

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO.75**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2020 and 2019**

**Ken Skrabanek, CPA  
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**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO.75**  
**TABLE OF CONTENTS**  
**December 31, 2020 and 2019**

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (unaudited)	3
Statements of Net Assets	4
Statements of Activities and Changes in Net Assets	5
Notes to Financial Statements	6
Statement of Budgetary Basis Revenues and Expenditures-Budget and Actual (unaudited)	9



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## Independent Auditor's Report

To the Board of Commissioners  
Harris County Emergency Services District No.75

### Report on the Financial Statements

I have audited the accompanying financial statements of Harris County Emergency Services District No.75, which comprise the statements of net assets as of December 31, 2020 and 2019, and the statements of activities and changes in net assets for the years then ended, and the notes to the financial statements.

### 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. 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.



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An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion on Statement of Net Assets and Statement of Activities and Changes in Net Assets

In my opinion, the statements of net assets as of December 31, 2020 and 2019, and the statements of activities and changes in net assets for the years then ended, both referred to in the first paragraph above present fairly, in all material respects, the net assets of Harris County Emergency Services District No. 75 as of December 31, 2020 and 2019, and its activities and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 and 9 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.

*Ken Skrabanek, CPA*

Ken Skrabanek, CPA  
Crosby, Texas  
May 31, 2021

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2020 and 2019**

Our discussion and analysis of the financial performance of Harris County Emergency Services District No. 75 (the "District") provides an overview of the District's financial activities for the fiscal years ended December 31, 2020 and 2019. Please read it in conjunction with the District's financial statements which begin on page 4.

The Statement of Net Assets-

The statement of net assets is presented on page 4. The District's cash and cash equivalent balances decreased by approximately \$346,000 due to higher assessed taxes, but substantially slower collections on outstanding property taxes receivable during fiscal year 2020, compared to fiscal year 2019. Correspondingly, property taxes receivable at December 31, 2020, were approximately \$376,000 higher than the balance due at December 31, 2019. In addition, the District had approximately \$753,000 of property taxes still due from its tax assessments through January 1, 2020. The District had no substantial liabilities at December 31, 2020. Management of the District believes there are adequate cash reserves for the District to operate efficiently.

The Statement of Activities-

The statement of activities is presented on page 5. In fiscal year 2020 the District had normal operating expenses, which amounted to approximately \$53,000. Pursuant to the contract with the City of Baytown, the District paid \$767,000 to the City for fire and EMS services. Based on property tax revenues and related expenses, the net assets of the District decreased by \$27,000 during fiscal year 2020.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO.75  
STATEMENT OF NET ASSETS  
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 521,812	\$ 870,731
Certificate of deposit	105,473	102,834
Property taxes receivable, stated at estimated net collectible value	753,236	377,389
Prepaid insurance	<u>1,690</u>	<u>1,619</u>
<b>TOTAL ASSETS</b>	<b><u>1,382,211</u></b>	<b><u>1,352,573</u></b>
<b>LIABILITIES</b>		
Accounts payable/accrued expenses	950	1,531
Deferred tax revenues	<u>926,608</u>	<u>869,491</u>
<b>TOTAL LIABILITIES</b>	<b><u>927,558</u></b>	<b><u>871,022</u></b>
<b>NET ASSETS</b>		
Unrestricted	\$ <u>454,653</u>	\$ <u>481,551</u>

See accompanying notes to the financial statements.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO.75  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>EXPENSES</b>		
Fire/EMS services	\$ 767,117	\$ 747,000
Other expenses-		
Legal and accounting	26,472	25,618
Appraisal district	6,818	6,017
Insurance	2,196	2,161
Commissioner fees	7,200	9,700
Tax assessor fees	128	5,964
Other	<u>10,304</u>	<u>8,383</u>
<b>TOTAL EXPENSES</b>	<u>820,235</u>	<u>809,559</u>
 <b>GENERAL REVENUES</b>		
Property taxes assessed	779,662	930,695
Penalties and interest	9,552	8,336
Interest income	3,574	2,714
Other	<u>549</u>	<u>6,198</u>
<b>TOTAL GENERAL REVENUES</b>	<u>793,337</u>	<u>947,943</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 (26,898)	 138,384
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>481,551</u>	 <u>343,167</u>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ <u>454,653</u></b>	<b>\$ <u>481,551</u></b>

See accompanying notes to the financial statements.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO.75**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 1 - Organization**

Harris County Emergency Services District No.75 (the "District") was created by a special election held November 8, 2011. On May 12, 2012, as part of the county wide election, the initial five commissioners were elected to manage the affairs of the District. The purpose of the District is to provide residents of the unincorporated areas surrounding Baytown, Texas with fire protection and emergency medical services. In fiscal year 2013, the District entered into a contract with the City of Baytown, Texas (the "Department") to provide these services (see Note 6). The District first collected tax revenues in November, 2012. The management of the District is entrusted to an elected Board of Commissioners consisting of five members.

**Note 2 - Summary of Significant Accounting Policies**

This summary of significant accounting policies of the District is presented to assist in understanding the District's financial statements. The financial statements and notes are the representation of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Basis of Presentation**

The accounts of the District are organized on the fund method of accounting. The financial transactions of the District are recorded in the general fund. The District has no other funds other than the general fund. The District has no component units and is not a component unit of any other local government.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements, including the statement of budgetary basis revenues and expenses-budget and actual have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when the liability is incurred.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO.75**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 3 - Property Taxes**

The District provides for its operations through the levy of property taxes in the geographic areas covered by the District. Property taxes receivable in the accompanying statement of net assets includes uncollected property taxes which were assessed through January 1, 2020, plus any correction of such assessments.

Total taxes levied for fiscal year 2020 (excluding exempt properties- see Note 6) amounted to approximately \$969,000. Of this amount, the District estimates that approximately 95% of such amount will be ultimately collectible. The net estimated collectible portion of \$926,608 has been deferred, in that collection of such taxes will primarily be used to fund operations of the District in its fiscal year commencing January 1, 2021.

The Board of Commissioners of the District has passed a tax rate of \$0.10000 per \$100.00 valuation for taxes to be assessed as of January 1, 2020.

The District generally provides an allowance for uncollectible taxes equal to 3% to 5% of all taxes assessed. Such allowance is provided to cover the cost of collection and related fees.

**Note 4 - Fair Value of Financial Instruments**

The District's financial instruments consist of cash and cash equivalents, property taxes receivable, and accounts payable. The recorded value of these financial instruments approximate their fair value based on their short term nature.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 5 - Date of Management's Review**

Subsequent events were evaluated through May 31, 2021, which is the date the financial statements were available to be issued.

**Note 6 - Interlocal Agreement With City of Baytown**

Effective February 1, 2013, the District entered into an Interlocal Agreement (the "Agreement") with the City of Baytown, Texas (the "City"). Under the Agreement, the City agrees to provide emergency services and fire fighting and rescue services for the District. The original agreement was for a term of three years, and called for adjustments in the amount to be paid to the City based on changes in the consumer price index. Effective February 1, 2019, the agreement was renewed for an additional three year period. The consumer price index adjustment was eliminated from the renewed agreement. Under the agreement, the City is to receive an amount of \$747,000 for the first year of the Agreement. For years two and three of the Agreement, the City is to receive an amount equal to 84.2% of the maximum ad valorem taxes to be assessed.

In fiscal year 2013, the District collected approximately \$385,700 which had been assessed to an industrial entity located within the District. This entity was declared exempt. At its May 20, 2013 meeting, the Board of Commissioners of the District approved a refund of this amount. Such amount was refunded to the Harris County Appraisal District subsequent to the May Commissioner's meeting.

**Note 7 - Credit Risk Disclosures**

At December 31, 2020, all deposits of the District were held in a public funds interest bearing account at a local bank. At December 31, 2020, the collected balance in this account amounted to \$517,919. During the year ended December 31, 2020, the highest month end balance of collected funds on deposit was approximately \$1,146,000, which occurred in February 2020, and the highest daily balance of collected funds on deposit was approximately \$1,156,000, which occurred in March, 2020. Any excess over FDIC insurance coverage is covered by a pledge of government securities by a bank.

1. Name of the donor  
2. Date of the gift  
3. Description of the gift

4. Value of the gift  
5. Name of the donee  
6. Date of the gift

**SUPPLEMENTARY INFORMATION**

7. Name of the donor  
8. Date of the gift  
9. Description of the gift

10. Value of the gift  
11. Name of the donee  
12. Date of the gift

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT #75**  
**STATEMENT OF BUDGETARY BASIS REVENUES AND**  
**EXPENDITURES—BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2020**

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property tax receipts	\$ 779,662	\$ 868,991	\$ (89,329)
Interest income	3,574	500	3,074
Other	<u>10,100</u>	<u>-</u>	<u>10,100</u>
<b>TOTAL REVENUES</b>	<u><b>793,336</b></u>	<u><b>869,491</b></u>	<u><b>(76,155)</b></u>
 <b>EXPENDITURES</b>			
Administrative	477	500	23
Commissioners fees	8,228	9,700	1,472
Bookkeeping	12,550	12,600	50
Legal Fees	12,386	10,000	(2,386)
Tax assessor/coll. fees	128	10,000	9,872
Audit	1,700	1,300	(400)
Appraisal district fees	6,818	4,500	(2,318)
Room usage fees	225	700	475
Seminars/training	5,456	5,000	(456)
Fire/EMS contract	767,117	770,566	3,449
Election expenses	1,097	1,070	(27)
All other	<u>4,053</u>	<u>5,600</u>	<u>1,547</u>
<b>TOTAL EXPENDITURES</b>	<u><b>820,235</b></u>	<u><b>831,536</b></u>	<u><b>11,301</b></u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u><b>\$ (26,899)</b></u>	<u><b>\$ 37,955</b></u>	<u><b>\$ (64,854)</b></u>

See accompanying notes to the financial statements.