. The contract is for five years through July 31, 2002, but may be terminated by either party between February 28, 1998, and July 31, 1998. The sole compensatory requirements of the District to AMR are the provision of vehicles, equipment and ambulance stations for use by AMR. Also, AMR receives payments from third party insurers for services provided under this contract.

## NOTE 3 – CAPITAL LEASE OBLIGATIONS

The District purchased various equipment that was 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	\$ 431,093
Equipment	<u>140,039</u>
Total	571,132
Less accumulated depreciation	<u>(220,796)</u>
Net fixed assets under capital lease	<u>\$ 350,336</u>

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

1998	\$ 158,267
1999	99,003
2000	<u>2,135</u>
Total obligation	259,405
Less interest	<u>(28,643)</u>
Net capital lease obligation	<u>\$ 230,762</u>

Interest expense related to capital leases in 1997 was \$14,369.

## NOTE 4 – OPERATING LEASES

The District leases under one year operating leases two stations that house emergency ambulances and crews, support equipment and supplies as required in the service provider contract with AMR. Lease expense was \$4,100 in 1997.