McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

Mike M. McCall
(retired)
Debbie Gibson
(retired)

April 27, 2026

Board of Commissioners
Harris County Emergency
Services District No. 80
Harris County, Texas

In planning and performing our audit of the financial statements of Harris County Emergency Services District No. 80 (the "District") as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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.

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 of the District's financial statements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Last year, and again this year, we observed the following matters that we consider to be material weaknesses.

Material Weaknesses

The District's management consists of an elected or appointed Board of Commissioners ("Commissioners"). The day-to-day operations are performed by the District's attorney and bookkeeper ("Consultants") who are under contract with the District. Consultants can be part of the District's system on internal control; however, Consultants are not members of Management. Ultimately, the Commissioners of the District are responsible for the design and implementation of the system of internal control.

The accounting function of the District does not include the preparation of the financial statements complete with footnotes in accordance with generally accepted accounting principles. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness in internal control.

While performing the audit, we prepared various calculations to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control.

Material Weaknesses (Continued)

Management relies upon the auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. Management's reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control.

We made significant adjustments to the fund financial statements that were necessary for them to be fairly presented, in all material respects, in conformity with generally accepted accounting principles. The adjustments related to the recognition of property tax revenues and related accounts; the classification of payments to Crosby VFD; sales tax revenues, miscellaneous revenues; and capital outlay costs. Management's inability to detect and make these necessary adjustments is considered to be a material weakness in internal control.

Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

Management's Response

The District takes exception to the content and tone of the Management Letter, and in particular to the finding of a "material weakness" in the District's internal control over financial reporting.

We understand that the Management Letter was issued based on your interpretation of the Statement on Auditing Standards (SAS) No. 115. With all due respect, we do believe the purpose and intent of SAS 115 is inapplicable to an entity like an emergency services district ("ESD").

First, allow us to address the financial mechanics of an ESD:

1. Each year an ESD determines its financial needs, establishes a budget and sets a tax rate to provide the needed revenue, all based on a certified tax roll it receives from the County Appraisal District.

2. The Order setting the tax rate is forwarded to the County Tax Assessor who, by statute, assesses, bills and collects the property taxes for the ESD.

3. The tax receipts are received by the County Tax Assessor and then directly wired into the ESD's designated bank account.

4. Bills for the ESD are presented for review at public meetings and, if approved, are paid by ESD check and signed by two ESD commissioners (the President, or Vice President, and the Treasurer, or Assistant Treasurer).

5. In most cases, the majority of the ESD's expenditures are to its contracted service provider. In this District 26% was to Crosby Volunteer Fire Department. These payments are made based on the approved budget both of the ESD and the service provider and the written service agreement between the ESD and the service provider.

Unlike a public company, the "operations" of an ESD are extremely limited. The ESD's source of revenue is limited almost entirely to tax receipts and interest income and, in some cases, to emergency services billing. The review and payment of all expenses is limited by statute to the ESD meeting dates. The preparation and adjusting of periodic and annual financial statements - as opposed to the more customary review of monthly budget reports - seems unnecessary to achieve the internal control concerns expressed in auditing standards. Indeed, we refer to the

Management's Response (Continued)

AICPA manual ("A companion to SAS No. 115") that allows for reviewing "Mitigating Effects of Compensating Controls". We believe that in the course of your audit, including a review of the Minutes and the monthly financial reports that are prepared, you would have tested and evaluated the manner in which an ESD operates to find that compensating controls are totally present and quite adequate, including the use of an independent outside bookkeeping service.

We also would refer to "The Prudent Official Test" in the AICPA manual. Would a prudent official under the totality of facts recognizing the limited type of operation of an ESD, agree with your material weakness evaluation? We believe given the limited form of operation of an ESD and in light of the minimal "likelihood and magnitude of [a] potential misstatement", that a prudent official would NOT agree with the deficiency or material weakness assessment.

We appreciate that you recognize that the ESD engages consultants who possess industry knowledge and expertise to provide financial reports and information. These outside consultants also offer further mitigating effects of compensating controls. These consultants provide reliable, informative reports that are sufficient for making business decisions for the District. As a matter of fact, the Board would be remiss if it did not rely on outside experts and does not feel that the addition of an employee or another consultant to oversee the annual financial reporting process is necessary, prudent, required, or would be cost effective.

We strongly believe that given the limited operations and purposes of an ESD, the compensating controls that are in place, in practice, and by statute, changing the accounting function to include the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America is both unnecessary prior to the audit phase and impractical. Indeed, CPAs themselves and large public companies have argued for decades what GAAP means. This ever-changing definition and elusive target does not per se mean uniformity, conformity or, most importantly, accuracy. Even if the statements were prepared in perfect conformity with GAAP they would not be acceptable as such because they do not include the financial disclosures in the form of footnotes nor all the applicable schedules and statements that the ESD's auditor prepares.

While we appreciate your letter, we must disagree with the section on Material Weaknesses and question that same exists with regard to this District.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas