
HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2018

BREEDLOVE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

July 16, 2019

Board of Commissioners
Harris County Emergency Services District No. 48
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 48, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Harris County Emergency Services District No. 48, as of December 31, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and retirement plan information on pages 3 through 6 and 23 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harris County Emergency Service District No. 48's financial statements as a whole. The Supplementary Information on pages 27 to 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information was the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole

Breallone & Co., P.C.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2018

Our discussion and analysis of the financial performance of Harris County Emergency Services District No. 48 (the "District") provides an overview of the District's financial activities for the year ended December 31, 2018. Please read it in conjunction with the District's financial statements, included in this annual report.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include (1) combined fund financial statements and government-wide financial statements, and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine (1) the Statement of Net Position and Governmental Fund Balance Sheet, and (2) the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance. This report also includes other supplemental information in addition to these 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 portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide financial statements is the Statement of Net Position. This statement is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

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 exceeded liabilities by \$24,030,859 as of December 31, 2018.

With the implementation of Government Accounting Standards Board (GASB) Statement No. 34, the District is presenting comparable prior-year columns in the various comparisons and analyses.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

MANAGEMENT'S DISCUSSION & ANALYSIS
 DECEMBER 31, 2018
 (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 16 762 029	\$ 16 373 267
Capital assets	<u>22 206 304</u>	<u>20 909 500</u>
Total assets	<u>\$ 38 968 333</u>	<u>\$ 37 282 767</u>
Deferred outflows of resources	<u>\$ 182 015</u>	<u>\$ 60 836</u>
Current liabilities	\$ 2 063 552	\$ 1 622 582
Long term liabilities	<u>13 054 141</u>	<u>14 346 372</u>
Total liabilities	<u>\$ 15 117 693</u>	<u>\$ 15 968 954</u>
Deferred inflows of resources	<u>\$ 1 796</u>	<u>\$ 10 202</u>
Net position:		
Net investment in capital assets	\$ 7 859 930	\$ 5 311 775
Unrestricted	<u>16 170 929</u>	<u>16 052 672</u>
Total net position	<u>\$ 24 030 859</u>	<u>\$ 21 364 447</u>

The following table provides a summary of the District's operations for the year ended December 31, 2018. The District increased its net position by \$2,666,412.

Summary of Changes in Net Position

	<u>2018</u>	<u>2017</u>
Revenues:		
Property taxes	\$ 11 850 366	\$ 11 492 562
Sales taxes	4 069 093	3 166 886
Other revenues	<u>2 394 857</u>	<u>2 793 175</u>
Total revenues	<u>18 314 316</u>	<u>17 452 623</u>
Operating expenses	14 190 914	12 324 383
Interest expense	507 173	481 616
Depreciation	<u>949 817</u>	<u>1 184 191</u>
Total expenses	<u>15 647 904</u>	<u>13 990 190</u>
Change in net position	2 666 412	3 462 433
Net position, beginning of period	21 364 447	17 786 192
Contribution of capital assets	<u>-</u>	<u>115 822</u>
Net position, end of period	<u>\$ 24 030 859</u>	<u>\$ 21 364 447</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2018

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2018 was \$9,728,779.

The General Fund balance decreased by \$330,128, primarily due to increased expenses from capital outlay, maintenance and repair and payroll expenses.

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 property and sales tax revenues, costs, general expenditures, and resources not accounted for in another fund.

Governmental funds are reported in each of the financial statements. The focus in the fund 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 adjustment column and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance 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 basic financial statements provide information essential to a full understanding of government-wide and fund financial statements. The notes to the financial statements follow the financial statements in this annual report.

OTHER INFORMATION

In addition to the basic 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the fiscal year 2018. Actual excess revenues were \$1,576,096 less than the budgeted excess revenues due to more than expected capital outlay, rent and payroll expenses.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2018 (Continued)

CAPITAL ASSETS AND RELATED DEBT

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below.

	<u>2018</u>	<u>2017</u>
Land	\$ 3 173 892	\$ 1 393 574
Construction in progress	706 994	637 402
Capital assets, net of depreciation	<u>18 325 418</u>	<u>18 878 524</u>
Total capital assets	<u><u>\$22 206 304</u></u>	<u><u>\$20 909 500</u></u>

Construction in progress includes cost of site preparation and land improvements incurred in prior years, plus costs of constructing a new fire station.

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2018 are summarized as follows:

Long term debt, beginning of year	\$15 597 725
Proceeds	-
Retirements of principal	<u>(1 251 351)</u>
Long term debt, end of year	<u><u>\$14 346 374</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ira Coveler, Coveler & Peeler, P.C., *Attorneys at Law*, Two Memorial City Plaza, 820 Gessner, Suite 1710, Houston, Texas 77024-8261.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3 859 217	\$ -	\$ 3 859 217
Temporary Investments	4 580 945	-	4 580 945
Cash on Hand with Tax Assessor	1 680 927	-	1 680 927
Property Taxes Receivable	6 556 291	-	6 556 291
Other Receivable	4 046	-	4 046
Prepaid Expenses	80 603	-	80 603
Capital Assets			
Land	-	3 173 892	3 173 892
Construction in Progress	-	706 994	706 994
Capital Assets, Net of Accumulated Depreciation of \$7,604,531	-	18 325 418	18 325 418
Total Assets	<u>16 762 029</u>	<u>22 206 304</u>	<u>38 968 333</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources	<u>182 015</u>	-	<u>182 015</u>
Total Deferred Outflows of Resources	<u>182 015</u>	-	<u>182 015</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16 944 044</u>	<u>\$ 22 206 304</u>	<u>\$ 39 150 348</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$ 172 616	\$ 114 141	\$ 286 757
Retirement Plan Payable	65 517	-	65 517
Net Pension Liability	419 045	-	419 045
Long Term Liabilities			
Due within One Year	-	1 292 233	1 292 233
Due after One Year	-	13 054 141	13 054 141
Total Liabilities	<u>657 178</u>	<u>14 460 515</u>	<u>15 117 693</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources	1 796	-	1 796
Unavailable Tax Revenue	<u>6 556 291</u>	<u>(6 556 291)</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>6 558 087</u>	<u>(6 556 291)</u>	<u>1 796</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance			
Unassigned Fund Balance	<u>9 728 779</u>	<u>(9 728 779)</u>	<u>-</u>
Total Fund Balance	<u>9 728 779</u>	<u>(9 728 779)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 16 944 044</u>		
Net Position			
Net Investment in Capital Assets		7 859 930	7 859 930
Unrestricted		<u>16 170 929</u>	<u>16 170 929</u>
Total Net Position		<u>24 030 859</u>	<u>24 030 859</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 22 206 304</u>	<u>\$ 39 150 348</u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 11 416 911	\$ 433 455	\$ 11 850 366
Contract Payments	252 000	-	252 000
Sales Taxes	4 069 093	-	4 069 093
Penalty and Interest on Property Taxes	121 572	-	121 572
Patient Revenue	1 761 610	-	1 761 610
Interest Earned on Temporary Investments	146 047	-	146 047
Donation	81 795	-	81 795
Gain on Sale of Property	351	-	351
Miscellaneous	31 482	-	31 482
Total Revenues	<u>17 880 861</u>	<u>433 455</u>	<u>18 314 316</u>
Expenditures/Expenses			
Service Operations			
Accounting	42 238	-	42 238
Appraisal District Fees	93 210	-	93 210
Collection Fees	48 947	-	48 947
Communication	174 140	-	174 140
Election	34 198	-	34 198
Employee Benefits	767 585	-	767 585
Insurance	184 242	-	184 242
IT Infrastructure and Support	442 134	-	442 134
Maintenance and Repair	1 071 574	-	1 071 574
Miscellaneous	90 196	-	90 196
Medical Billing and Other Contracts	125 178	-	125 178
Medical Supplies	388 252	-	388 252
Notice, Publication, and Filing Fees	3 803	-	3 803
Professional Fees	229 105	-	229 105
Rent	408 137	-	408 137
Retirement Plan	594 619	-	594 619
Payroll	7 692 489	-	7 692 489
Payroll Tax	590 768	-	590 768
Public Relations	90 926	-	90 926
Safety and Training	244 155	-	244 155
Supplies	422 427	-	422 427
Utilities	217 830	-	217 830
Workers Compensation Insurance	234 761	-	234 761
Capital Outlay	2 246 621	(2 246 621)	-
Debt Service			
Note Principal	778 758	(778 758)	-
Note Interest	432 050	(6 161)	425 889
Capital Lease Principal	472 593	(472 593)	-
Capital Lease Interest	90 053	(8 769)	81 284
Depreciation	-	949 817	949 817
Total Expenditures/Expenses	<u>18 210 989</u>	<u>(2 563 085)</u>	<u>15 647 904</u>
Excess (Deficiency) of Revenues Over Expenditures	(330 128)	2 996 540	
Change in Net Position			2 666 412
Fund Balance/Net Position			
Beginning of Year	<u>10 058 907</u>	<u>11 305 540</u>	<u>21 364 447</u>
End of Year	<u>\$ 9 728 779</u>	<u>\$ 14 302 080</u>	<u>\$ 24 030 859</u>

See the Accompanying Independent Auditors' Report and Notes to Financial Statements

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE (1) CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 48 was created by the Commissioners' Court of the County of Harris in 1984, 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 August 18, 1984. Effective September 1, 2003, the 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. 48 (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. In 2015, the District began to provide fire protection and rescue services within.

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The District is an Emergency Services District with a five-member board of commissioners, who are elected to a four year term on a specific staggered basis.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be components units of the District.

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

B. BASIS OF PRESENTATION

The financial transactions of the District are recorded in an individual fund. The funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The funds are reported by generic classification within the financial statements.

The District uses the following fund types:

a. Governmental Funds

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

b. Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

b. Fund Balances

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose.

The District uses the following classifications for net position:

Net Investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The board must approve any change in the restriction of this fund balance.

Unrestricted - To indicate net position that is available for use in future period.

C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

The District has adopted GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2018. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGET

The District annually adopts a budget for the General Fund in accordance with the accounting principles applicable to this fund. The Board of Commissioner's approval is required for revisions that alter the total expenditures. Reported budgeted amounts were amended during the year. Budgeted amounts lapse annually.

E. CASH EQUIVALENTS

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. 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 expenditures in the governmental fund as 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.

Assets are capitalized if they have an original cost of \$25,000 or more, and a useful life of at least one year. 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:

	<u>Years</u>
Buildings	40
Temporary Buildings	10
Vehicles	10
Equipment	2-15

G. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates. See Note 6 for Contingent Asset disclosure.

H. ALLOWANCE FOR UNCOLLECTIBLE PROPERTY TAXES RECEIVABLE

Management considers property taxes receivable to be fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position and governmental funds balance sheet are different because:

Total Fund Balance at December 31, 2018	<u>\$ 9 728 779</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	22 206 304
Conversion of property tax assessments to full accrual basis	6 556 291
Interest paid on long term debt is adjusted to accrual basis	(114 141)
Long-term debt obligations are not reported in the funds	<u>(14 346 374)</u>
Adjustment to fund balance to arrive at net position	<u>14 302 080</u>
Total Net Position at December 31, 2018	<u><u>\$ 24 030 859</u></u>

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

Change in fund balance	\$ (330 128)
Governmental funds report capital outlays as expenditures. However, for government-wide financials statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and conveyance of capital assets exceeded depreciation in the current period.	1 296 804
Principal payments on debt are reported as expenditures in the funds. However, they do not affect net position.	1 251 351
Interest paid on long term debt is adjusted to accrual basis	14 930
Conversion of property tax assessments to full accrual basis	<u>433 455</u>
Change in net position of governmental activities	<u><u>\$ 2 666 412</u></u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (3) CONTRACTS FOR FIRE PROTECTION AND RESCUE SERVICES

On September 18, 2001, the District executed an interlocal agreement with Fort Bend County Emergency Services District No. 1 to provide fire protection, fire suppression and emergency medical first-responder and rescue services to Fort Bend County Emergency services District No. 1 (“ESD”). The agreement is in effect until terminated by either party given a sixty (60) day written notice.

During the year ended December 31, 2018, the District received \$252,000 from the ESD.

NOTE (4) AD VALOREM TAX

During the year ended December 31, 2018, the District levied an ad valorem tax at the rate of \$.10 per \$100 of assessed valuation, which resulted in a tax levy of \$11,958,662 for 2018, on the taxable valuation of \$11,958,661,546 for the 2018 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. The levy date of the tax was September 1 of the prior year, or as soon after September 1 as it took to set the tax rate. The lien date was January 1 of the subsequent year.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended December 31, 2018, include collections during the current period or within 60 days of year-end related to the 2018 and prior years' tax levies.

NOTE (5) DEPOSITS AND INVESTMENTS

Deposits were with various contracted depository banks in checking accounts, money market accounts, and certificates of deposit during the year. The deposits were secured by FDIC coverage of \$250,000, and when necessary, additional securities were pledged. The funds were properly secured at all times.

The contracted depository bank used by the District was Allegiance Bank during the year 2018. The largest cash, savings, and time deposit combined balance in the bank during the year ended December 31, 2018 was \$4,098,795 in December 2018. During the year, amounts over FDIC coverage were adequately collateralized with additional securities.

The District also contracted with BBVA Compass Bank during the year 2018. The largest cash, savings, and time deposit combined balance in the bank during the year ended December 31, 2018 was \$7,494,040 on February 2018. During the year, amounts over FDIC coverage were adequately collateralized with additional securities.

The District also contracted with Westbound Bank and Independent Bank during the year. The largest cash, savings, and time deposit combined balance during the year ended December 31, 2018 was \$250,814 and \$712,352, respectively, on December 31, 2018 for each account. During the year, amounts at Independent Bank were not adequately secured by FDIC coverage, and amounts of Westbound Bank were adequately secured by FDIC coverage.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the state, or any county, school district, or other political subdivision of the state. Funds of the District may also be placed in certificates of deposit of state or national banks or savings associations within the state. The District holds investments at December 31, 2018, in accordance with the Board approved investment policy. The total carrying value and market value for the certificates of deposit was \$1,097,585. The District also holds investments at December 31, 2018, in accordance with the Board approved investment policy, in TexPool State Treasury (“TexPool”). In following the Public Funds Collateral Act, TexPool invests the District’s funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with TexPool plus any accrued interest. A separate financial report for TexPool is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (5) DEPOSITS AND INVESTMENTS (Continued)

Copies of the report can be obtained from TexPool Participant Services, c/o Federated Investors, 1001 Texas Ave., 14th Floor, Houston, Texas 77002. The District held investments in TexPool with a total carrying value and market value of \$153,976 at December 31, 2018.

The District also invested in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”). Texas CLASS is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the “Act”). Texas CLASS is created under an Amended and Restated Trust, dated May 1, 2001 (the “Agreement”), among certain Texas governmental entities investing in the pool (the “Participants”), Public Trust Advisors LLC (“Public Trust”), as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS is not SEC-registered and is not subject to regulatory oversight by the State of Texas. Under the Agreement, however, Texas CLASS is administered and supervised by a seven-member board of trustees (the “Board”), whose members are investment officers of Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, Texas CLASS has contracted with Public Trust to provide for the investment and management of the public funds of Texas CLASS. The fair value of the District’s position in the pool is the same the value of pool shares. At December 31, 2018, the District had a balance of \$3,329,384 in Texas CLASS.

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has complied with the Act’s provisions during the year ended December 31, 2018.

NOTE (6) CONTINGENT ASSET

The District contracts with a billing service to bill and collect on patient accounts. The billing service bills insurance companies or individuals based on rates charged for specific services by the District. The billing service then negotiates payment on the account. At this time all amounts are considered uncollectible. The billing service collects based upon varying agreed upon amounts with different insurance companies. Some amounts are not collectible at all. The amount collectible is not known until several months after the original amount is billed. Remaining amounts are written off at that time. Therefore, the District has chosen not to record an asset or allowance associated with accounts receivable.

NOTE (7) CHANGES IN CAPITAL ASSETS

The changes in capital assets for the year are as follows:

	Beginning of Year	Acquisitions (Disposals)	Depreciation Expense	End of Year
Land	\$ 1 393 574	\$ 1 780 318	\$ -	\$ 3 173 892
Buildings	16 358 371	-	-	16 358 371
Fire Trucks and Vehicles	8 718 977	366 347	-	9 085 324
Furniture, Fixtures and Equipment	455 890	30 364	-	486 254
Less: Accumulated Depreciation	<u>(6 654 714)</u>	<u>-</u>	<u>(949 817)</u>	<u>(7 604 531)</u>
Net Capital Assets	<u>18 878 524</u>	<u>396 711</u>	<u>(949 817)</u>	<u>18 325 418</u>
Construction in Progress	<u>637 402</u>	<u>69 592</u>	<u>-</u>	<u>706 994</u>
Totals	<u>\$20 909 500</u>	<u>\$ 2 246 621</u>	<u>\$ (949 817)</u>	<u>\$22 206 304</u>

Construction in progress includes design costs for station no. 1 and station no. 6.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (8) NOTES PAYABLE

On June 27, 2007, the District entered into a real estate construction note with Wells Fargo Brokerage Services, LLC (“Lender”) for \$1,500,000 at an interest rate of 4.74%. The proceeds were used to pay for the construction of a fire station. The note is secured by a 25 year ground lease agreement with the Lender. Fifteen principal and interest payments of \$141,984 are due annually beginning June 27, 2008 through June 27, 2022. At January 1, 2018, the balance due on the note was \$619,164. During the year ended December 31, 2018, the District paid principal and interest of \$112,636 and \$29,348, respectively. The balance due at December 31, 2018 was \$506,528.

On November 20, 2013, the District entered into a real estate construction note with Trustmark National Bank (“Lender”) for \$3,300,000 at an annual interest rate of 2.76%. The proceeds were used to pay for the construction of a fire station. The note is secured by the District’s right, title and interest in construction contracts and plans for this station. Principal and interest payments of \$382,931 are due annually beginning November 20, 2016 through November 20, 2024. At January 1, 2018, the balance due on the note was \$2,400,376. During the year ended December 31, 2018, the District paid principal and interest of \$315,934 and \$66,997, respectively. The balance due at December 31, 2018 was \$2,084,442.

On November 19, 2014, the District entered into a real estate construction note with Trustmark National Bank (“Lender”) for \$9,198,566 at an annual interest rate of 3.200%. During the year ended December 31, 2017, the District entered into a loan modification agreement with the same Lender for the same balance due at an annual interest rate of 3.5205%. Principal and interest payments are due annual beginning November 19, 2018 through November 19, 2037. The proceeds were used to pay for the construction of a fire station. The note is secured by the District’s right, title and interest in construction contracts and plans for this station. At January 1, 2018, the balance due on the note was \$9,198,566. During the year ended December 31, 2018, the District paid principal and interest of \$324,797 and \$323,623, respectively. The balance due at December 31, 2018 was \$8,873,769.

On June 21, 2016, the District entered into a loan modification agreement with Trustmark National Bank (“Lender”) for \$454,095 at an annual interest rate of 2.82%, in addition to the original principal amount of \$9,198,566 (see note above). The proceeds were used to pay for the construction of the same fire station. The note is secured by a certificate of deposit with a carrying value of \$454,095. Thirteen principal and interest payments of \$37,473 each are due annually beginning November 19, 2017 through November 19, 2029, with a balloon payment of \$73,765 due on November 19, 2030. At January 1, 2018, the balance due on the note was \$428,432. During the year ended December 31, 2018, the District paid principal and interest of \$25,391 and \$12,082, respectively. The balance due at December 31, 2018 was \$403,041.

Future maturities of the balances outstanding are as follows:

Year Ending	Amount
December 31, 2019	\$ 805 049
December 31, 2020	831 438
December 31, 2021	860 289
December 31, 2022	889 549
December 31, 2023	777 744
Thereafter	7 703 711
Total Amount	<u>\$ 11 867 780</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (9) CAPITAL LEASE PAYABLE

On November 23, 2015, the Board entered into a capital lease payable with an interest rate of 2.91% with PNC Equipment Finance. The proceeds were used to pay for a pumper truck and platform and a booster truck. Principal and interest payments of \$249,084 are due annually beginning November 23, 2016 through November 23, 2025. During the year ended December 31, 2018, the District paid principal and interest of \$196,629 and \$52,455, respectively. The balance due at December 31, 2018 was \$1,551,867.

On December 22, 2015, the Board entered into a capital lease payable with an interest rate of 3.25% with Independent Bank. The proceeds were used to pay for a new ambulance and related equipment for District ambulance and fire service. Principal and interest payments of \$266,786 are due annually beginning January 22, 2017 through January 22, 2021. During the year ended December 31, 2018, the District paid principal and interest of \$234,748 and \$32,038, respectively. The balance due at December 31, 2018 was \$751,023.

On March 31, 2017, the Board entered into a capital lease payable with an interest rate of 2.91% with U.S. Bank. The proceeds were used to pay for a new ambulance. Principal and interest payments of \$46,776 are due annually beginning March 31, 2018 through March 31, 2022. During the year ended December 31, 2018, the District paid principal and interest of \$41,216 and \$5,560, respectively. The balance due at December 31, 2018 was \$175,704.

The following is an analysis of the leased assets included in Capital Assets:

Vehicles	\$ 3 391 127
Less: Accumulated Depreciation	<u>(1 034 898)</u>
	<u>\$ 2 356 229</u>

The lease agreements contain a bargain purchase option for payment of termination value with transfer of title at the end of the lease term.

Future maturities of the balances outstanding are as follows:

Year Ending	Amount
December 31, 2019	\$ 562 646
December 31, 2020	562 646
December 31, 2021	562 646
December 31, 2022	295 860
December 31, 2023	249 084
Thereafter	<u>498 168</u>
Total minimum payments	2 731 050
Less: amount representing interest	252 456
Less: current maturities of present value of minimum lease payments	<u>487 184</u>
Present value of minimum lease payments-net of current maturities	<u>\$ 1 991 410</u>

Amortization of assets held under capital leases is included with depreciation expense.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (10) LONG TERM DEBT

The following is a summary of transactions regarding both notes payable and capital lease payable at the year ended December 31, 2018:

Long Term Debt at Beginning of Current Year		\$	15 597 725
Proceeds			-
Retirement of Principal	Notes Payable		(778 758)
	Capital Lease		(472 593)
			<u> </u>
Long Term Debt at End of Current Year		\$	<u>14 346 374</u>
Long Term Debt Due in Future			
Current	Notes Payable	\$	805 049
	Capital Lease		487 184
Long-Term	Notes Payable		11 062 731
	Capital Lease		1 991 410
			<u> </u>
		\$	<u>14 346 374</u>

NOTE (11) SALES TAX REVENUE

On May 10, 2014, the residents of the District authorized the District to impose a 1% sales tax where eligible within the District. During the year ended December 31, 2018, the District received \$4,069,093 in sales tax revenue.

NOTE (12) EMERGENCY RESPONSES

During the year ended December 31, 2018, the District responded to 8,394, emergencies. Of this amount, 7,633 calls were for medical emergency services and 761 were for fire department incidents.

NOTE (13) LEASES

On October 1, 2015, the District entered a lease agreement with Star 2015 Development, LP (“Lessor”) to lease approximately 1.50 acres of land. The land is being leased to provide temporary emergency medical and fire services. The base rent is \$17,216 per month. The term of this agreement is 12 months. The District shall have the option to extend the term for two additional successive periods of six months each. The lease was renewed through 2018. In addition, the Lessor has agreed to provide an allowance in an amount not to exceed \$198,971 to provide certain site improvements to be constructed by Lessor for the benefit of the District. The District paid \$285,197 for this lease, including expense reimbursements of \$78,605 during the year ended December 31, 2018.

On October 28, 2015, the District entered a lease agreement with Aries Building Systems, LLC (“Lessor”) to lease two modular buildings to be used as office space for fire station no.1, which is located on the leased land mentioned above. The base rent is \$10,000 per month. The term of this agreement is 12 months. The District shall have the option to extend the lease at the end of each term, or be on a month-to-month basis with the right of either lessee or lessor to terminate the agreement with a thirty-day written notice. The lease was renewed through May 23, 2018 at the same monthly lease rate of \$10,000, with an additional 6-month extension option. The agreement is on a month-to-month basis after May 23, 2018. The District paid \$122,940 for this lease during the year ended December 31, 2018.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (14) RETIREMENT PLAN

Plan Description

The District contributes to the Texas County & District Retirement System (the “Plan”) which is a statewide, agent multiple-employer, public employee retirement system. All full- and part-time non-temporary employees participate in the Plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Employee membership data related to the Plan, as of December 31, 2018 was as follows:

Inactive employees entitled to but not yet receiving benefits	31
Active plan members	<u>166</u>
	<u>197</u>

Any participant whose years of continuous employment, when added to the participant’s age equals or exceeds 80, may retire without a reduction in the monthly benefit.

By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.

Plan provisions include death benefits for the surviving spouse if the employee had 4 or more years of service. The Plan provides a monthly income for disabled participants who have 5 or more years of service. Benefits vest at 100% after five years of service.

For the year ended December 31, 2018, the District’s total payroll for all employees was \$7,692,489. Total covered payroll was \$7,284,692. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan and was calculated by the actuary based on contributions as reported to the Plan.

Contributions

Employees of the District are required to contribute 5% of covered compensation to the Plan. The contributions are deducted from the employee’s wages or salary and remitted by the District to the Plan on a monthly basis. The District’s contractually required contribution rate for the year ended December 31, 2018, was 5.7% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District’s contributions to the Plan for the year ended December 31, 2018 were \$414,222.

Pension Assets, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the District reported a liability of \$419,045 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2018, the District’s proportion was 5.75%.

For the year ended December 31, 2018, the District recognized pension expense of \$594,619. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (14) RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 1 796	\$ 58 837
Changes of assumptions	-	1 103
Net difference between projected and actual earnings	-	122 075
Contributions subsequent to the measurement date	N/A	Employer determined
Total	\$ 1 796	\$ 182 015

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	
2019	\$ 37 000
2020	35 494
2021	31 302
2022	37 275
2023	4 749
Thereafter	34 399

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.0%, net of administrative and investment expenses, including inflation

In the 2018 actuarial valuation, assumed life expectancies were adjusted as a result of adopting 130% of the RP-2014 Healthy Annuitant Mortality Table of males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2018 valuation 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 long-term expected rate of return on pension plan investments was determined by adding expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by the Plan's investment consultant, Cliffwater, LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (14) RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment - Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (Continued)

NOTE (14) RETIREMENT PLAN (Continued)

Changes in District's Net Pension Liability/(Asset)

Changes in the District's net pension liability/(asset) for the year ended December 31, 2018 was as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2017	\$ 1 467 520	\$ 1 369 746	\$ 97 774
Changes for the year:			
Service cost	635 302	-	635 302
Interest on total pension liability	168 680	-	168 680
Effect of Plan changes	446 448	-	446 448
Effect of economic/demographic gains or losses	3 948	-	3 948
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(41 510)	(41 510)	-
Benefit payments	-	-	-
Administrative expenses	-	(1 816)	1 816
Member contributions	-	509 928	(509 928)
Net investment income	-	(15 660)	15 660
Employer contributions	-	414 222	(414 222)
Other	-	26 433	(26 433)
Balances as of December 31, 2018	\$ 2 680 388	\$ 2 261 343	\$ 419 045

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Discount Rate	Net Pension Liability/(Asset)
1% Decrease	7.10%	\$ 1 034 386
Current Discount Rate	8.10%	\$ 419 045
1% Increase	9.10%	\$ (66 891)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Plan financial report.

Payable to the Plan

At December 31, 2018, the District reported a payable of \$65,517 for the outstanding amount of contributions due to the Plan for the year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 16, 2019, (the date the financial statements were available to be issued), and conclude that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2018

	Original and Final Budget *	Actual	Variance Positive (Negative)
Revenues			
Property Taxes	\$ 11 592 371	\$ 11 416 911	\$ (175 460)
Contract Payments	250 000	252 000	2 000
Sales Tax Revenue	3 000 000	4 069 093	1 069 093
Penalty and Interest on Property Taxes	-	121 572	121 572
Patient Revenue	1 800 000	1 761 610	(38 390)
Interest Earned on Temporary Investments	-	146 047	146 047
Donation	-	81 795	81 795
Gain on Sale of Property	-	351	351
Miscellaneous	40 000	31 482	(8 518)
Total Revenues	16 682 371	17 880 861	1 198 490
Expenditures/Expenses			
Service Operations			
Accounting	30 000	42 238	(12 238)
Appraisal District Fees	45 000	93 210	(48 210)
Collection Fees	-	48 947	(48 947)
Communication	170 000	174 140	(4 140)
Election	50 000	34 198	15 802
Employee Benefits	992 400	767 585	224 815
Insurance	185 000	184 242	758
IT Infrastructure and Support	411 600	442 134	(30 534)
Maintenance and Repair	1 311 802	1 071 574	240 228
Miscellaneous	89 000	90 196	(1 196)
Medical Billing and Other Contracts	125 500	125 178	322
Medical Supplies	338 844	388 252	(49 408)
Notice, Publication, and Filing Fees	1 000	3 803	(2 803)
Professional Fees	175 001	229 105	(54 104)
Rent	290 000	408 137	(118 137)
Retirement Plan	383 131	594 619	(211 488)
Payroll	7 335 025	7 692 489	(357 464)
Payroll Tax	530 000	590 768	(60 768)
Public Relations	81 200	90 926	(9 726)
Safety and Training	221 500	244 155	(22 655)
Supplies	491 500	422 427	69 073
Utilities	220 900	217 830	3 070
Workers Compensation Insurance	200 000	234 761	(34 761)
Capital Outlay	-	2 246 621	(2 246 621)
Debt Service			
Note Principal	1 195 000	778 758	416 242
Note Interest	-	432 050	(432 050)
Capital Lease Principal	563 000	472 593	90 407
Capital Lease Interest	-	90 053	(90 053)
Total Expenditures/Expenses	15 436 403	18 210 989	(2 774 586)
Excess (Deficiency) of Revenues over Expenditures	1 245 968	(330 128)	(1 576 096)
Fund Balance/Net Position			
Beginning of the Period	10 058 907	10 058 907	-
End of the Period	\$ 11 304 875	\$ 9 728 779	\$ (1 576 096)

* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

See the Accompanying Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

	<u>Year Ended December 31</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 635 302	\$ 427 843	\$ 376 047	\$ 122 404
Interest on total pension liability	168 680	78 135	25 117	4 948
Effect of plan changes	446 448	384 058	-	1 140
Effect of assumption changes or inputs	-	272	-	1 057
Effect of economic/demographic (gains) or losses	3 948	47 026	17 968	(2 174)
Benefit payments/refunds of contributions	<u>(41 510)</u>	<u>(12 951)</u>	<u>(3 370)</u>	<u>-</u>
Net change in total pension liability	1 212 868	924 383	415 762	127 375
Total pension liability, beginning	<u>1 467 520</u>	<u>543 137</u>	<u>127 375</u>	<u>-</u>
Total pension liability, ending	<u>2 680 388</u>	<u>1 467 520</u>	<u>543 137</u>	<u>127 375</u>
Fiduciary Net Position				
Employer contributions	414 222	274 831	237 959	73 761
Member contributions	509 928	318 205	262 649	81 414
Investment income net of investment expenses	(15 660)	107 850	11 736	(1 318)
Benefit payments/refunds of contributions	(41 510)	(12 951)	(3 370)	-
Administrative expenses	(1 816)	(911)	(128)	(58)
Other	<u>26 433</u>	<u>7 767</u>	<u>12 318</u>	<u>(8)</u>
Net change in fiduciary net position	891 597	694 791	521 164	153 791
Fiduciary net position, beginning	<u>1 369 746</u>	<u>674 955</u>	<u>153 791</u>	<u>-</u>
Fiduciary net position, ending	<u>2 261 343</u>	<u>1 369 746</u>	<u>674 955</u>	<u>153 791</u>
Net pension liability/(asset), ending	<u>\$ 419 045</u>	<u>\$ 97 774</u>	<u>\$ (131 818)</u>	<u>\$ (26 416)</u>
Fiduciary net position as a % of total pension liability/(asset)	84.37%	93.34%	124.27%	120.74%
Pensionable covered payroll	\$ 7 284 692	\$ 6 364 109	\$ 5 252 981	\$ 3 256 543
Net pension liability/(asset) as a % of covered payroll	5.75%	1.54%	-2.51%	-0.81%

See the Accompanying Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2009					
2010					
2011					
2012					
2013					
2014					
2015	\$ 73 761	\$ 73 761	\$ -	\$ 1 628 272	4.53%
2016	\$ 237 959	\$ 237 959	\$ -	\$ 5 252 981	4.53%
2017	\$ 171 195	\$ 274 831	\$(103 636)	\$ 6 364 109	4.32%
2018	\$ 272 447	\$ 414 222	\$(141 774)	\$ 7 284 692	5.70%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE (1) VALUATION DATE

Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

NOTE (2) METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	5.2 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, 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 of males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015 and 2016: No changes in plan provisions were reflected. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that the member contribution rate was increased to 7%

See the Accompanying Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

SUPPLEMENTARY INFORMATION

ANALYSIS OF TAXES RECEIVABLE
DECEMBER 31, 2018

Taxes Receivable - Beginning of Year	\$ 6 122 836
2018 Tax Roll	11 958 662
Adjustments	<u>(108 296)</u>
Total to be Accounted for	17 973 202
Tax Collections Received from Tax Collector	<u>(11 416 911)</u>
Taxes Receivable - End of Year	<u><u>\$ 6 556 291</u></u>
Taxes Receivable - By Years	
2018	\$ 6 384 254
2017	71 859
2016	23 138
2015	17 982
2014 and prior	<u>59 058</u>
Taxes Receivable - End of Year	<u><u>\$ 6 556 291</u></u>

Assessed Valuation Summary

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property Valuations					
Total Property Valuations	<u>\$ 11 958 661 546</u>	<u>\$ 11 584 573 980</u>	<u>\$10 099 634 849</u>	<u>\$8 910 829 616</u>	<u>\$7 758 571 312</u>
Tax Rate per \$100 Valuations	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.08900</u>	<u>\$ 0.09200</u>
Tax Rolls	<u>\$ 11 958 662</u>	<u>\$ 11 584 574</u>	<u>\$ 10 099 635</u>	<u>\$ 7 930 638</u>	<u>\$ 7 137 886</u>
Percent of Taxes Collected to Taxes Levied	<u>46.6%</u>	<u>99.4%</u>	<u>99.8%</u>	<u>99.8%</u>	<u>99.9%</u>

See the Accompanying Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

SUPPLEMENTARY INFORMATION

BOARD MEMBERS AND CONSULTANTS
DECEMBER 31, 2018

District Mailing Address: Harris County Emergency Services District No. 48
820 Gessner, Suite 1710
Houston, Texas 77024

District Telephone Number: (713) 984-8222

<u>Names</u>	<u>Term of office</u>	<u>Fees Paid*</u> <u>FYE 12/31/18</u>	<u>Expense</u> <u>Reimburse-</u> <u>ments</u> <u>FYE 12/31/18</u>	<u>Title at</u> <u>Year End</u>
Board Members:				
Marshall Kramer	(Elected) 06/16 - 05/20	\$ -	\$ 591	President
Bret Fossum	(Elected) 06/16 - 05/20	\$ -	\$ 696	Vice President
Samuel Henderson	(Elected) 06/14 - 05/18 06/18 - 05/22	\$ -	\$ -	Treasurer
Jon Russell Solomon	(Elected) 06/16 - 05/20	\$ -	\$ -	Secretary
Michael Fleming	(Elected) 06/18 - 05/22	\$ -	\$ -	Assistant Secretary/ Treasurer

* Fees are the amounts actually paid to a commissioner during the District's fiscal year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

SUPPLEMENTARY INFORMATION

**BOARD MEMBERS AND CONSULTANTS
DECEMBER 31, 2018
(Continued)**

<u>Names</u>	<u>Date Hired</u>	<u>Fees Paid* FYE 12/31/18</u>	<u>Expense Reimburse- ments FYE 12/31/18</u>	<u>Title at Year End</u>
Consultants:				
Coveler & Peeler, P.C.	2003	\$ 109 180	\$ 9 593	Attorney
Mike Sullivan	2003	\$ 48 947	\$ -	Tax Collector
Ubernosky & Majeres	2017	\$ 44 184	\$ -	Bookkeeper
Breedlove & Co., P.C.	2008	\$ 19 551	\$ -	Auditor
Harris County Appraisal District	2003	\$ 93 210	\$ -	Appraisal District

* Fees Paid are the amounts actually paid to a consultant during the District's fiscal year.