

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Harris County Emergency
Services District No. 46
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 46 (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Commissioners
Harris County Emergency
Services District No. 46

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of District Contributions 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by Harris County and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 18, 2020

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Management’s discussion and analysis of Harris County Emergency Services District No. 46’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2019.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, sales tax receipts, EMS collections, costs of assessing and collecting taxes and general expenditures.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,494,790 as of December 31, 2019.

A portion of the District's net position reflects its net investment in capital assets (land, buildings, vehicles and equipment less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide for firefighting and emergency services.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 12,744,087	\$ 10,828,799	\$ 1,915,288
Capital Assets (Net of Accumulated Depreciation)	<u>11,953,740</u>	<u>12,008,520</u>	<u>(54,780)</u>
Total Assets	<u>\$ 24,697,827</u>	<u>\$ 22,837,319</u>	<u>\$ 1,860,508</u>
Deferred Outflows of Resources	<u>\$ 485,879</u>	<u>\$ 415,608</u>	<u>\$ 70,271</u>
Long-Term Liabilities	\$ 3,103,674	\$ 4,338,941	\$ 1,235,267
Other Liabilities	<u>1,563,426</u>	<u>1,121,353</u>	<u>(442,073)</u>
Total Liabilities	<u>\$ 4,667,100</u>	<u>\$ 5,460,294</u>	<u>\$ 793,194</u>
Deferred Inflows of Resources	<u>\$ 6,021,816</u>	<u>\$ 5,501,629</u>	<u>\$ (520,187)</u>
Net Position:			
Net Investment in Capital Assets	\$ 8,005,956	\$ 7,230,871	\$ 775,085
Unrestricted	<u>6,488,834</u>	<u>5,060,133</u>	<u>1,428,701</u>
Total Net Position	<u>\$ 14,494,790</u>	<u>\$ 12,291,004</u>	<u>\$ 2,203,786</u>

*

The following table provides a summary of the District's operations for the years ended December 31, 2019, and December 31, 2018.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 5,495,310	\$ 5,331,702	\$ 163,608
Sales Tax Receipts	3,442,436	3,251,446	190,990
Charges for Services	1,947,477	1,709,603	237,874
Other Revenues	<u>608,481</u>	<u>340,473</u>	<u>268,008</u>
Total Revenues	<u>\$ 11,493,704</u>	<u>\$ 10,633,224</u>	<u>\$ 860,480</u>
Expenses for Services	<u>9,289,918</u>	<u>9,296,783</u>	<u>6,865</u>
Change in Net Position	<u>\$ 2,203,786</u>	<u>\$ 1,336,441</u>	<u>\$ 867,345</u>
Net Position, Beginning of Year	<u>12,291,004</u>	<u>10,954,563</u>	<u>1,336,441</u>
Net Position, End of Year	<u>\$ 14,494,790</u>	<u>\$ 12,291,004</u>	<u>\$ 2,203,786</u>

* As Adjusted, See Note 13

*

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2019, was \$6,415,222, an increase of \$1,369,320 from the prior year. This increase was primarily due to revenues collected exceeding service operating and capital expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the current fiscal year to decrease estimated capital expenditures. Actual revenues were \$925,775 more than budgeted revenues. Actual expenditures were \$1,171,011 less than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2019, total \$11,953,740 (net of accumulated depreciation) and include land, buildings, vehicles and equipment. During the current fiscal year, the District purchased a high-water vehicle, completed the Station 19 and 39 tower projects, and purchased land. Construction in progress includes Station No. 29 renovation project and UHF trunked radio system.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 263,451	\$ 177,822	\$ 85,629
Construction in Progress	628,205	196,214	431,991
Capital Assets, Net of Accumulated Depreciation:			
Buildings	8,655,039	9,002,613	(347,574)
Vehicles	2,005,861	2,298,874	(293,013)
Fire and Rescue Equipment	71,588	91,785	(20,197)
Office Equipment	47,237	66,994	(19,757)
Communications Equipment	282,359	174,218	108,141
Total Net Capital Assets	\$ 11,953,740	\$ 12,008,520	\$ (54,780)

Additional information on the District's capital assets can be found in Note 5 of this report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$3,956,834. The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized as follows:

Notes Payable, January 1, 2019	\$ 4,549,596
Less: Note Principal Paid	<u>752,919</u>
Notes Payable, December 31, 2019	<u>\$ 3,796,677</u>
Capital Lease Payable, January 1, 2019	\$ 237,103
Less: Capital Lease Principal Paid	<u>76,946</u>
Capital Lease Payable, December 31, 2019	<u>\$ 160,157</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 46, c/o Coveler & Peeler, P.C., 820 Gessner, Suite 1710, Houston, TX 77024.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 2,109,804	\$	\$ 2,109,804
Investments	5,068,019		5,068,019
Cash with Harris County	2,312,875		2,312,875
Receivables:			
Property Taxes	2,263,335		2,263,335
Sales Tax Receipts	760,358		760,358
Penalty and Interest on Delinquent Taxes		59,141	59,141
Other	59,581		59,581
Prepaid Costs	63,027		63,027
Due from Bank	9,050		9,050
Inventory	38,897		38,897
Land		263,451	263,451
Construction in Progress		628,205	628,205
Capital Assets (Net of Accumulated Depreciation)		<u>11,062,084</u>	<u>11,062,084</u>
TOTAL ASSETS	<u>\$ 12,684,946</u>	<u>\$ 12,012,881</u>	<u>\$ 24,697,827</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	<u>\$ - 0 -</u>	<u>\$ 485,879</u>	<u>\$ 485,879</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,684,946</u>	<u>\$ 12,498,760</u>	<u>\$ 25,183,706</u>

The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
LIABILITIES			
Accounts Payable	\$ 182,095	\$	\$ 182,095
Accrued Interest Payable		98,008	98,008
Net Pension Liability		430,163	430,163
Capital Lease Payable:			
Due Within One Year		79,016	79,016
Due After One Year		81,141	81,141
Notes Payable:			
Due Within One Year		774,144	774,144
Due After One Year		3,022,533	3,022,533
TOTAL LIABILITIES	<u>\$ 182,095</u>	<u>\$ 4,485,005</u>	<u>\$ 4,667,100</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 6,087,629	\$ (98,011)	\$ 5,989,618
Deferred Inflows - Pension		32,198	32,198
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 6,087,629</u>	<u>\$ (65,813)</u>	<u>\$ 6,021,816</u>
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 63,027	\$ (63,027)	\$
Restricted	9,050	(9,050)	
Assigned to 2020 Budget	29,583	(29,583)	
Unassigned	6,313,562	(6,313,562)	
TOTAL FUND BALANCE	<u>\$ 6,415,222</u>	<u>\$ (6,415,222)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 12,684,946</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 8,005,956	\$ 8,005,956
Unrestricted		6,488,834	6,488,834
TOTAL NET POSITION		<u>\$ 14,494,790</u>	<u>\$ 14,494,790</u>

The accompanying notes to the financial
statements are an integral part of this report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balance - Governmental Funds \$ 6,415,222

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 11,953,740

Portions of the change in net pension asset and liability that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources. 23,518

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2018 and prior tax levies became part of recognized revenues in the governmental activities of the District. 157,152

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (98,008)	
Capital Leases Payable Within One Year	(79,016)	
Capital Leases Payable After One Year	(81,141)	
Notes Payable Within One Year	(774,144)	
Notes Payable After One Year	<u>(3,022,533)</u>	<u>(4,054,842)</u>

Total Net Position - Governmental Activities \$ 14,494,790

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 5,491,814	\$ 3,496	\$ 5,495,310
Sales Tax Receipts	3,442,436		3,442,436
EMS Collections	1,947,477		1,947,477
Penalty and Interest	51,313	5,829	57,142
Investment Revenues	133,621		133,621
Sale of Assets	27,571		27,571
State Deployment Reimbursement	7,182		7,182
Grants, FEMA and Miscellaneous Revenues	382,965		382,965
TOTAL REVENUES	<u>\$ 11,484,379</u>	<u>\$ 9,325</u>	<u>\$ 11,493,704</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Administration	\$ 19,780	\$	\$ 19,780
Apparatus Repair and Maintenance	359,014		359,014
Accounting and Auditing	36,238		36,238
Appraisal District Fees	41,718		41,718
Collections	132,633		132,633
Commissioner Fees	5,400		5,400
Community Outreach	29,989		29,989
Emergency Management	38,128		38,128
Emergency Medical Services	380,692		380,692
Fire and Rescue	255,302		255,302
General	303,325		303,325
Insurance	214,298		214,298
Legal Fees - General	113,643		113,643
Legal Fees - Delinquent Tax Collections	11,413		11,413
Property Maintenance	160,478		160,478
Salaries and Benefits	5,558,037	(29,187)	5,528,850
Station Services/Utilities	187,535		187,535
Tax Assessor/Collector Fees	34,810		34,810
Technology and Communications	408,711		408,711
Depreciation		914,509	914,509
Capital Outlay	859,909	(859,729)	180
Debt Service:			
Capital Lease Principal	76,946	(76,946)	
Capital Lease Interest	6,378	(1,779)	4,599
Note Principal	752,919	(752,919)	
Note Interest	127,763	(19,090)	108,673
TOTAL EXPENDITURES/EXPENSES	<u>\$ 10,115,059</u>	<u>\$ (825,141)</u>	<u>\$ 9,289,918</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,369,320</u>	<u>\$ (1,369,320)</u>	<u>\$</u>
CHANGE IN NET POSITION		2,203,786	2,203,786
FUND BALANCE/NET POSITION - AS ADJUSTED, JANUARY 1, 2019	<u>5,045,902</u>	<u>7,245,102</u>	<u>12,291,004</u>
FUND BALANCE/NET POSITION - DECEMBER 31, 2019	<u>\$ 6,415,222</u>	<u>\$ 8,079,568</u>	<u>\$ 14,494,790</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balance - Governmental Funds \$ 1,369,320

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied. 3,496

Governmental funds report delinquent tax penalty and interest when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed. 5,829

The changes in the deferred outflows of resources for pensions are recorded as pension expense in the government-wide financial statements. 29,187

Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (914,509)

Governmental funds report capital costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities. 859,729

Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected. 829,865

Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end. 20,869

Change in Net Position - Governmental Activities \$ 2,203,786

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 46 (the “District”) was created by the Commissioners’ Court of the County of Harris on January 23, 2001, in accordance with Article III, Section 48-d, of the Texas Constitution. This action was taken by the Commissioners as a result of voter approval by residents of the District on January 20, 2001. Effective September 1, 2003, Texas Legislature Senate Bill 1021 converted all rural fire prevention districts to emergency services districts and mandated a name change to Harris County Emergency Services District No. 46 (the “District”). The District operates under Chapter 775 of the Health and Safety Code. The District was established to provide operating funds for the contracting of fire prevention and emergency medical services within the boundaries of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has one governmental fund; therefore, this fund is a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, sales tax receipts, costs of assessing and collecting taxes and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and recorded as revenue include the 2018 tax levy collections during the period October 1, 2018, to December 31, 2019, and taxes collected from January 1, 2019, to December 31, 2019, for all prior tax levies. The 2019 tax levy has been fully deferred to meet the District’s planned expenditures in the 2020 fiscal year.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion.

All personal tangible assets (computers, office machines, office furniture, etc.) are capitalized if they have a total cost of \$500 or more (including installation costs and professional fees) and a useful life of at least two years or more. All other capital assets are capitalized if they have a total cost of \$5,000 or more (including installation costs and professional fees) and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Years
Buildings	40
Vehicles	5-10
Fire and Rescue Equipment	2-15
Office Equipment	2-5
Communications Equipment	10

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Commissioners. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Budget Comparison Schedule – General Fund – presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District makes payments into the social security system for the employees. See Note 10 for the District’s pension plan. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. As of December 31, 2019, \$9,050 of the current fund balance was restricted for future purchases to be made with capital lease proceeds.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District has assigned \$29,583 of its General Fund fund balance to cover a portion of the 2020 budget.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. TAX LEVY

At an election held May 6, 2017, the voters of the District approved increasing the maximum tax rate from \$0.08 to \$0.10 per \$100 of assessed valuation of property within the District. During the year ended December 31, 2019, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$5,989,618 on the adjusted taxable valuation of \$5,990,357,027 for the 2019 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$2,109,804 and the bank balance was \$2,204,244. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2019, as listed below:

	<u>Cash</u>
Unrestricted	<u>\$ 2,109,804</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. DEPOSITS AND INVESTMENTS

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of December 31, 2019, the District had the following investment and maturities.

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 2,529,691	\$ 2,529,691
Texas CLASS	2,538,328	2,538,328
TOTAL INVESTMENTS	\$ 5,068,019	\$ 5,068,019

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the District’s investments in TexPool and Texas CLASS were rated “AAAm” by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit with balances covered in accordance with Texas statutes.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	January 1, 2019	Increases	Decreases	December 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 177,822	\$ 85,629	\$	\$ 263,451
Construction in Progress	196,214	859,729	427,738	628,205
Total Capital Assets Not Being Depreciated	<u>\$ 374,036</u>	<u>\$ 945,358</u>	<u>\$ 427,738</u>	<u>\$ 891,656</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 10,748,492	\$	\$	\$ 10,748,492
Vehicles	4,782,751	135,140	52,851	4,865,040
Fire and Rescue Equipment	595,378			595,378
Office Equipment	422,802			422,802
Communications Equipment	862,198	206,969		1,069,167
Total Capital Assets Subject to Depreciation	<u>\$ 17,411,621</u>	<u>\$ 342,109</u>	<u>\$ 52,851</u>	<u>\$ 17,700,879</u>
Less Accumulated Depreciation				
Buildings	\$ 1,745,879	\$ 347,574	\$	\$ 2,093,453
Vehicles	2,483,877	428,153	52,851	2,859,179
Fire and Rescue Equipment	503,593	20,197		523,790
Office Equipment	355,808	19,757		375,565
Communications Equipment	687,980	98,828		786,808
Total Accumulated Depreciation	<u>\$ 5,777,137</u>	<u>\$ 914,509</u>	<u>\$ 52,851</u>	<u>\$ 6,638,795</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,634,484</u>	<u>\$ (572,400)</u>	<u>\$ - 0 -</u>	<u>\$ 11,062,084</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,008,520</u>	<u>\$ 372,958</u>	<u>\$ 427,738</u>	<u>\$ 11,953,740</u>

NOTE 6. NOTES PAYABLE

On January 15, 2013, the District entered into a \$1,770,200 construction loan agreement with Trustmark National Bank to fund the construction of the headquarters and administration building. Interest only was due January 1, 2014. Annual installments of \$199,995.43 are due each January 1, beginning January 1, 2015, and ending January 25, 2024. The interest rate is 2.25%.

On January 27, 2014, the District entered into a \$593,560 promissory note with Prosperity Bank to fund the acquisition of a 2014 E-One Rescue Pumper Truck. Annual installments of \$95,389.71 are due each January 27, beginning January 27, 2015, and ending January 27, 2021. The interest rate is 2.990%.

On September 15, 2014, the District entered into a \$5,000,000 construction loan agreement with Government Capital Corporation to fund the rebuilding of Station No. 1. Annual installments of \$585,296.90 are due each October 15, beginning October 1, 2015, and ending October 15, 2024. The interest rate is 2.984%. The note is secured by the pledge of net sales and use tax revenues.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. NOTES PAYABLE (Continued)

The following is a summary of transactions regarding notes payable for the year ended December 31, 2019:

Notes Payable, January 1, 2019	\$	4,549,596
Less: Note Principal Paid		<u>752,919</u>
Notes Payable, December 31, 2019	\$	<u><u>3,796,677</u></u>
Notes Payable:		
Due Within One Year	\$	774,144
Due After One Year		<u>3,022,533</u>
Notes Payable, December 31, 2019	\$	<u><u>3,796,677</u></u>

As of December 31, 2019, the debt service requirements on the notes payable were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 774,144	\$ 106,538	\$ 880,682
2021	795,975	84,707	880,682
2022	723,039	62,253	785,292
2023	743,241	42,051	785,292
2024	<u>760,277</u>	<u>21,265</u>	<u>781,541</u>
	<u><u>\$ 3,796,677</u></u>	<u><u>\$ 316,813</u></u>	<u><u>\$ 4,113,490</u></u>

NOTE 7. CAPITAL LEASE PAYABLE

On February 22, 2016, the District entered into a \$385,000 Master Equipment Lease Purchase Agreement with Community First National Bank to fund the purchase of a Chevrolet Silverado 3500HD Frazer ambulance with equipment and a Chevrolet Tahoe. Assets under this capital lease total \$314,691 at December 31, 2019. Accumulated amortization/depreciation through December 31, 2019, totaled \$133,317. Annual installments of \$83,323.83 are due each February 22, beginning February 22, 2017, and ending February 22, 2021. The interest rate is 2.69%.

The following is a summary of transactions regarding the capital lease payable for the year ended December 31, 2019:

Capital Lease Payable, January 1, 2019	\$	237,103
Less: Capital Lease Principal Paid		<u>76,946</u>
Capital Lease Payable, December 31, 2019	\$	<u><u>160,157</u></u>
Capital Lease Payable:		
Due Within One Year	\$	79,016
Due After One Year		<u>81,141</u>
Capital Lease Payable, December 31, 2019	\$	<u><u>160,157</u></u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. CAPITAL LEASE PAYABLE (Continued)

The following is a schedule of future minimum lease payments under the capital lease as of December 31, 2019.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 79,016	\$ 4,308	\$ 83,324
2021	81,141	2,183	83,324
	<u>\$ 160,157</u>	<u>\$ 6,491</u>	<u>\$ 166,648</u>

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and error and omissions for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. SALES AND USE TAX

In accordance with Chapter 775 of the Health and Safety Code, the District is authorized to adopt and impose a sale and use tax if authorized by a majority of the qualified voters of the District. The election to adopt sales and use tax is governed by the provisions of Subchapter E, Chapter 323 of the Tax Code.

On May 14, 2011, the voters of the District approved the establishment and adoption of a sales and use tax of up to a maximum of one percent. On May 23, 2011, the Board set a local sales and use tax of one percent on all applicable sales and uses within the boundaries of the District, excluding any territory in the District where sales and use tax is currently two percent, effective September 1, 2011. During the current year, the District recorded \$3,442,436 in sales tax receipts, of which \$760,358 was due from the State Comptroller at December 31, 2019.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 780 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available on the TCDRS website (www.tcdrs.org).

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided

Benefit provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-0-
Inactive employees entitled but not yet receiving benefits	27
Active employees	87

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 6.75% for the months of the 2019 accounting year. The deposit rate payable by the employee members for calendar year 2019 is 6.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District’s accounting year ended December 31, 2019, the annual pension cost for the TCDRS plan for its employees was \$280,976; the actual contributions were \$280,976. The employees contributed \$249,756 to the plan for the 2019 fiscal year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/18
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	17.7years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	8.00%
Projected salary increases ¹	4.90%
Inflation	2.75%
Cost-of-living adjustments	0.00%

¹ Includes inflation at the stated rate

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68. All other assumptions and methods are the same as used in the prior valuation.

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females with 110% of the MP-2014 Ultimate Scale after 2014.

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% Ultimate Scale after 2014.

Disabled retirees – 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS investigation of experience report for the period January 1, 2013- December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equity	Dow Jones U.S Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities-Developed	MSCI World Ex USA (net)	10.00%	5.40%
International Equities-Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	<u>13.00%</u>	3.90%
Total		<u>100.00%</u>	

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2018 are as follows:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2017	\$ 337,442	\$ 300,011	\$ 37,431
Changes for the year:			
Service Costs	435,832		435,832
Interest on the Total Pension Liability	62,635		62,635
Effect of Plan Changes	66,804		66,804
Effect of Economic/Demographic Gains or Losses	(31,801)		(31,801)
Administrative Expenses		(629)	629
Member Contributions		234,080	(234,080)
Net investment income		(333)	333
Employer Contributions		236,550	(236,550)
Other		14,051	(14,051)
Balances of December 31, 2018	<u>\$ 870,912</u>	<u>\$ 783,730</u>	<u>\$ 87,182</u>

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
	Total Pension Liability	\$ 1,058,060	\$ 870,912
Fiduciary Net Position	<u>783,730</u>	<u>783,730</u>	<u>783,730</u>
Net Pension Liability/(Asset)	<u>\$ 274,330</u>	<u>\$ 87,182</u>	<u>\$ (63,065)</u>

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 30,127	\$ 168,094
Changes in assumptions	1,656	161
Net difference between projected and actual earnings	- 0 -	36,648
Contributions paid to TCDRS subsequent to the measurement date	- 0 -	280,976
	<u>\$ 31,783</u>	<u>\$ 485,879</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 16,254
2020	16,045
2021	15,692
2022	15,477
2023	6,705
Thereafter	102,947

NOTE 11. GROUP TERM LIFE FUND

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org.

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The rate of 0.07% was used for the months of the 2019 calendar year. The District’s contribution to the GTLF for the year ending December 31, 2019 was \$2,964, which equaled the contractually required contribution.

NOTE 12. PENSION PLAN (TESRS)

On July 1, 2017, the District signed agreements with the Atascocita Volunteer Fire Department (the “Provider”) as a non-employer contributing entity to the Provider’s pension plan. The Provider provides retirement for their participating members through a non-traditional defined benefit pension plan in the statewide Texas Emergency Services Retirement System. (TESRS). The State of Texas is responsible for the administration of the statewide cost-sharing multiple-employer public employee retirement system.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. PENSION PLAN (TESRS) (Continued)

As of August 31, 2019, there were 237 contributing fire or emergency departments, which is the most recent valuation report available. TESRS in the aggregate issues an audited annual financial report (AAFR) on a fiscal year basis. The AAFR is available upon written request from the TESRS Board of Trustees at 208 East 10th Street, Suite 309, Austin, TX 78701 or at www.tesrs.org.

Plan Description

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body’s average monthly contribution over the member’s years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases. Members are 50% vested after the 10th year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled but not yet receiving benefits	74
Active employees	62

Funding Policy

The plan provisions are adopted by the governing body of the participating departments. No contributions are required from the individuals who are members of the system, nor are they allowed. The governing bodies of each participating department are required to make contributions of at least \$36 per member for each month a member performs emergency services for a department. This is referred to as a Part One contribution, which is the legacy portion of the system contribution that directly impacts future retiree annuities.

The State of Texas is required to contribute an amount necessary to make the TESRS system “actuarially sound” each year, which may not exceed one-third of all contributions made by participating governing bodies in a particular year.

The TESRS board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the most recent actuarial valuation as of August 31, 2019, the Part Two contributions are not required for an adequate contribution arrangement.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12. PENSION PLAN (TESRS) (Continued)

Funding Policy (Continued)

Additional contributions may be made by governing bodies within two years of joining the system, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

Pension Expense and Net Pension Liability

For the District’s accounting year ending December 31, 2019, the amount of expense recognized by the District for the TESRS plan for provider members was \$38,711. The District’s proportionate share of the collective net pension liability was \$342,981 and the District’s proportion of the collective pension liability was 1.21% as of the measurement date of August 31, 2019, which is the date of the most recent TESRS Report on Pension Information, a decrease of 0.382% from the prior year. The District has made \$54,924 in contributions on behalf of Provider members as of December 31, 2019, of which none was after the measurement date of August 31, 2019. The District has recognized no deferred outflows of resources and deferred inflows of resources of \$415.

NOTE 13. PRIOR PERIOD ADJUSTMENT

The District adjusted its government-wide financial statements to record the District’s share of the TESRS net pension liability as required by GASB Statement No. 68, as amended by GASB Statement No. 71, which is effective for fiscal years ending June 30, 2015, and thereafter. The effect of these adjustment was a decrease to the District’s beginning net position by \$382,107.

Net Position - January 1, 2019	\$ 12,673,111
Effect of Adjustment	<u>(382,107)</u>
Net Position - January 1, 2019, As Adjusted	<u><u>\$ 12,291,004</u></u>

NOTE 14. SUBSEQUENT EVENT – PROMISSORY NOTE

Subsequent to year-end, on January 20, 2020, the District entered into a \$1,880,000 loan agreement with Trustmark National Bank to fund the purchase of a building and adjacent property for a future maintenance facility. Semi-annual installments of \$105,434.36 are due each January 10 and July 10, beginning July 10, 2020, and ending July 10, 2029. The interest rate is 2.17%.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 15. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which are likely to have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 5,353,044	\$ 5,353,044	\$ 5,491,814	\$ 138,770
Sales Tax Receipts	3,105,000	3,105,000	3,442,436	337,436
EMS Collections	2,000,000	2,000,000	1,947,477	(52,523)
Penalty and Interest	15,000	15,000	51,313	36,313
Investment Revenues			133,621	133,621
Sale of Assets	23,000	23,000	27,571	4,571
State Deployment Reimbursement			7,182	7,182
Miscellaneous Revenues	62,560	62,560	382,965	320,405
TOTAL REVENUES	\$ 10,558,604	\$ 10,558,604	\$ 11,484,379	\$ 925,775
EXPENDITURES				
Services Operations:				
Administration	\$ 19,000	\$ 19,000	\$ 19,780	\$ (780)
Apparatus Repair and Maintenance	375,100	375,100	359,014	16,086
Accounting and Auditing	30,000	30,000	36,238	(6,238)
Appraisal District Fees	42,000	42,000	41,718	282
Collections	138,600	138,600	132,633	5,967
Commissioner Fees			5,400	(5,400)
Community Outreach	42,020	42,020	29,989	12,031
Emergency Management	46,000	46,000	38,128	7,872
Emergency Medical Services	350,520	350,520	380,692	(30,172)
Fire and Rescue	354,060	354,060	255,302	98,758
General	351,803	351,803	303,325	48,478
Insurance	240,464	240,464	214,298	26,166
Legal Fees - General	93,000	93,000	113,643	(20,643)
Legal Fees - Delinquent Tax Collections			11,413	(11,413)
Property Maintenance	154,161	154,161	160,478	(6,317)
Salaries and Benefits	6,906,123	6,906,123	5,558,037	1,348,086
Station Services/Utilities	167,799	167,799	187,535	(19,736)
Tax Assessor/Collector Fees			34,810	(34,810)
Technology and Communications	417,071	417,071	408,711	8,360
Capital Outlay	1,029,063	594,313	859,909	(265,596)
Debt Service:				
Capital Lease Principal	312,940	76,946	76,946	
Capital Lease Interest	6,378	6,408	6,378	30
Note Principal	752,919	752,919	752,919	
Note Interest	127,763	127,763	127,763	
TOTAL EXPENDITURES	\$ 11,956,784	\$ 11,286,070	\$ 10,115,059	\$ 1,171,011
NET CHANGE IN FUND BALANCE	\$ (1,398,180)	\$ (727,466)	\$ 1,369,320	\$ 2,096,786
FUND BALANCE - JANUARY 1, 2019	5,045,902	5,045,902	5,045,902	
FUND BALANCE - DECEMBER 31, 2019	\$ 3,647,722	\$ 4,318,436	\$ 6,415,222	\$ 2,096,786

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Measurement Date</u> December 31, 2018	<u>Measurement Date</u> December 31, 2017
Total Pension Liability		
Service cost	\$ 435,832	\$ 34,516
Interest on total pension liability	62,635	7,451
Effect of plan changes	66,804	58,391
Effect of economic/demographic (gains) or losses	(31,801)	181,827
Effect of assumptions changes or inputs		(1,823)
Benefit payments/refund of contributions		<u>(769)</u>
Net change in total pension liability	\$ 533,470	\$ 279,593
Total pension liability, beginning	<u>337,442</u>	<u>57,849</u>
Total pension liability, ending (a)	<u>\$ 870,912</u>	<u>\$ 337,442</u>
Fiduciary Net Position		
Employer contributions	\$ 236,550	\$ 81,725
Member contributions	234,080	138,517
Investment income net of investment expenses	(333)	12,990
Benefit payments/refund of contributions		(769)
Administrative expenses	(629)	(200)
Other	<u>14,051</u>	<u>2,940</u>
Net change in fiduciary net position	\$ 483,719	\$ 235,203
Fiduciary net position, beginning	<u>300,011</u>	<u>64,808</u>
Fiduciary net position, ending (b)	<u>\$ 783,730</u>	<u>\$ 300,011</u>
Net pension liability/(asset), ending = (a) – (b)	<u>\$ 87,182</u>	<u>\$ 37,431</u>
Fiduciary net position as a % of total pension liability	89.99%	88.91%
Pensionable covered payroll	\$ 3,901,336	\$ 2,308,617
Net pension liability/(asset) as a % of covered payroll	2.23%	1.62%

See accompanying independent auditor's report.

Measurement Date December 31, 2016	Measurement Date December 31, 2015
\$ 33,064	\$ 19,087
2,922	704
	(1,563)
2,000	1,431
	204
\$ 37,986	\$ 19,863
19,863	-0-
\$ 57,849	\$ 19,863
\$ 18,278	\$ 9,798
22,155	11,876
1,639	(184)
(18)	(8)
1,273	(1)
\$ 43,327	\$ 21,481
21,481	-0-
\$ 64,808	\$ 21,481
\$ (6,959)	\$ (1,618)
112.03%	108.15%
\$ 369,256	\$ 263,912
(1.88)%	(0.61)%

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
DECEMBER 31, 2019

Fiscal Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2015	\$ 8,443	\$ 8,443	\$ -0-	\$ 202,894	4.2%
2016	\$ 17,878	\$ 17,878	\$ -0-	\$ 369,250	4.8%
2017	\$ 82,125	\$ 82,125	\$ -0-	\$2,308,617	3.6%
2018	\$ 236,550	\$ 236,550	\$ -0-	\$3,898,233	6.1%
2019	\$ 280,976	\$ 280,976	\$ -0-	\$4,162,608	6.7%

⁽¹⁾ *TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.*

⁽²⁾ *Payroll is calculated based on contributions as reported to TCDRS.*

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1. NET PENSION LIABILITY - TEXAS COUNTY & DISTRICT
 RETIREMENT SYSTEM**

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17.7 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.75%
Salary Increases	4.9%, average over career including inflation, varies by age and service
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Change in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New Inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that the current service matching rate was increased to 150% for future benefits.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF NET
PENSION LIABILITY AND CONTRIBUTIONS TO TEXAS EMERGENCY
SERVICES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2019

Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability		
Date of Actuarial Valuation	8/31/2019	8/31/2018
Harris County ESD No. 46	<u>1.210%</u>	<u>1.592%</u>
TESRS Net Pension Liability	\$ 28,345,563	\$ 21,650,451
proportionate share	\$ 342,981	\$ 344,675
Nonemployer Contributing Entity's Contributions to TESRS		
Contributions	\$ 54,924	\$ 76,927

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2019

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2019
(UNAUDITED)

Long-Term Debt at December 31, 2019	\$ 3,956,834
Less: Amount in Debt Service Fund	<u>-0-</u>
Net Long-Term Debt at December 31, 2019	<u>\$ 3,956,834</u>
Estimated District Population	<u>70,000</u>
Net Long-Term Debt Per Capita at December 31, 2019	<u>\$ 56.53</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
LISTING OF THE NUMBER OF EMERGENCY
RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Number of Emergency Responses made Within the District	4,427
Number of Emergency Responses made Outside of the District	<u>453</u>
Total Emergency Responses	<u><u>4,880</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2019

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC EMPLOYEE BLANKET BOND Limit	01/01/19 01/01/20	\$ 100,000	American Alternative Insurance Corporation
POSITION SCHEDULE BOND Limit - Treasurer	01/01/19 01/01/20	\$ 100,000	American Alternative Insurance Corporation
GENERAL LIABILITY General Aggregate Per Occurrence	01/01/19 01/01/20	\$ 10,000,000 1,000,000	American Alternative Insurance Corporation
MANAGEMENT LIABILITY General Aggregate Each Wrongful Act	01/01/19 01/01/20	\$ 10,000,000 1,000,000	American Alternative Insurance Corporation
EXCESS LIABILITY General Aggregate Per Occurrence	01/01/19 01/01/20	\$ 4,000,000 2,000,000	American Alternative Insurance Corporation
AUTOMOBILE LIABILITY Combined Single Limit	01/01/19 01/01/20	\$ 1,000,000	American Alternative Insurance Corporation
PROPERTY COVERAGE Buildings Contents Deductible	01/01/19 01/01/20	\$ 17,361,977 1,675,366 1,000	American Alternative Insurance Corporation
WORKERS COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	01/01/19 01/01/20	\$ 1,000,000 1,000,000 1,000,000	Bench Mark Insurance Company

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Maintenance Taxes	
TAXES RECEIVABLE - JANUARY 1, 2019	\$ 2,452,182	
Adjustments to Beginning Balance	(4,580)	\$ 2,447,602
Original 2019 Tax Levy	\$ 5,645,917	
Adjustment to 2019 Tax Levy	343,701	5,989,618
 TOTAL TO BE ACCOUNTED FOR		 \$ 8,437,220
 TAX COLLECTIONS:		
Prior Years	\$ 2,349,591	
Current Year	3,824,294	6,173,885
 TAXES RECEIVABLE - DECEMBER 31, 2019		 \$ <u>2,263,335</u>
 TAXES RECEIVABLE BY YEAR:		
2019		\$ 2,165,324
2018		32,240
2017		17,034
2016		9,444
2015		5,662
2014		5,365
2013		4,278
2012		4,395
2011		5,595
2010		4,248
2009		3,872
2008		1,368
2007		929
2006		752
2005		775
2004		549
2003 and Prior		1,505
 TOTAL		 \$ <u><u>2,263,335</u></u>

See accompanying independent auditor's report.

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**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 5,990,357,027</u>	<u>\$ 5,500,144,539</u>	<u>\$ 5,332,425,159</u>	<u>\$ 5,020,064,884</u>
TAX RATES PER \$100 VALUATION	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.08</u>
ADJUSTED TAX LEVY*	<u>\$ 5,989,618</u>	<u>\$ 5,499,890</u>	<u>\$ 5,332,138</u>	<u>\$ 4,015,999</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>63.85 %</u>	<u>99.41 %</u>	<u>99.68 %</u>	<u>99.76 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 5,491,814	\$ 5,323,500	\$ 4,023,014
Sales Tax Receipts	3,442,436	3,251,446	2,927,400
EMS Collections	1,947,477	1,709,603	1,794,726
Penalty and Interest	51,313	37,764	36,711
Investment Revenues	133,621	26,965	16,468
Sale of Assets	27,571	18,902	
State Deployment Reimbursement	7,182	198,511	
Grants, FEMA and Miscellaneous Revenues	382,965	55,541	232,195
TOTAL REVENUES	<u>\$ 11,484,379</u>	<u>\$ 10,622,232</u>	<u>\$ 9,030,514</u>
EXPENDITURES			
Service Operations:			
District Service - Atascocita Volunteer Fire Department			
Operations	\$	\$	\$ 3,279,240
Capital Expenditures			158,224
Administration	19,780	17,040	
Apparatus Repair and Maintenance	359,014	362,188	244,497
Accounting and Auditing	36,238	41,872	50,501
Appraisal District Fees	41,718	42,315	22,431
Collections	132,633	129,170	
Commissioner Fees	5,400	1,650	400
Community Outreach	29,989	36,717	
Emergency Management	38,128	13,445	
Emergency Medical Services	380,692	403,780	
Fire and Rescue	255,302	226,675	
General	303,325	283,385	
Insurance	214,298	237,016	
Legal Fees - General	113,643	94,717	124,325
Legal Fees - Delinquent Tax Collections	11,413	7,579	8,281
Property Maintenance	160,478	151,205	
Salaries and Benefits	5,558,037	5,128,562	2,920,802
Station Services/Utilities	187,535	179,203	173,964
Tax Assessor/Collector Fees	34,810	34,879	33,163
Technology and Communications	408,711	406,916	
Other			210,504
Capital Outlay	859,909	656,581	134,574
Debt Service:			
Retirement Buy-Back		419,957	
Capital Lease Principal	76,946	1,246,884	232,967
Capital Lease Interest	6,378	43,500	36,330
Note Principal	752,919	732,270	712,219
Note Interest	127,763	148,412	168,463
TOTAL EXPENDITURES	<u>\$ 10,115,059</u>	<u>\$ 11,045,918</u>	<u>\$ 8,510,885</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 1,369,320</u>	<u>\$ (423,686)</u>	<u>\$ 519,629</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,369,320</u>	<u>\$ (423,686)</u>	<u>\$ 519,629</u>
PRIOR PERIOD ADJUSTMENT		(143,207)	
BEGINNING FUND BALANCE	<u>5,045,902</u>	<u>5,612,795</u>	<u>5,093,166</u>
ENDING FUND BALANCE	<u><u>\$ 6,415,222</u></u>	<u><u>\$ 5,045,902</u></u>	<u><u>\$ 5,612,795</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 3,708,585	\$ 3,262,898	47.8 %	50.0 %	44.5 %	46.9 %	43.4 %
2,397,084	2,288,911	30.0	30.6	32.4	30.4	30.4
1,717,358	1,911,388	17.0	16.1	19.9	21.8	25.4
58,017	36,611	0.4	0.4	0.4	0.7	0.5
12,198	19,045	1.2	0.3	0.2	0.2	0.3
		0.2	0.2			
		0.1	1.9			
		3.3	0.5	2.6		
<u>\$ 7,893,242</u>	<u>\$ 7,518,853</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 5,258,802	\$ 4,137,953			36.3 %	66.6 %	54.9 %
90,931	156,161			1.8	1.2	2.1
		0.2	0.2			
		3.1	3.4			
32,900	29,250	0.3	0.4	0.6	0.4	0.4
28,524	26,336	0.4	0.4	0.2	0.4	0.4
		1.2	1.2			
4,250	4,450				0.1	0.1
		0.3	0.3			
		0.3	0.1			
		3.3	3.8			
		2.2	2.1			
		2.6	2.7			
		1.9	2.2			
75,006	63,987	1.0	0.9	1.4	1.0	0.9
14,798	7,576	0.1	0.1	0.1	0.2	0.1
		1.4	1.4			
452,866	293,242	48.4	48.3	32.3	5.7	3.9
		1.6	1.7	1.9		
34,521	28,724	0.3	0.3	0.4	0.4	0.4
		3.6	3.8			
123,753	97,443			2.3	1.5	1.3
2,249,296	4,131,513	7.5	6.2	1.5	28.5	54.9
			4.0			
160,000	160,000	0.7	11.7	2.6	2.0	2.1
29,706	33,346	0.1	0.4	0.4	0.4	0.4
528,942	1,649,979	6.6	6.9	7.9	6.7	21.9
156,514	242,994	1.1	1.4	1.9	2.0	3.2
<u>\$ 9,240,809</u>	<u>\$ 11,062,954</u>	<u>88.2 %</u>	<u>103.9 %</u>	<u>91.6 %</u>	<u>117.1 %</u>	<u>147.0 %</u>
<u>\$ (1,347,567)</u>	<u>\$ (3,544,101)</u>	<u>11.8 %</u>	<u>(3.9) %</u>	<u>8.4 %</u>	<u>(17.1) %</u>	<u>(47.0) %</u>
\$ 385,000	\$ - 0 -					
\$ (962,567)	\$ (3,544,101)					
<u>6,055,733</u>	<u>9,599,834</u>					
<u>\$ 5,093,166</u>	<u>\$ 6,055,733</u>					

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2019

District Mailing Address - Harris County Emergency Services District No. 46
c/o Coveler & Peeler, P.C.
Two Memorial City Plaza
820 Gessner Road, Suite 1710
Houston, Texas 77024-8261

District Telephone Number - (713) 984-8222

Commissioners	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2019	Expense Reimbursement for the year ended December 31, 2019	Title
Tom Truver	06/01/18 05/31/22 (Elected)	\$ 3,900	\$ -0-	President
John Coyle	06/01/16 05/31/20 (Elected)	\$ -0-	\$ -0-	Vice President
Buddy Rice	06/01/18 05/31/22 (Elected)	\$ -0-	\$ -0-	Secretary
John Bollom	09/03/19 05/31/20 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary/ Assistant Treasurer
Ron Clarke	06/01/18 05/31/22 (Elected)	\$ 1,500	\$ -0-	Treasurer/ Investment Officer

The limit on fees of office that a Commissioner may receive during a year was \$3,000 as set by the Health and Safety Code-Chapter 775. Effective September 1, 2017, a Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently \$7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts paid to a Commissioner during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2019**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2019*</u>	<u>Title</u>
Coveler & Peeler, P.C.	05/09/01	\$ 113,643	Attorney
McCall Gibson Swedlund Barfoot PLLC	05/02/02	\$ 35,300	Auditor
Linebarger Goggan Blair & Sampson, LLP	05/02/02	\$ 11,413	Delinquent Tax Attorney
Alberta Balderas	07/01/11	\$ -0-	Sales Tax Consultant
Harris County Tax Assessor/Collector	Legislative Action	\$ 34,810	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.

