

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022

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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, 2022, 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, 2022, 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.

Change in Accounting Principle

As described in Note 7 to the financial statements, in the current fiscal year, the District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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.

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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, the Schedule of District Contributions, and the Schedule of Changes in Proportionate Share of Net Pension Liability and Contributions to Texas Emergency Services Retirement System 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.

Supplementary 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

July 17, 2023

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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, 2022.

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, 2022**

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 \$20,449,916 as of December 31, 2022.

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, 2022**

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		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 20,056,582	\$ 23,148,228	\$ (3,091,646)
Capital Assets and Right-of-Use Assets	20,123,162	15,892,329	4,230,833
Total Assets	\$ 40,179,744	\$ 39,040,557	\$ 1,139,187
Deferred Outflows of Resources	\$ 1,048,867	\$ 726,009	\$ 322,858
Long-Term Liabilities	\$ 9,572,653	\$ 11,262,501	\$ 1,689,848
Other Liabilities	2,767,952	2,431,990	(335,962)
Total Liabilities	\$ 12,340,605	\$ 13,694,491	\$ 1,353,886
Deferred Inflows of Resources	\$ 8,438,090	\$ 7,191,353	\$ (1,246,737)
Net Position:			
Net Investment in Capital Assets	\$ 8,860,220	\$ 2,979,935	\$ 5,880,285
Unrestricted	11,589,696	15,900,787	(4,311,091)
Total Net Position	\$ 20,449,916	\$ 18,880,722	\$ 1,569,194

The following table provides a summary of the District's operations for the years ended December 31, 2022, and December 31, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 6,904,362	\$ 6,380,783	\$ 523,579
Sales Tax Receipts	5,241,498	4,941,246	300,252
Charges for Services	2,142,177	2,165,978	(23,801)
Other Revenues	600,720	1,112,210	(511,490)
Total Revenues	\$ 14,888,757	\$ 14,600,217	\$ 288,540
Expenses for Services	13,319,563	12,039,175	(1,280,388)
Change in Net Position	\$ 1,569,194	\$ 2,561,042	\$ (991,848)
Net Position, Beginning of Year	18,880,722	16,319,680	2,561,042
Net Position, End of Year	\$ 20,449,916	\$ 18,880,722	\$ 1,569,194

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2022, was \$10,971,052, a decrease of \$4,429,976 from the prior year. This decrease was primarily due to service operation costs, capital outlay and debt service costs exceeding property tax revenues, sales tax revenues, EMS collections and other revenues in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$1,560,988 more than budgeted revenues. Actual expenditures were \$5,611,786 more than budgeted expenditures primarily due to capital outlay being more than budgeted, which resulted in a negative variance of \$4,050,798. See budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2022, total \$17,956,663 (net of accumulated depreciation) and include land, buildings, vehicles and equipment. During the current fiscal year, the District purchased one ambulance, a fleet generator and fences at Station 19 and Station 39. 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			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,845,746	\$ 1,845,746	\$
Construction in Progress	6,663,927	1,852,074	4,811,853
Capital Assets, Net of Accumulated Depreciation:			
Buildings	7,719,801	7,968,235	(248,434)
Vehicles	1,159,885	1,334,742	(174,857)
Fire and Rescue Equipment	163,516	158,252	5,264
Office Equipment	1,324	7,669	(6,345)
Communications Equipment	402,464	489,805	(87,341)
Total Net Capital Assets	\$ 17,956,663	\$ 13,656,523	\$ 4,300,140

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, 2022**

RIGHT-OF-USE ASSETS

In accordance with the requirements of GASB Statement No. 87, which was required to be implemented in the current fiscal year, the District reclassified certain capital assets to right-of-use assets. Right-of-use assets consisted of two emergency vehicles which totaled \$693,071, had current year amortization expense of \$69,307, and had an accumulated amortization balance of \$153,235 as of December 31, 2022. In addition, \$1,626,663 is recorded as construction in progress related to two fire trucks.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$11,262,942. The changes in the debt position of the District during the fiscal year ended December 31, 2022, are summarized as follows:

Notes Payable, January 1, 2022	\$ 10,753,033
Less: Note Principal Paid	<u>1,298,786</u>
Notes Payable, December 31, 2022	<u><u>\$ 9,454,247</u></u>
Lease Payable, January 1, 2022	\$ 2,159,361
Less: Lease Principal Paid	<u>350,666</u>
Lease Payable, December 31, 2022	<u><u>\$ 1,808,695</u></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, 2022

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 4,896,390	\$	\$ 4,896,390
Investments	9,052,051		9,052,051
Cash with Harris County	1,094,445		1,094,445
Receivables:			
Property Taxes	3,347,714		3,347,714
Sales Tax Receipts	1,080,493		1,080,493
Penalty and Interest on Delinquent Taxes		86,309	86,309
Other	75,572		75,572
Prepaid Costs	120,850		120,850
Inventory	95,734		95,734
Net Pension Asset		207,024	207,024
Land		1,845,746	1,845,746
Construction in Progress		6,663,927	6,663,927
Right-of-Use Assets (Net of Accumulated Amortization)		2,166,499	2,166,499
Capital Assets (Net of Accumulated Depreciation)		9,446,990	9,446,990
TOTAL ASSETS	<u>\$ 19,763,249</u>	<u>\$ 20,416,495</u>	<u>\$ 40,179,744</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	<u>\$ - 0 -</u>	<u>\$ 1,048,867</u>	<u>\$ 1,048,867</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,763,249</u>	<u>\$ 21,465,362</u>	<u>\$ 41,228,611</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, 2022

	General Fund	Adjustments	Statement of Net Position
LIABILITIES			
Accounts Payable	\$ 703,973	\$	\$ 703,973
Accrued Interest Payable		82,376	82,376
Net Pension Liability		291,314	291,314
Lease Payable:			
Due Within One Year		359,138	359,138
Due After One Year		1,449,557	1,449,557
Notes Payable:			
Due Within One Year		1,331,151	1,331,151
Due After One Year		8,123,096	8,123,096
TOTAL LIABILITIES	<u>\$ 703,973</u>	<u>\$ 11,636,632</u>	<u>\$ 12,340,605</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 8,088,224	\$ (142,051)	\$ 7,946,173
Deferred Inflows - Pension		491,917	491,917
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 8,088,224</u>	<u>\$ 349,866</u>	<u>\$ 8,438,090</u>
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 120,850	\$ (120,850)	\$
Inventory	95,734	(95,734)	
Assigned to 2023 Budget	522,022	(522,022)	
Unassigned	10,232,446	(10,232,446)	
TOTAL FUND BALANCE	<u>\$ 10,971,052</u>	<u>\$ (10,971,052)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 19,763,249</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 8,860,220	\$ 8,860,220
Unrestricted		11,589,696	11,589,696
TOTAL NET POSITION		<u>\$ 20,449,916</u>	<u>\$ 20,449,916</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, 2022

Total Fund Balance - Governmental Fund \$ 10,971,052

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

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 20,123,162

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. 472,660

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2021 and prior tax levies became part of recognized revenues in the governmental activities of the District. 228,360

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	\$ (82,376)	
Capital Leases Payable Within One Year	(359,138)	
Capital Leases Payable After One Year	(1,449,557)	
Notes Payable Within One Year	(1,331,151)	
Notes Payable After One Year	<u>(8,123,096)</u>	<u>(11,345,318)</u>

Total Net Position - Governmental Activities \$ 20,449,916

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, 2022

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 6,889,884	\$ 14,478	\$ 6,904,362
Sales Tax Receipts	5,241,498		5,241,498
EMS Collections	2,142,177		2,142,177
Penalty and Interest	36,912	9,253	46,165
Investment Revenues	189,211		189,211
Sale of Assets	87,475	(21,862)	65,613
State Deployment Reimbursement	4,791		4,791
Grants, FEMA and Miscellaneous Revenues	294,940		294,940
TOTAL REVENUES	\$ 14,886,888	\$ 1,869	\$ 14,888,757
EXPENDITURES/EXPENSES			
Service Operations:			
Administration	\$ 13,575	\$	\$ 13,575
Apparatus Repair and Maintenance	565,461		565,461
Accounting and Auditing	31,500		31,500
Appraisal District Fees	51,801		51,801
Collections	150,150		150,150
Commissioner Fees	14,100		14,100
Community Outreach	8,699		8,699
Emergency Management	15,433		15,433
Emergency Medical Services	364,023		364,023
Fire and Rescue	285,076		285,076
General	362,222		362,222
Insurance	263,528		263,528
Legal Fees - General	78,420		78,420
Legal Fees - Delinquent Tax Collections	12,890		12,890
Property Maintenance	291,073		291,073
Salaries and Benefits	8,880,170	(92,004)	8,788,166
Station Services/Utilities	210,633		210,633
Tax Assessor/Collector Fees	35,588		35,588
Technology and Communications	428,918		428,918
Depreciation and Amortization		1,005,648	1,005,648
Capital Outlay	5,332,048	(5,258,343)	73,705
Debt Service:			
Lease Principal	350,666	(350,666)	
Lease Interest	39,955	8,342	48,297
Note Principal	1,298,786	(1,298,786)	
Note Interest	232,149	(11,492)	220,657
TOTAL EXPENDITURES/EXPENSES	\$ 19,316,864	\$ (5,997,301)	\$ 13,319,563
NET CHANGE IN FUND BALANCE	\$ (4,429,976)	\$ 4,429,976	\$
CHANGE IN NET POSITION		1,569,194	1,569,194
FUND BALANCE/NET POSITION -			
JANUARY 1, 2022	<u>15,401,028</u>	<u>3,479,694</u>	<u>18,880,722</u>
FUND BALANCE/NET POSITION -			
DECEMBER 31, 2022	<u>\$ 10,971,052</u>	<u>\$ 9,478,864</u>	<u>\$ 20,449,916</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, 2022**

Net Change in Fund Balance - Governmental Fund \$ (4,429,976)

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. 14,478

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. 9,253

The changes in the deferred outflows of resources for pensions are recorded as pension expense in the government-wide financial statements. 92,004

Governmental funds do not account for depreciation and amortization. However, in the government-wide financial statements, capital assets are depreciated and right-of-use assets are amortized and the expense is recorded in the Statement of Activities. (1,005,648)

Governmental funds report only the proceeds received from the sale of an asset. However, in the government-wide financial statements, the sale and disposal of an asset are reported. The book value of the asset, accumulated depreciation and proceeds received, if any, are netted together and the difference is reported as a gain or loss. (21,862)

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. 5,258,343

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. 1,649,452

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. 3,150

Change in Net Position - Governmental Activities \$ 1,569,194

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, 2022

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, 2022

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, 2022

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, EMS collections, 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 2021 tax levy collections during the period October 1, 2021, to December 31, 2022 and taxes collected from January 1, 2022, to December 31, 2022, for all prior tax levies. The 2022 tax levy has been fully deferred to meet the District’s planned expenditures in the 2023 fiscal year.

Capital Assets and Right-of-Use 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, 2022

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

In accordance with GASB Statement No. 87, at December 31, 2022, the District recorded two vehicles as right-to-use assets (see Note 7). The right-to-use assets are being amortized over the estimated useful life using the straight-line method of amortization.

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 not 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 appropriate 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, 2022

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 has assigned \$522,022 of its fund balance to offset a 2023 budget deficit.

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, 2022, 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 \$7,946,173 on the adjusted taxable valuation of \$7,946,204,298 for the 2022 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, 2022

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 \$4,896,390 and the bank balance was \$5,157,247. 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, 2022, as listed below:

	<u>Cash</u>
Unrestricted	<u>\$ 4,896,390</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, 2022

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. UMB 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, 2022, 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	\$ 5,540,586	\$ 5,540,586
Texas CLASS	3,511,465	3,511,465
TOTAL INVESTMENTS	\$ 9,052,051	\$ 9,052,051

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2022, 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, 2022

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	January 1, 2022	Increases	Decreases	December 31, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,845,746	\$	\$	\$ 1,845,746
Construction in Progress	<u>1,852,074</u>	<u>5,258,343</u>	<u>446,490</u>	<u>6,663,927</u>
Total Capital Assets Not Being Depreciated	<u>\$ 3,697,820</u>	<u>\$ 5,258,343</u>	<u>\$ 446,490</u>	<u>\$ 8,509,673</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 10,748,492	\$ 82,695	\$	\$ 10,831,187
Vehicles	5,040,603	307,207	65,622	5,282,188
Fire and Rescue Equipment	761,018	56,588		817,606
Office Equipment	422,802			422,802
Communications Equipment	<u>1,499,934</u>			<u>1,499,934</u>
Total Capital Assets Subject to Depreciation	<u>\$ 18,472,849</u>	<u>\$ 446,490</u>	<u>\$ 65,622</u>	<u>\$ 18,853,717</u>
Less Accumulated Depreciation				
Buildings	\$ 2,780,257	\$ 331,129	\$	\$ 3,111,386
Vehicles	3,705,861	460,202	43,760	4,122,303
Fire and Rescue Equipment	602,766	51,324		654,090
Office Equipment	415,133	6,345		421,478
Communications Equipment	<u>1,010,129</u>	<u>87,341</u>		<u>1,097,470</u>
Total Accumulated Depreciation	<u>\$ 8,514,146</u>	<u>\$ 936,341</u>	<u>\$ 43,760</u>	<u>\$ 9,406,727</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,958,703</u>	<u>\$ (489,851)</u>	<u>\$ 21,862</u>	<u>\$ 9,446,990</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,656,523</u>	<u>\$ 4,768,492</u>	<u>\$ 468,352</u>	<u>\$ 17,956,663</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 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, 2022

NOTE 6. NOTES PAYABLE (Continued)

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, 2022:

Notes Payable, January 1, 2022	\$	10,753,033
Less: Note Principal Paid		1,298,786
Notes Payable, December 31, 2022	\$	9,454,247
Notes Payable:		
Due Within One Year	\$	1,331,151
Due After One Year		8,123,096
Notes Payable, December 31, 2022	\$	9,454,247

As of December 31, 2022, the debt service requirements on the notes payable were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 1,331,151	\$ 200,400	\$ 1,531,551
2024	1,360,563	167,251	1,527,814
2025	612,122	134,136	746,258
2026	624,594	121,665	746,259
2027	637,322	108,937	746,259
2028-2032	2,847,895	356,032	3,203,927
2033-2036	2,040,600	100,960	2,141,560
	\$ 9,454,247	\$ 1,189,381	\$ 10,643,628

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7. EQUIPMENT LEASE PAYABLE

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 lease total \$693,071 at December 31, 2022. Accumulated amortization through December 31, 2022, totaled \$153,235. 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, 2022, these trucks have not been received.

In accordance with the requirements of GASB Statement No. 87, which was required to be implemented in the current fiscal year, the District reclassified the two remaining lease related capital assets above to right-of-use assets. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	January 1, 2022	Increases	Decreases	December 31, 2022
Righ-of-Use Assets Not Being Depreciated				
Construction in Progress	\$ 1,626,663	\$ - 0 -	\$ - 0 -	\$ 1,626,663
Right-of-Use Asset Subject to Amortization				
Vehicles	\$ 693,071	\$ - 0 -	\$ - 0 -	\$ 693,071
Less Accumulated Amortization				
Vehicles	\$ 83,928	\$ 69,307	\$ - 0 -	\$ 153,235
Total Amortizable Right-of-Use Assets, Net of Accumulated Amortization	<u>\$ 609,143</u>	<u>\$ (69,307)</u>	<u>\$ - 0 -</u>	<u>\$ 539,836</u>
Total Right-of-Use Asset, Net of Accumulated Amortization	<u>\$ 2,235,806</u>	<u>\$ (69,307)</u>	<u>\$ - 0 -</u>	<u>\$ 2,166,499</u>

The following is a summary of transactions regarding the lease payable for the year ended December 31, 2022:

Lease Payable, January 1, 2022	\$ 2,159,361
Less: Lease Principal Paid	<u>350,666</u>
Lease Payable, December 31, 2022	<u>\$ 1,808,695</u>
Lease Payable:	
Due Within One Year	\$ 359,138
Due After One Year	<u>1,449,557</u>
Lease Payable, December 31, 2022	<u>\$ 1,808,695</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7. EQUIPMENT LEASE PAYABLE (Continued)

The following is a schedule of future minimum lease payments under the lease as of December 31, 2022.

Fiscal Year	Principal	Interest	Total
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	236,746	6,551	243,297
2028	240,470	2,827	243,297
	<u>\$ 1,808,695</u>	<u>\$ 93,059</u>	<u>\$ 1,901,754</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 \$5,241,498 in sales tax receipts, of which \$1,080,493 was due from the State Comptroller at December 31, 2022.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2021, 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	50
Active employees	102

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

actuarially determined rate of 7.41% for the months of the 2022 accounting year. The deposit rate payable by the employee members for calendar year 2022 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, 2022, the annual pension cost for the TCDRS plan for its employees was \$598,276; the actual contributions were \$598,276. The employees contributed \$382,696 to the plan for the 2022 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/21
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	18.3 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	7.50%
Projected salary increases ¹	4.70%
Inflation	2.50%
Cost-of-living adjustments	0.00%

¹ Includes inflation at the stated rate

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2021. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

Depositing members – 135% of the PUB-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the PUB-2010 General Employees Amount-Weighted Mortality Table for females with 100% of the MP-2021 Ultimate Scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of the PUB-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the PUB-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees – 160% of the PUB-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the PUB-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010.

Discount Rate

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

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, 2022

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 2022 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, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities-Development	5.00%	3.80%
International Equities-Emerging	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2021 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2020	\$ 2,189,334	\$ 2,176,870	\$ 12,464
Changes for the year:			
Service Costs	704,720		704,720
Interest on total pension liability	218,982		218,982
Effect of plan changes	195,387		195,387
Effect of economic/demographic gains or losses	(66,241)		(66,241)
Effect of assumption changes or inputs	2,827		2,827
Refund of contributions	(25,893)	(25,893)	
Benefit payments			
Administrative Expense		(1,854)	1,854
Member contributions		329,471	(329,471)
Net investment income		555,803	(555,803)
Employer contributions		372,004	(372,004)
Other		19,739	(19,739)
Balances of December 31, 2021	<u>\$ 3,219,116</u>	<u>\$ 3,426,140</u>	<u>\$ (207,024)</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	\$ 3,968,744	\$ 3,219,116	\$ 2,629,378
Fiduciary Net Position	<u>3,426,140</u>	<u>3,426,140</u>	<u>3,426,140</u>
Net Pension Liability/(Asset)	<u>\$ 542,604</u>	<u>\$ (207,024)</u>	<u>\$ (796,762)</u>

As of December 31, 2022, the deferred inflows and outflows of resources are as follows:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 183,261	\$ 142,741
Changes in assumptions	1,407	172,779
Net difference between projected and actual earnings	305,784	
Contributions paid to TCDRS subsequent to the measurement date		598,276
	\$ 490,452	\$ 913,796

\$598,276 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, 2022 (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:	
2022	\$ (70,130)
2023	(78,902)
2024	(69,963)
2025	(68,269)
2026	4,630
Thereafter	107,702

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 2022 calendar year. The District’s contribution to the GTLF for the year ending December 31, 2022 was \$4,413, which equaled the contractually required contribution.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, 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, 2022, 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	57

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, 2022

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, 2022, 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, 2022, the amount of expense recognized by the District for the TESRS plan for provider members was \$34,550. The District's proportionate share of the collective net pension liability was \$291,314 and the District's proportion of the collective pension liability was 0.710% as of the measurement date of August 31, 2022, which is the date of the most recent TESRS Report on Pension Information, a decrease of 0.146% from the prior year. The District has made \$34,550 in contributions on behalf of Provider members as of December 31, 2022, of which \$18,000 was after the measurement date of August 31, 2022. The District has recognized \$135,071 of deferred outflows of resources and deferred inflows of resources of \$1,465.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

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, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 6,900,000	\$ 6,889,884	\$ (10,116)
Sales Tax Receipts	4,100,000	5,241,498	1,141,498
EMS Collections	2,000,000	2,142,177	142,177
Penalty and Interest		36,912	36,912
Investment Revenues	15,000	189,211	174,211
Sale of Assets		87,475	87,475
State Deployment Reimbursement	30,000	4,791	(25,209)
Miscellaneous Revenues	280,900	294,940	14,040
TOTAL REVENUES	\$ 13,325,900	\$ 14,886,888	\$ 1,560,988
EXPENDITURES			
Services Operations:			
Administration	\$ 22,000	\$ 13,575	\$ 8,425
Apparatus Repair and Maintenance	376,300	565,461	(189,161)
Accounting and Auditing	30,000	31,500	(1,500)
Appraisal District Fees	50,000	51,801	(1,801)
Collections	138,600	150,150	(11,550)
Commissioner Fees	9,000	14,100	(5,100)
Community Outreach	2,000	8,699	(6,699)
Emergency Management	60,000	15,433	44,567
Emergency Medical Services	442,300	364,023	78,277
Fire and Rescue	302,800	285,076	17,724
General	748,405	362,222	386,183
Insurance	250,000	263,528	(13,528)
Legal Fees - General	105,000	78,420	26,580
Legal Fees - Delinquent Tax Collections		12,890	(12,890)
Property Maintenance	172,239	291,073	(118,834)
Salaries and Benefits	8,717,548	8,880,170	(162,622)
Station Services/Utilities	202,865	210,633	(7,768)
Tax Assessor/Collector Fees		35,588	(35,588)
Technology and Communications	416,467	428,918	(12,451)
Capital Outlay	271,069	5,332,048	(5,060,979)
Debt Service:			
Lease Principal and Interest	392,324	390,621	1,703
Note Principal and Interest	996,161	1,530,935	(534,774)
TOTAL EXPENDITURES	\$ 13,705,078	\$ 19,316,864	\$ (5,611,786)
NET CHANGE IN FUND BALANCE	\$ (379,178)	\$ (4,429,976)	\$ (4,050,798)
FUND BALANCE - JANUARY 1, 2022	15,401,028	15,401,028	
FUND BALANCE - DECEMBER 31, 2022	\$ 15,021,850	\$ 10,971,052	\$ (4,050,798)

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, 2022

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Total Pension Liability			
Service Cost	\$ 704,720	\$ 546,032	\$ 502,173
Interest (on the Total Pension Liability)	218,982	151,554	109,550
Effect on plan changes	195,387		
Changes of assumptions	2,827	196,359	
Effect of economic/demographic gains or losses	(66,241)	(17,158)	(103,610)
Benefit payments, including refunds of employee contributions	<u>(25,893)</u>	<u>(24,432)</u>	<u>(42,046)</u>
Net change in total pension liability	\$ 1,029,782	\$ 852,355	\$ 466,067
Total pension liability, beginning	<u>2,189,334</u>	<u>1,336,979</u>	<u>870,912</u>
Total pension liability, ending (a)	<u>\$ 3,219,116</u>	<u>\$ 2,189,334</u>	<u>\$ 1,336,979</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 372,004	\$ 328,351	\$ 280,976
Contributions - employee	329,471	292,725	249,756
Net investment income	555,803	147,550	128,208
Benefit payments, including refunds of employee contributions	(25,893)	(24,432)	(42,046)
Administrative Expense	(1,854)	(1,593)	(1,080)
Other	<u>19,739</u>	<u>17,796</u>	<u>16,929</u>
Net Change in plan fiduciary net position	\$ 1,249,270	\$ 760,397	\$ 632,743
Plan Fiduciary net position, beginning	<u>2,176,870</u>	<u>1,416,473</u>	<u>783,730</u>
Plan Fiduciary net position, ending (b)	<u>\$ 3,426,140</u>	<u>\$ 2,176,870</u>	<u>\$ 1,416,473</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ (207,024)</u>	<u>\$ 12,464</u>	<u>\$ (79,494)</u>
Plan fiduciary net position as a percentage of the total pension liability	106.43%	99.43%	105.95%
Covered-employee payroll	\$ 5,491,187	\$ 4,878,754	\$ 4,162,608
Net pension liability as a percentage of covered employee payroll	(3.77)%	0.26%	(1.91)%

See accompanying independent auditor's report.

Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
\$ 435,832	\$ 34,516	\$ 33,064	\$ 19,087
62,635	7,451	2,922	704
66,804	58,391		(1,563)
	(1,823)		204
(31,801)	181,827	2,000	1,431
	(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>\$ 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>
\$ 483,719	\$ 235,203	\$ 43,327	\$ 21,481
<u>300,011</u>	<u>64,808</u>	<u>21,481</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, 2022

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	\$ 357,476	\$ 372,004	\$ (14,528)	\$5,491,187	6.7%
2022	\$ 598,276	\$ 598,276	\$ -0-	\$6,378,273	5.8%

⁽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, 2022

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	18.3 years (based on contribution rate calculated in 12/31/21 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	4.7%, 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	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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, 2020, 2021: 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, 2022

Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability					
Date of Actuarial Valuation	8/31/2022	8/31/2021	8/31/2020	8/31/2019	8/31/2018
Harris County ESD No. 46	<u>0.710%</u>	<u>0.856%</u>	<u>1.014%</u>	<u>1.210%</u>	<u>1.592%</u>
TESRS Net Pension Liability	\$ 41,030,076	\$ 10,714,152	\$ 25,210,882	\$ 28,345,563	\$ 21,650,451
proportionate share	\$ 291,314	\$ 91,713	\$ 255,638	\$ 342,981	\$ 344,675
Nonemployer Contributing Entity's Contributions to TESRS					
Contributions	\$ 34,550	\$ 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, 2022

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2022
(UNAUDITED)

Long-Term Debt at December 31, 2022	\$ 11,262,942
Less: Amount in Debt Service Fund	<u>-0-</u>
Net Long-Term Debt at December 31, 2022	<u>\$ 11,262,942</u>
Estimated District Population	<u>80,000</u>
Net Long-Term Debt Per Capita at December 31, 2022	<u>\$ 140.78</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, 2022
(UNAUDITED)

Number of Emergency Responses made Within the District	5,985
Number of Emergency Responses made Outside of the District	<u>531</u>
Total Emergency Responses	<u><u>6,516</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2022

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC EMPLOYEE BLANKET BOND Limit	01/01/22 01/01/23	\$ 100,000	National Union Fire Insurance Company
POSITION SCHEDULE BOND Limit - Treasurer	01/01/22 01/01/23	\$ 100,000	National Union Fire Insurance Company
GENERAL LIABILITY General Aggregate Per Occurrence	01/01/22 01/01/23	\$ 10,000,000 1,000,000	National Union Fire Insurance Company
MANAGEMENT LIABILITY General Aggregate Each Wrongful Act	01/01/22 01/01/23	\$ 10,000,000 1,000,000	National Union Fire Insurance Company
EXCESS LIABILITY General Aggregate Per Occurrence	01/01/22 01/01/23	\$ 4,000,000 2,000,000	National Union Fire Insurance Company
AUTOMOBILE LIABILITY Combined Single Limit	01/01/22 01/01/23	\$ 1,000,000	National Union Fire Insurance Company
PROPERTY COVERAGE Buildings Contents Deductible	01/01/22 01/01/23	\$ 22,072,285 1,995,084 5,000	National Union Fire Insurance Company
WORKERS COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	01/01/22 01/01/23	\$ 1,000,000 1,000,000 1,000,000	Bench Mark Insurance Company
PORTABLE EQUIPMENT Limit	01/01/22 01/01/23	Guaranteed Replacement Costs	National Union Fire Insurance Company

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Maintenance Taxes	
TAXES RECEIVABLE - JANUARY 1, 2022	\$ 3,171,865	
Adjustments to Beginning Balance	(45,815)	\$ 3,126,050
Original 2022 Tax Levy	\$ 7,510,124	
Adjustment to 2022 Tax Levy	436,049	7,946,173
 TOTAL TO BE ACCOUNTED FOR		 \$ 11,072,223
 TAX COLLECTIONS:		
Prior Years	\$ 2,983,999	
Current Year	4,740,510	7,724,509
 TAXES RECEIVABLE - DECEMBER 31, 2022		 \$ 3,347,714
 TAXES RECEIVABLE BY YEAR:		
2022		\$ 3,205,663
2021		40,647
2020		23,968
2019		17,952
2018		11,925
2017		11,698
2016		7,619
2015		4,863
2014		4,721
2013		3,831
2012		3,803
2011		2,553
2010		2,010
2009		1,968
2008		922
2007		858
2006 and Prior		2,713
 TOTAL		 \$ 3,347,714

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, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 7,946,204,298</u>	<u>\$ 6,950,232,598</u>	<u>\$ 6,388,939,589</u>	<u>\$ 5,990,357,027</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>\$ 7,946,173</u>	<u>\$ 6,950,177</u>	<u>\$ 6,388,899</u>	<u>\$ 5,989,618</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>59.66 %</u>	<u>99.42 %</u>	<u>99.62 %</u>	<u>99.70 %</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		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 6,889,884	\$ 6,383,442	\$ 5,947,016
Sales Tax Receipts	5,241,498	4,941,246	4,108,891
EMS Collections	2,142,177	2,165,978	1,860,569
Penalty and Interest	36,912	50,554	43,768
Investment Revenues	189,211	6,469	39,714
Sale of Assets	87,475	97,755	22,393
State Deployment Reimbursement	4,791	245,255	59,799
Grants, FEMA and Miscellaneous Revenues	294,940	708,700	337,322
TOTAL REVENUES	\$ 14,886,888	\$ 14,599,399	\$ 12,419,472
EXPENDITURES			
Service Operations:			
Administration	\$ 13,575	\$ 13,711	\$ 11,874
Apparatus Repair and Maintenance	565,461	470,452	463,799
Accounting and Auditing	31,500	27,500	28,300
Appraisal District Fees	51,801	47,153	44,920
Collections	150,150	153,545	137,402
Commissioner Fees	14,100	10,650	15,600
Community Outreach	8,699	5,797	6,913
Emergency Management	15,433	50,706	46,750
Emergency Medical Services	364,023	490,879	436,557
Fire and Rescue	285,076	394,798	199,867
General	362,222	368,278	331,577
Insurance	263,528	218,263	238,523
Legal Fees - General	78,420	72,866	97,857
Legal Fees - Delinquent Tax Collections	12,890	12,498	10,206
Property Maintenance	291,073	228,944	176,623
Salaries and Benefits	8,880,170	7,467,141	6,814,108
Station Services/Utilities	210,633	206,480	207,308
Tax Assessor/Collector Fees	35,588	53,515	17,875
Technology and Communications	428,918	377,715	394,043
Other			
Capital Outlay	5,332,048	3,388,158	2,980,907
Debt Service:			
Retirement Buy-Back			
Lease Principal and Interest	390,621	230,648	83,294
Note Principal and Interest	1,530,935	1,091,471	986,116
TOTAL EXPENDITURES	\$ 19,316,864	\$ 15,381,168	\$ 13,730,419
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (4,429,976)	\$ (781,769)	\$ (1,310,947)
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)	\$ - 0 -	\$ 8,505,451	\$ 2,573,071
NET CHANGE IN FUND BALANCE	\$ (4,429,976)	\$ 7,723,682	\$ 1,262,124
PRIOR PERIOD ADJUSTMENT			
BEGINNING FUND BALANCE	15,401,028	7,677,346	6,415,222
ENDING FUND BALANCE	\$ 10,971,052	\$ 15,401,028	\$ 7,677,346

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 5,491,814	\$ 5,323,500	46.3 %	43.8 %	47.8 %	47.8 %	50.0 %
3,442,436	3,251,446	35.2	33.8	33.1	30.0	30.6
1,947,477	1,709,603	14.4	14.8	15.0	17.0	16.1
51,313	37,764	0.2	0.3	0.4	0.4	0.4
133,621	26,965	1.3		0.3	1.2	0.3
27,571	18,902	0.6	0.7	0.2	0.2	0.2
7,182	198,511		1.7	0.5	0.1	1.9
382,965	55,541	2.0	4.9	2.7	3.3	0.5
<u>\$ 11,484,379</u>	<u>\$ 10,622,232</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 19,780	\$ 17,040	0.1 %	0.1 %	0.1 %	0.2 %	0.2 %
359,014	362,188	3.8	3.2	3.7	3.1	3.4
36,238	41,872	0.2	0.2	0.2	0.3	0.4
41,718	42,315	0.3	0.3	0.4	0.4	0.4
132,633	129,170	1.0	1.1	1.1	1.2	1.2
5,400	1,650	0.1	0.1	0.1		
29,989	36,717	0.1		0.1	0.3	0.3
38,128	13,445	0.1	0.3	0.4	0.3	0.1
380,692	403,780	2.4	3.4	3.5	3.3	3.8
255,302	226,675	1.9	2.7	1.6	2.2	2.1
303,325	283,385	2.4	2.5	2.7	2.6	2.7
214,298	237,016	1.8	1.5	1.9	1.9	2.2
113,643	94,717	0.5	0.5	0.8	1.0	0.9
11,413	7,579	0.1	0.1	0.1	0.1	0.1
160,478	151,205	2.0	1.6	1.4	1.4	1.4
5,558,037	5,128,562	59.7	51.1	54.9	48.4	48.3
187,535	179,203	1.4	1.4	1.7	1.6	1.7
34,810	34,879	0.2	0.4	0.1	0.3	0.3
408,711	406,916	2.9	2.6	3.2	3.6	3.8
859,909	656,581	35.8	23.2	24.0	7.5	6.2
	419,957					4.0
83,324	1,290,384	2.6	1.6	0.7	0.8	12.1
880,682	880,682	10.3	7.5	7.9	7.7	8.3
<u>\$ 10,115,059</u>	<u>\$ 11,045,918</u>	<u>129.7 %</u>	<u>105.4 %</u>	<u>110.6 %</u>	<u>88.2 %</u>	<u>103.9 %</u>
<u>\$ 1,369,320</u>	<u>\$ (423,686)</u>	<u>(29.7) %</u>	<u>(5.4) %</u>	<u>(10.6) %</u>	<u>11.8 %</u>	<u>(3.9) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 1,369,320	\$ (423,686)					
	\$ (143,207)					
5,045,902	5,612,795					
<u>\$ 6,415,222</u>	<u>\$ 5,045,902</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2022**

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, 2022	Expense Reimbursement for the year ended December 31, 2022	Title
Tom Truver	06/01/22 05/31/26 (Elected)	\$ 2,700	\$ -0-	President
Buddy Rice	06/01/22 05/31/26 (Elected)	\$ 2,100	\$ -0-	Vice President
John Bollom	06/01/20 05/31/24 (Elected)	\$ 7,500	\$ -0-	Secretary
Ron Clarke	03/01/22 05/31/24 (Appointed)	\$ 1,800	\$ -0-	Treasurer
James Cone	06/01/22 05/31/26 (Elected)	\$ -0-	\$ -0-	Assistant Secretary/ Treasurer

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, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2022*</u>	<u>Title</u>
Coveler & Peeler, P.C.	05/09/01	\$ 78,420	Attorney
McCall Gibson Swedlund Barfoot PLLC	05/02/02	\$ 28,500	Auditor
Linebarger Goggan Blair & Sampson, LLP	05/02/02	\$ 12,890	Delinquent Tax Attorney
Alberta Balderas	07/01/11	\$ 19,500	Sales Tax Consultant
Harris County Tax Assessor/Collector	Legislative Action	\$ 35,588	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.

