

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 is 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 an 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 16, 2022

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021.

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, 2021**

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 \$18,880,722 as of December 31, 2021.

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, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 23,148,228	\$ 14,509,449	\$ 8,638,779
Capital Assets (Net of Accumulated Depreciation)	15,892,329	13,904,788	1,987,541
Total Assets	\$ 39,040,557	\$ 28,414,237	\$ 10,626,320
Deferred Outflows of Resources	\$ 726,009	\$ 512,946	\$ 213,063
Long-Term Liabilities	\$ 11,262,501	\$ 4,490,536	\$ (6,771,965)
Other Liabilities	2,431,990	1,579,281	(852,709)
Total Liabilities	\$ 13,694,491	\$ 6,069,817	\$ (7,624,674)
Deferred Inflows of Resources	\$ 7,191,353	\$ 6,537,686	\$ (653,667)
Net Position:			
Net Investment in Capital Assets	\$ 2,979,935	\$ 8,309,340	\$ (5,329,405)
Unrestricted	15,900,787	8,010,340	7,890,447
Total Net Position	\$ 18,880,722	\$ 16,319,680	\$ 2,561,042

The following table provides a summary of the District's operations for the years ended December 31, 2021, and December 31, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 6,380,783	\$ 5,979,237	\$ 401,546
Sales Tax Receipts	4,941,246	4,108,891	832,355
Charges for Services	2,165,978	1,860,569	305,409
Other Revenues	1,112,210	517,434	594,776
Total Revenues	\$ 14,600,217	\$ 12,466,131	\$ 2,134,086
Expenses for Services	12,039,175	10,641,241	(1,397,934)
Change in Net Position	\$ 2,561,042	\$ 1,824,890	\$ 736,152
Net Position, Beginning of Year	16,319,680	14,494,790	1,824,890
Net Position, End of Year	\$ 18,880,722	\$ 16,319,680	\$ 2,561,042

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2021, was \$15,401,028, an increase of \$7,723,682 from the prior year. This increase was primarily due to note proceeds received in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did amended the budget during the current fiscal to add estimated grant income and increase estimated capital outlay and salaries and benefits expenditures. Actual revenues were \$2,054,691 more than budgeted revenues. Actual expenditures were \$2,782,687 more than budgeted expenditures primarily due to capital outlay being more than budgeted. Note and capital lease proceeds of \$8,505,451 were not budgeted, which resulted in a positive variance of \$7,777,455. See budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2021, total \$15,892,329 (net of accumulated depreciation) and include land, buildings, vehicles and equipment. During the current fiscal year, the District purchased one ambulance and equipment and completed the UHF trunked radio system. Construction in progress includes Station No. 29 renovation project, fleet maintenance shop project and two pumper trucks.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,845,746	\$ 1,500,637	\$ 345,109
Construction in Progress	3,478,737	1,318,250	2,160,487
Capital Assets, Net of Accumulated Depreciation:			
Buildings	7,968,235	8,306,513	(338,278)
Vehicles	1,943,885	2,391,907	(448,022)
Fire and Rescue Equipment	158,252	190,275	(32,023)
Office Equipment	7,669	27,426	(19,757)
Communications Equipment	489,805	169,780	320,025
Total Net Capital Assets	\$ 15,892,329	\$ 13,904,788	\$ 1,987,541

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, 2021**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$12,912,394. The changes in the debt position of the District during the fiscal year ended December 31, 2021, are summarized as follows:

Notes Payable, January 1, 2021	\$ 4,821,236
Add: Note Proceeds	6,900,000
Less: Note Principal Paid	<u>968,203</u>
Notes Payable, December 31, 2021	<u>\$ 10,753,033</u>

Capital Lease Payable, January 1, 2021	\$ 774,212
Add: Capital Lease Proceeds	1,605,451
Less: Capital Lease Principal Paid	<u>220,302</u>
Capital Lease Payable, December 31, 2021	<u>\$ 2,159,361</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, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 3,831,421	\$	\$ 3,831,421
Investments	14,475,284		14,475,284
Cash with Harris County	338,950		338,950
Receivables:			
Property Taxes	3,171,865		3,171,865
Sales Tax Receipts	1,038,725		1,038,725
Penalty and Interest on Delinquent Taxes		77,056	77,056
Other	35,072		35,072
Prepaid Costs	87,783		87,783
Inventory	92,072		92,072
Land		1,845,746	1,845,746
Construction in Progress		3,478,737	3,478,737
Capital Assets (Net of Accumulated Depreciation)		10,567,846	10,567,846
TOTAL ASSETS	<u>\$ 23,071,172</u>	<u>\$ 15,969,385</u>	<u>\$ 39,040,557</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	<u>\$ - 0 -</u>	<u>\$ 726,009</u>	<u>\$ 726,009</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 23,071,172</u>	<u>\$ 16,695,394</u>	<u>\$ 39,766,566</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, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
LIABILITIES			
Accounts Payable	\$ 592,394	\$	\$ 592,394
Accrued Interest Payable		85,526	85,526
Net Pension Liability		104,177	104,177
Capital Lease Payable:			
Due Within One Year		350,666	350,666
Due After One Year		1,808,695	1,808,695
Notes Payable:			
Due Within One Year		1,299,227	1,299,227
Due After One Year		9,453,806	9,453,806
TOTAL LIABILITIES	<u>\$ 592,394</u>	<u>\$ 13,102,097</u>	<u>\$ 13,694,491</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 7,077,750	\$ (127,573)	\$ 6,950,177
Deferred Inflows - Pension		241,176	241,176
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 7,077,750</u>	<u>\$ 113,603</u>	<u>\$ 7,191,353</u>
FUND BALANCE			
Nonspendable			
Prepaid Costs	\$ 87,783	\$ (87,783)	\$
Inventory	92,072	(92,072)	
Unassigned	15,221,173	(15,221,173)	
TOTAL FUND BALANCE	<u>\$ 15,401,028</u>	<u>\$ (15,401,028)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 23,071,172</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 2,979,935	\$ 2,979,935
Unrestricted		15,900,787	15,900,787
TOTAL NET POSITION		<u>\$ 18,880,722</u>	<u>\$ 18,880,722</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, 2021

Total Fund Balance - Governmental Fund \$ 15,401,028

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. 15,892,329

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. 380,656

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2020 and prior tax levies became part of recognized revenues in the governmental activities of the District. 204,629

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	\$ (85,526)	
Capital Leases Payable Within One Year	(350,666)	
Capital Leases Payable After One Year	(1,808,695)	
Notes Payable Within One Year	(1,299,227)	
Notes Payable After One Year	<u>(9,453,806)</u>	<u>(12,997,920)</u>

Total Net Position - Governmental Activities \$ 18,880,722

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, 2021

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 6,383,442	\$ (2,659)	\$ 6,380,783
Sales Tax Receipts	4,941,246		4,941,246
EMS Collections	2,165,978		2,165,978
Penalty and Interest	50,554	3,477	54,031
Investment Revenues	6,469		6,469
Sale of Assets	97,755		97,755
State Deployment Reimbursement	245,255		245,255
Grants, FEMA and Miscellaneous Revenues	708,700		708,700
TOTAL REVENUES	\$ 14,599,399	\$ 818	\$ 14,600,217
EXPENDITURES/EXPENSES			
Service Operations:			
Administration	\$ 13,711	\$	\$ 13,711
Apparatus Repair and Maintenance	470,452		470,452
Accounting and Auditing	27,500		27,500
Appraisal District Fees	47,153		47,153
Collections	153,545		153,545
Commissioner Fees	10,650		10,650
Community Outreach	5,797		5,797
Emergency Management	50,706		50,706
Emergency Medical Services	490,879		490,879
Fire and Rescue	394,798		394,798
General	368,278		368,278
Insurance	218,263		218,263
Legal Fees - General	72,866		72,866
Legal Fees - Delinquent Tax Collections	12,498		12,498
Property Maintenance	228,944		228,944
Salaries and Benefits	7,467,141	(192,641)	7,274,500
Station Services/Utilities	206,480		206,480
Tax Assessor/Collector Fees	53,515		53,515
Technology and Communications	377,715		377,715
Depreciation		1,031,209	1,031,209
Capital Outlay	3,388,158	(3,018,750)	369,408
Debt Service:			
Capital Lease Principal	220,302	(220,302)	
Capital Lease Interest	10,346	4,882	15,228
Note Principal	968,203	(968,203)	
Note Interest	123,268	21,812	145,080
TOTAL EXPENDITURES/EXPENSES	\$ 15,381,168	\$ (3,341,993)	\$ 12,039,175
EXCESS (DEFICIENCY) OF REVENUES OVER			
EXPENDITURES	\$ (781,769)	\$ 781,769	\$ - 0 -

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, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 1,605,451	\$ (1,605,451)	\$
Note Proceeds	<u>6,900,000</u>	<u>(6,900,000)</u>	<u></u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 8,505,451</u>	<u>\$ (8,505,451)</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 7,723,682	\$ (7,723,682)	\$
CHANGE IN NET POSITION		2,561,042	2,561,042
FUND BALANCE/NET POSITION - JANUARY 1, 2021	<u>7,677,346</u>	<u>8,642,334</u>	<u>16,319,680</u>
FUND BALANCE/NET POSITION - DECEMBER 31, 2021	<u>\$ 15,401,028</u>	<u>\$ 3,479,694</u>	<u>\$ 18,880,722</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, 2021**

Net Change in Fund Balance - Governmental Fund \$ 7,723,682

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. (2,659)

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. 3,477

The changes in the deferred outflows of resources for pensions are recorded as pension expense in the government-wide financial statements. 192,641

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. (1,031,209)

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. 3,018,750

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. 1,188,505

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. (26,694)

Governmental funds report note proceeds and capital lease proceeds as other financing sources. However, in the government-wide financial statements, issued debt is recorded as a liability in the Statement of Net Position. (8,505,451)

Change in Net Position - Governmental Activities \$ 2,561,042

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

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (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 2020 tax levy collections during the period October 1, 2020, to December 31, 2021, and taxes collected from January 1, 2021, to December 31, 2021, for all prior tax levies. The 2021 tax levy has been fully deferred to meet the District’s planned expenditures in the 2022 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, 2021

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 and Note 12 for the District’s pension plans. 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, 2021

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. The District does not have any restricted fund balances.

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 does not have any assigned fund balances.

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, 2021, 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 \$6,950,177 on the adjusted taxable valuation of \$6,950,232,598 for the 2021 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, 2021

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 \$3,831,421 and the bank balance was \$3,861,643. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2021, as listed below:

	<u>Cash</u>
Unrestricted	<u>\$ 3,831,421</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, 2021

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, 2021, the District had the following investment and maturities.

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$ 4,454,180	\$ 4,454,180
Texas CLASS	<u>10,021,104</u>	<u>10,021,104</u>
TOTAL INVESTMENTS	<u><u>\$ 14,475,284</u></u>	<u><u>\$ 14,475,284</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021, the District’s investments in TexPool and Texas CLASS were rated “AAAm” by Standard and Poor’s.

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	January 1, 2021	Increases	Decreases	December 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,500,637	\$ 345,109	\$	\$ 1,845,746
Construction in Progress	<u>1,318,250</u>	<u>3,018,750</u>	<u>858,263</u>	<u>3,478,737</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,818,887</u>	<u>\$ 3,363,859</u>	<u>\$ 858,263</u>	<u>\$ 5,324,483</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 10,748,492	\$	\$	\$ 10,748,492
Vehicles	5,720,758	68,976	56,060	5,733,674
Fire and Rescue Equipment	747,607	13,411		761,018
Office Equipment	422,802			422,802
Communications Equipment	<u>1,069,167</u>	<u>430,767</u>		<u>1,499,934</u>
Total Capital Assets Subject to Depreciation	<u>\$ 18,708,826</u>	<u>\$ 513,154</u>	<u>\$ 56,060</u>	<u>\$ 19,165,920</u>
Less Accumulated Depreciation				
Buildings	\$ 2,441,979	\$ 338,278	\$	\$ 2,780,257
Vehicles	3,328,851	516,998	56,060	3,789,789
Fire and Rescue Equipment	557,332	45,434		602,766
Office Equipment	395,376	19,757		415,133
Communications Equipment	<u>899,387</u>	<u>110,742</u>		<u>1,010,129</u>
Total Accumulated Depreciation	<u>\$ 7,622,925</u>	<u>\$ 1,031,209</u>	<u>\$ 56,060</u>	<u>\$ 8,598,074</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,085,901</u>	<u>\$ (518,055)</u>	<u>\$ - 0 -</u>	<u>\$ 10,567,846</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,904,788</u>	<u>\$ 2,845,804</u>	<u>\$ 858,263</u>	<u>\$ 15,892,329</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%. This note was paid in full during the current fiscal year.

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6. NOTES PAYABLE (Continued)

\$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.

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 December 2, 2029. The interest rate is 2.17%.

On October 1, 2021, the District entered into a \$6,900,000 loan agreement with Government Capital Corporation to fund the construction of a fire station. Annual installments of \$535,390 are due each October 1, beginning October 1, 2022, and ending October 1, 2036. The interest rate is 1.96%.

The following is a summary of transactions regarding notes payable for the year ended December 31, 2021:

Notes Payable, January 1, 2021	\$	4,821,236
Add: Note Proceeds		6,900,000
Less: Note Principal Paid		968,203
Notes Payable, December 31, 2021	\$	10,753,033
Notes Payable:		
Due Within One Year	\$	1,299,227
Due After One Year		9,453,806
Notes Payable, December 31, 2021	\$	10,753,033

As of December 31, 2021, the debt service requirements on the notes payable were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 1,299,227	\$ 232,324	\$ 1,531,551
2023	1,331,165	200,385	1,531,550
2024	1,360,108	167,691	1,527,799
2025	612,122	134,136	746,258
2026	624,594	121,665	746,259
2027-2031	2,999,346	415,450	3,414,796
2032-2036	2,526,471	150,479	2,676,950
	\$ 10,753,033	\$ 1,422,130	\$ 12,175,163

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021. Accumulated amortization/depreciation through December 31, 2021, totaled \$169,082. 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%. This lease was paid in full during the current fiscal year.

On October 15, 2020, the District entered into a \$693,071 Master Equipment Lease Purchase Agreement with Community First National Bank to fund the purchase of a two ambulances with related equipment. Assets under this capital lease total \$693,071 at December 31, 2021. Accumulated amortization/depreciation through December 31, 2021, totaled \$14,621. Annual installments of \$147,324.34 are due each April 1, beginning April 1, 2021, and ending April 1, 2025.

On June 21, 2021, the District entered into a \$1,605,451 Master Tax Exempt Lease Purchase Agreement with U.S. Bank Equipment Finance to fund the purchase of a two firetrucks. Semi-annual installments of \$121,648.56 are due each January 15 and July 15, beginning January 15, 2022, and ending July 15, 2028. As of December 31, 2021, these trucks have not been received.

The following is a summary of transactions regarding the capital lease payable for the year ended December 31, 2021:

Capital Lease Payable, January 1, 2021	\$	774,212
Add: Capital Lease Proceeds		1,605,451
Less: Capital Lease Principal Paid		<u>220,302</u>
Capital Lease Payable, December 31, 2021	\$	<u>2,159,361</u>
Capital Lease Payable:		
Due Within One Year	\$	350,666
Due After One Year		<u>1,808,695</u>
Capital Lease Payable, December 31, 2021	\$	<u>2,159,361</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7. CAPITAL LEASE PAYABLE (Continued)

The following is a schedule of future minimum lease payments under the capital lease as of December 31, 2021.

Fiscal Year	Principal	Interest	Total
2022	\$ 350,666	\$ 39,955	\$ 390,621
2023	359,138	31,483	390,621
2024	366,085	24,536	390,621
2025	373,173	17,448	390,621
2026	233,083	10,214	243,297
2027-2028	477,216	9,378	486,594
	<u>\$ 2,159,361</u>	<u>\$ 133,014</u>	<u>\$ 2,292,375</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 \$4,941,246 in sales tax receipts, of which \$1,038,725 was due from the State Comptroller at December 31, 2021.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 more than 800 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).

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, 2020, 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	44
Active employees	97

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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 6.51% for the months of the 2021 accounting year. The deposit rate payable by the employee members for calendar year 2021 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, 2021, the annual pension cost for the TCDRS plan for its employees was \$371,039; the actual contributions were \$371,039. The employees contributed \$329,471 to the plan for the 2021 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/20
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	20.0 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	7.50%
Projected salary increases ¹	4.60%
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, 2020 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. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice

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.

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. The discount rate used in the previous year was 8.1%.

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

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 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

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 2021 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 based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.25%
Global Equities	2.50%	4.55%
International Equities-Development	5.00%	4.25%
International Equities-Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships (MLPs)	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Private Equity	25.00%	7.25%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2020 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2019	\$ 1,336,979	\$ 1,416,473	\$ (79,494)
Changes for the year:			
Service Costs	546,032		546,032
Interest on the Total Pension Liability	151,554		151,554
Effect of Economic/Demographic Gains or Losses	(17,158)		(17,158)
Effect of Assumptions Changes or Inputs	196,359		196,359
Refund of Contributions	(24,432)	(24,432)	
Administrative Expenses		(1,593)	1,593
Member Contributions		292,725	(292,725)
Net investment income		147,550	(147,550)
Employer Contributions		328,351	(328,351)
Other		17,796	(17,796)
Balances of December 31, 2020	<u>\$ 2,189,334</u>	<u>\$ 2,176,870</u>	<u>\$ 12,464</u>

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$ 2,660,788	\$ 2,189,334	\$ 1,813,445
Fiduciary Net Position	<u>2,176,870</u>	<u>2,176,870</u>	<u>2,176,870</u>
Net Pension Liability/(Asset)	<u>\$ 483,918</u>	<u>\$ 12,464</u>	<u>\$ (363,425)</u>

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 134,213	\$ 151,192
Changes in assumptions	1,490	183,407
Net difference between projected and actual earnings	15,838	
Contributions paid to TCDRS subsequent to the measurement date		371,039
	\$ 151,541	\$ 705,638

\$371,039 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 (i.e. recognized in the District’s financial statements for the year ending December 31, 2022). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ 10,910
2022	10,695
2023	1,923
2024	10,862
2025	12,557
Thereafter	136,111

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 2021 calendar year. The District’s contribution to the GTLF for the year ending December 31, 2021 was \$3,844, which equaled the contractually required contribution.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

As of August 31, 2021, there were 239 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, 2021, 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	5
Active employees	58

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12. PENSION PLAN (TESRS) (Continued)

Funding Policy (Continued)

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, 2021, the Part Two contributions are not required for an adequate contribution arrangement.

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, 2021, the amount of expense recognized by the District for the TESRS plan for provider members was \$41,100. The District's proportionate share of the collective net pension liability was \$91,713 and the District's proportion of the collective pension liability was 0.856% as of the measurement date of August 31, 2021, which is the date of the most recent TESRS Report on Pension Information, a decrease of 0.158% from the prior year. The District has made \$41,100 in contributions on behalf of Provider members as of December 31, 2021, of which \$19,200 was after the measurement date of August 31, 2021. The District has recognized \$20,371 of deferred outflows of resources and deferred inflows of resources of \$89,635.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

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, 2021

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 6,527,908	\$ 6,527,908	\$ 6,383,442	\$ (144,466)
Sales Tax Receipts	3,700,000	3,700,000	4,941,246	1,241,246
EMS Collections	2,000,000	2,000,000	2,165,978	165,978
Penalty and Interest			50,554	50,554
Investment Revenues	50,000	50,000	6,469	(43,531)
Sale of Assets			97,755	97,755
State Deployment Reimbursement		175,000	245,255	70,255
Miscellaneous Revenues	91,800	91,800	708,700	616,900
TOTAL REVENUES	<u>\$ 12,369,708</u>	<u>\$ 12,544,708</u>	<u>\$ 14,599,399</u>	<u>\$ 2,054,691</u>
EXPENDITURES				
Services Operations:				
Administration	\$ 20,500	\$ 20,500	\$ 13,711	\$ 6,789
Apparatus Repair and Maintenance	346,000	346,000	470,452	(124,452)
Accounting and Auditing	30,000	30,000	27,500	2,500
Appraisal District Fees	42,000	42,000	47,153	(5,153)
Collections	138,600	138,600	153,545	(14,945)
Commissioner Fees	9,000	9,000	10,650	(1,650)
Community Outreach	2,000	2,000	5,797	(3,797)
Emergency Management	50,000	50,000	50,706	(706)
Emergency Medical Services	355,820	355,820	490,879	(135,059)
Fire and Rescue	271,000	271,000	394,798	(123,798)
General	444,530	444,730	368,278	76,452
Insurance	250,000	250,000	218,263	31,737
Legal Fees - General	93,000	93,000	72,866	20,134
Legal Fees - Delinquent Tax Collections			12,498	(12,498)
Property Maintenance	232,739	232,739	228,944	3,795
Salaries and Benefits	7,830,418	8,005,418	7,467,141	538,277
Station Services/Utilities	181,479	181,479	206,480	(25,001)
Tax Assessor/Collector Fees			53,515	(53,515)
Technology and Communications	456,048	413,048	377,715	35,333
Capital Outlay	150,000	389,111	3,388,158	(2,999,047)
Debt Service:				
Capital Lease Principal and Interest	232,565	232,565	230,648	1,917
Note Principal and Interest	1,091,471	1,091,471	1,091,471	
TOTAL EXPENDITURES	<u>\$ 12,227,170</u>	<u>\$ 12,598,481</u>	<u>\$ 15,381,168</u>	<u>\$ (2,782,687)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 142,538</u>	<u>\$ (53,773)</u>	<u>\$ (781,769)</u>	<u>\$ (727,996)</u>
OTHER FINANCING SOURCES(USES)				
Capital Lease Proceeds	\$	\$	\$ 1,605,451	\$ 1,605,451
Note Proceeds			6,900,000	6,900,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 8,505,451</u>	<u>\$ 8,505,451</u>
NET CHANGE IN FUND BALANCE	\$ 142,538	\$ (53,773)	\$ 7,723,682	\$ 7,777,455
FUND BALANCE - JANUARY 1, 2021	<u>7,677,346</u>	<u>7,677,346</u>	<u>7,677,346</u>	
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 7,819,884</u>	<u>\$ 7,623,573</u>	<u>\$ 15,401,028</u>	<u>\$ 7,777,455</u>

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, 2021

	<u>Measurement Date December 31, 2020</u>	<u>Measurement Date December 31, 2019</u>
Total Pension Liability		
Service cost	\$ 546,032	\$ 502,173
Interest on total pension liability	151,554	109,550
Effect of plan changes		
Effect of economic/demographic (gains) or losses	(17,158)	(103,610)
Effect of assumptions changes or inputs	196,359	
Benefit payments/refund of contributions	<u>(24,432)</u>	<u>(42,046)</u>
Net change in total pension liability	\$ 852,355	\$ 466,067
Total pension liability, beginning	<u>1,336,979</u>	<u>870,912</u>
Total pension liability, ending (a)	<u>\$ 2,189,334</u>	<u>\$ 1,336,979</u>
Fiduciary Net Position		
Employer contributions	\$ 328,351	\$ 280,976
Member contributions	292,725	249,756
Investment income net of investment expenses	147,550	128,208
Benefit payments/refund of contributions	(24,432)	(42,046)
Administrative expenses	(1,593)	(1,080)
Other	<u>17,796</u>	<u>16,929</u>
Net change in fiduciary net position	\$ 760,397	\$ 632,743
Fiduciary net position, beginning	<u>1,416,473</u>	<u>783,730</u>
Fiduciary net position, ending (b)	<u>\$ 2,176,870</u>	<u>\$ 1,416,473</u>
Net pension liability/(asset), ending = (a) – (b)	<u>\$ 12,464</u>	<u>\$ (79,494)</u>
Fiduciary net position as a % of total pension liability	99.43%	105.95%
Pensionable covered payroll	\$ 4,878,754	\$ 4,162,608
Net pension liability/(asset) as a % of covered payroll	0.26%	(1.91)%

See accompanying independent auditor's report.

Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015
\$ 435,832	\$ 34,516	\$ 33,064	\$ 19,087
62,635	7,451	2,922	704
66,804	58,391		(1,563)
(31,801)	181,827	2,000	1,431
	(1,823)		204
	(769)		
<u>\$ 533,470</u>	<u>\$ 279,593</u>	<u>\$ 37,986</u>	<u>\$ 19,863</u>
<u>337,442</u>	<u>57,849</u>	<u>19,863</u>	<u>-0-</u>
<u>\$ 870,912</u>	<u>\$ 337,442</u>	<u>\$ 57,849</u>	<u>\$ 19,863</u>
\$ 236,550	\$ 81,725	\$ 18,278	\$ 9,798
234,080	138,517	22,155	11,876
(333)	12,990	1,639	(184)
	(769)		
(629)	(200)	(18)	(8)
<u>14,051</u>	<u>2,940</u>	<u>1,273</u>	<u>(1)</u>
<u>\$ 483,719</u>	<u>\$ 235,203</u>	<u>\$ 43,327</u>	<u>\$ 21,481</u>
<u>300,011</u>	<u>64,808</u>	<u>21,481</u>	<u>-0-</u>
<u>\$ 783,730</u>	<u>\$ 300,011</u>	<u>\$ 64,808</u>	<u>\$ 21,481</u>
<u>\$ 87,182</u>	<u>\$ 37,431</u>	<u>\$ (6,959)</u>	<u>\$ (1,618)</u>
89.99%	88.91%	112.03%	108.15%
\$ 3,901,336	\$ 2,308,617	\$ 369,256	\$ 263,912
2.23%	1.62%	(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, 2021

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	\$ 9,798	\$ 9,798	\$ -0-	\$ 197,934	4.9%
2016	\$ 18,278	\$ 18,278	\$ -0-	\$ 369,256	4.9%
2017	\$ 81,725	\$ 81,725	\$ -0-	\$2,308,617	3.5%
2018	\$ 234,470	\$ 236,550	\$ (2,079)	\$3,901,336	6.1%
2019	\$ 280,976	\$ 280,976	\$ -0-	\$4,162,608	6.8%
2020	\$ 328,351	\$ 328,351	\$ -0-	\$4,878,754	6.7%
2021	\$ 371,039	\$ 371,039	\$ -0-	\$5,491,183	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, 2021

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	20.0 years (based on contribution rate calculated in 12/31/20 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	4.6%, average over career including inflation, varies by age and service
Investment Rate of Return	7.50%, 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. 2019: New Inflation, mortality and other 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. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule.

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, 2021

Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability				
Date of Actuarial Valuation	8/31/2021	8/31/2020	8/31/2019	8/31/2018
Harris County ESD No. 46	<u>0.856%</u>	<u>1.014%</u>	<u>1.210%</u>	<u>1.592%</u>
TESRS Net Pension Liability	\$ 10,714,152	\$ 25,210,882	\$ 28,345,563	\$ 21,650,451
proportionate share	\$ 91,713	\$ 255,638	\$ 342,981	\$ 344,675
Nonemployer Contributing Entity's Contributions to TESRS				
Contributions	\$ 41,100	\$ 47,300	\$ 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, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2021
(UNAUDITED)

Long-Term Debt at December 31, 2021	\$ 12,912,394
Less: Amount in Debt Service Fund	<u>-0-</u>
Net Long-Term Debt at December 31, 2021	<u>\$ 12,912,394</u>
Estimated District Population	<u>80,000</u>
Net Long-Term Debt Per Capita at December 31, 2021	<u>\$ 161.40</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, 2021
(UNAUDITED)**

Number of Emergency Responses made Within the District	6,532
Number of Emergency Responses made Outside of the District	<u>609</u>
Total Emergency Responses	<u><u>7,141</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2021

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC EMPLOYEE BLANKET BOND Limit	01/01/21 01/01/22	\$ 100,000	National Union Fire Insurance Company
POSITION SCHEDULE BOND Limit - Treasurer	01/01/21 01/01/22	\$ 100,000	National Union Fire Insurance Company
GENERAL LIABILITY General Aggregate Per Occurrence	01/01/21 01/01/22	\$ 10,000,000 1,000,000	National Union Fire Insurance Company
MANAGEMENT LIABILITY General Aggregate Each Wrongful Act	01/01/21 01/01/22	\$ 10,000,000 1,000,000	National Union Fire Insurance Company
EXCESS LIABILITY General Aggregate Per Occurrence	01/01/21 01/01/22	\$ 4,000,000 2,000,000	National Union Fire Insurance Company
AUTOMOBILE LIABILITY Combined Single Limit	01/01/21 01/01/22	\$ 1,000,000	National Union Fire Insurance Company
PROPERTY COVERAGE Buildings Contents Deductible	01/01/21 01/01/22	\$ 21,223,351 2,016,076 5,000	National Union Fire Insurance Company
WORKERS COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	01/01/21 01/01/22	\$ 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, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021

		Maintenance Taxes
TAXES RECEIVABLE - JANUARY 1, 2021	\$ 4,840,150	
Adjustments to Beginning Balance	(8,116)	\$ 4,832,034
Original 2021 Tax Levy	\$ 6,470,210	
Adjustment to 2021 Tax Levy	479,967	6,950,177
 TOTAL TO BE ACCOUNTED FOR		 \$ 11,782,211
 TAX COLLECTIONS:		
Prior Years	\$ 4,704,460	
Current Year	3,905,886	8,610,346
 TAXES RECEIVABLE - DECEMBER 31, 2021		 \$ 3,171,865
 TAXES RECEIVABLE BY YEAR:		
2021		\$ 3,044,291
2020		37,546
2019		23,214
2018		14,036
2017		12,761
2016		7,921
2015		5,203
2014		4,834
2013		3,890
2012		3,827
2011		5,206
2010		2,192
2009		2,025
2008		943
2007		877
2006		701
2005 and Prior		2,398
 TOTAL		 \$ 3,171,865

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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 6,950,232,598</u>	<u>\$ 6,388,939,589</u>	<u>\$ 5,990,357,027</u>	<u>\$ 5,500,144,539</u>
TAX RATES PER \$100 VALUATION	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
ADJUSTED TAX LEVY*	<u>\$ 6,950,177</u>	<u>\$ 6,388,899</u>	<u>\$ 5,989,618</u>	<u>\$ 5,499,890</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>56.20 %</u>	<u>99.41 %</u>	<u>99.61 %</u>	<u>99.74 %</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		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 6,383,442	\$ 5,947,016	\$ 5,491,814
Sales Tax Receipts	4,941,246	4,108,891	3,442,436
EMS Collections	2,165,978	1,860,569	1,947,477
Penalty and Interest	50,554	43,768	51,313
Investment Revenues	6,469	39,714	133,621
Sale of Assets	97,755	22,393	27,571
State Deployment Reimbursement	245,255	59,799	7,182
Grants, FEMA and Miscellaneous Revenues	708,700	337,322	382,965
TOTAL REVENUES	\$ 14,599,399	\$ 12,419,472	\$ 11,484,379
EXPENDITURES			
Service Operations:			
District Service - Atascocita Volunteer Fire Department			
Operations	\$	\$	\$
Capital Expenditures			
Administration	13,711	11,874	19,780
Apparatus Repair and Maintenance	470,452	463,799	359,014
Accounting and Auditing	27,500	28,300	36,238
Appraisal District Fees	47,153	44,920	41,718
Collections	153,545	137,402	132,633
Commissioner Fees	10,650	15,600	5,400
Community Outreach	5,797	6,913	29,989
Emergency Management	50,706	46,750	38,128
Emergency Medical Services	490,879	436,557	380,692
Fire and Rescue	394,798	199,867	255,302
General	368,278	331,577	303,325
Insurance	218,263	238,523	214,298
Legal Fees - General	72,866	97,857	113,643
Legal Fees - Delinquent Tax Collections	12,498	10,206	11,413
Property Maintenance	228,944	176,623	160,478
Salaries and Benefits	7,467,141	6,814,108	5,558,037
Station Services/Utilities	206,480	207,308	187,535
Tax Assessor/Collector Fees	53,515	17,875	34,810
Technology and Communications	377,715	394,043	408,711
Other			
Capital Outlay	3,388,158	2,980,907	859,909
Debt Service:			
Retirement Buy-Back			
Capital Lease Principal and Interest	230,648	83,294	83,324
Note Principal and Interest	1,091,471	986,116	880,682
TOTAL EXPENDITURES	\$ 15,381,168	\$ 13,730,419	\$ 10,115,059
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (781,769)	\$ (1,310,947)	\$ 1,369,320
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 1,605,451	\$ 693,071	\$
Note Proceeds	6,900,000	1,880,000	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 8,505,451	\$ 2,573,071	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 7,723,682	\$ 1,262,124	\$ 1,369,320
PRIOR PERIOD ADJUSTMENT			
BEGINNING FUND BALANCE	7,677,346	6,415,222	5,045,902
ENDING FUND BALANCE	\$ 15,401,028	\$ 7,677,346	\$ 6,415,222

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 5,323,500	\$ 4,023,014	43.8 %	47.8 %	47.8 %	50.0 %	44.5 %
3,251,446	2,927,400	33.8	33.1	30.0	30.6	32.4
1,709,603	1,794,726	14.8	15.0	17.0	16.1	19.9
37,764	36,711	0.3	0.4	0.4	0.4	0.4
26,965	16,468		0.3	1.2	0.3	0.2
18,902		0.7	0.2	0.2	0.2	
198,511		1.7	0.5	0.1	1.9	
55,541	232,195	4.9	2.7	3.3	0.5	2.6
<u>\$ 10,622,232</u>	<u>\$ 9,030,514</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$	\$ 3,279,240	%	%	%	%	36.3 %
	158,224					1.8
17,040		0.1	0.1	0.2	0.2	
362,188	244,497	3.2	3.7	3.1	3.4	2.7
41,872	50,501	0.2	0.2	0.3	0.4	0.6
42,315	22,431	0.3	0.4	0.4	0.4	0.2
129,170		1.1	1.1	1.2	1.2	
1,650	400	0.1	0.1			
36,717			0.1	0.3	0.3	
13,445		0.3	0.4	0.3	0.1	
403,780		3.4	3.5	3.3	3.8	
226,675		2.7	1.6	2.2	2.1	
283,385		2.5	2.7	2.6	2.7	
237,016		1.5	1.9	1.9	2.2	
94,717	124,325	0.5	0.8	1.0	0.9	1.4
7,579	8,281	0.1	0.1	0.1	0.1	0.1
151,205		1.6	1.4	1.4	1.4	
5,128,562	2,920,802	51.1	54.9	48.4	48.3	32.3
179,203	173,964	1.4	1.7	1.6	1.7	1.9
34,879	33,163	0.4	0.1	0.3	0.3	0.4
406,916		2.6	3.2	3.6	3.8	
	210,504					2.3
656,581	134,574	23.2	24.0	7.5	6.2	1.5
419,957					4.0	
1,290,384	269,297	1.6	0.7	0.8	12.1	3.0
880,682	880,682	7.5	7.9	7.7	8.3	9.8
<u>\$ 11,045,918</u>	<u>\$ 8,510,885</u>	<u>105.4 %</u>	<u>110.6 %</u>	<u>88.2 %</u>	<u>103.9 %</u>	<u>94.3 %</u>
<u>\$ (423,686)</u>	<u>\$ 519,629</u>	<u>(5.4) %</u>	<u>(10.6) %</u>	<u>11.8 %</u>	<u>(3.9) %</u>	<u>5.7 %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (423,686)	\$ 519,629					
(143,207)						
5,612,795	5,093,166					
<u>\$ 5,045,902</u>	<u>\$ 5,612,795</u>					

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2021

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, 2021	Expense Reimbursement for the year ended December 31, 2021	Title
Tom Truver	06/01/18 05/31/22 (Elected)	\$ 2,400	\$ -0-	President
John Coyle	06/01/20 05/31/24 (Elected)	\$ -0-	\$ -0-	Vice President
Buddy Rice	06/01/18 05/31/22 (Elected)	\$ 1,650	\$ -0-	Secretary
John Bollom	06/01/20 05/31/24 (Elected)	\$ 4,200	\$ -0-	Assistant Secretary/ Assistant Treasurer
Ron Clarke	06/01/18 05/31/22 (Elected)	\$ 2,400	\$ -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, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2021*</u>	<u>Title</u>
Coveler & Peeler, P.C.	05/09/01	\$ 72,866	Attorney
McCall Gibson Swedlund Barfoot PLLC	05/02/02	\$ 27,500	Auditor
Linebarger Goggan Blair & Sampson, LLP	05/02/02	\$ 12,498	Delinquent Tax Attorney
Alberta Balderas	07/01/11	\$ -0-	Sales Tax Consultant
Harris County Tax Assessor/Collector	Legislative Action	\$ 53,515	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.

