

---

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48**

---

REPORT ON FINANCIAL STATEMENTS  
*(With Supplemental Material)*

FOR THE YEAR ENDED DECEMBER 31, 2019

## **TABLE OF CONTENTS**

Independent Auditors' Report .....	1-2
Management's Discussion & Analysis.....	3-6

### FINANCIAL STATEMENTS

Statement of Net Position and Governmental Funds Balance Sheet .....	7
Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance.....	8
Notes to Financial Statements .....	9-23

### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	25
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios.....	26-27
Schedule of Employer Contributions.....	28

### SUPPLEMENTARY INFORMATION

Analysis of Taxes Receivable.....	29
Board Members and Consultants.....	30-31

# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

17014 Seven Pines Drive  
Spring, Texas 77379  
(281) 379-1065  
(281) 379-6322 (fax)

RICHARD W. BREEDLOVE, CPA  
President

JILL A. HENZE, CPA  
Vice President

NICOLE BREEDLOVE HUNT, CPA  
Vice President

## INDEPENDENT AUDITORS' REPORT

September 15, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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, 2019, 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 25 through 28 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 29 to 31 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, 2019

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, 2019. 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 \$27,881,844 as of December 31, 2019.

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, 2019

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 23 594 540	\$ 16 762 029
Capital assets	<u>26 069 824</u>	<u>22 206 304</u>
Total assets	<u>\$ 49 664 364</u>	<u>\$ 38 968 333</u>
Deferred outflows of resources	<u>\$ 126 032</u>	<u>\$ 182 015</u>
Current liabilities	\$ 2 807 231	\$ 2 063 552
Long term liabilities	<u>19 071 403</u>	<u>13 054 141</u>
Total liabilities	<u>\$ 21 878 634</u>	<u>\$ 15 117 693</u>
Deferred inflows of resources	<u>\$ 29 918</u>	<u>\$ 1 796</u>
Net position:		
Net investment in capital assets	\$ 5 178 552	\$ 7 859 930
Unrestricted	<u>22 703 292</u>	<u>16 170 929</u>
Total net position	<u>\$ 27 881 844</u>	<u>\$ 24 030 859</u>

The following table provides a summary of the District's operations for the year ended December 31, 2019. The District increased its net position by \$3,850,985.

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>
Revenues:		
Property taxes	\$ 12 515 499	\$ 11 850 366
Sales taxes	4 573 354	4 069 093
Other revenues	<u>2 887 974</u>	<u>2 394 857</u>
Total revenues	<u>19 976 827</u>	<u>18 314 316</u>
Operating expenses	14 398 333	14 190 914
Interest expense	570 157	507 173
Depreciation	<u>1 157 352</u>	<u>949 817</u>
Total expenses	<u>16 125 842</u>	<u>15 647 904</u>
Change in net position	3 850 985	2 666 412
Net position, beginning of period	<u>24 030 859</u>	<u>21 364 447</u>
Net position, end of period	<u>\$ 27 881 844</u>	<u>\$ 24 030 859</u>

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

## MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2019 (Continued)

### FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2019 was \$16,464,671.

The General Fund balance increased by \$6,735,892, primarily due to capital lease and note proceeds.

### 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 amended the budget during the fiscal year 2019. Actual excess revenues were \$4,685,002 greater than the budgeted excess revenues due to capital lease and note proceeds being greater than capital outlay and neither included in the budget, property tax income being greater than expected and maintenance and repair being less than expected.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

## MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2019 (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>2019</u>	<u>2018</u>
Land	\$ 3 173 892	\$ 3 173 892
Construction in progress	3 514 759	706 994
Capital assets, net of depreciation	<u>19 381 173</u>	<u>18 325 418</u>
Total capital assets	<u>\$26 069 824</u>	<u>\$22 206 304</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, 2019 are summarized as follows:

Long term debt, beginning of year	\$ 14 346 374
Proceeds	7 835 119
Retirements of principal	<u>(1 290 221)</u>
Long term debt, end of year	<u>\$20 891 272</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 Rich Majeres, Ubernosky & Majeres, PLLC, *Certified Public Accountants*, 820 Gessner, Suite 1200, Houston, Texas 77024.



# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 7 635 571	\$ -	\$ 7 635 571
Temporary Investments	5 887 756	-	5 887 756
Cash on Hand with Tax Assessor	3 605 978	-	3 605 978
Property Taxes Receivable	6 439 683	-	6 439 683
Other Receivable	2 929	-	2 929
Prepaid Expenses	22 623	-	22 623
Capital Assets			
Land	-	3 173 892	3 173 892
Construction in Progress	-	3 514 759	3 514 759
Capital Assets, Net of Accumulated Depreciation of \$8,716,883	-	19 381 173	19 381 173
Total Assets	<u>23 594 540</u>	<u>26 069 824</u>	<u>49 664 364</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows of Resources	<u>126 032</u>	<u>-</u>	<u>126 032</u>
Total Deferred Outflows of Resources	<u>126 032</u>	<u>-</u>	<u>126 032</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 23 720 572</u>	<u>\$ 26 069 824</u>	<u>\$ 49 790 396</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable and Accrued Liabilities	\$ 416 463	\$ 201 062	\$ 617 525
Retainage Payable	109 074	-	109 074
Retirement Plan Payable	52 645	-	52 645
Net Pension Liability	208 118	-	208 118
Long Term Liabilities			
Due within One Year	-	1 819 869	1 819 869
Due after One Year	-	19 071 403	19 071 403
Total Liabilities	<u>786 300</u>	<u>21 092 334</u>	<u>21 878 634</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows of Resources	29 918	-	29 918
Unavailable Tax Revenue	<u>6 439 683</u>	<u>(6 439 683)</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>6 469 601</u>	<u>(6 439 683)</u>	<u>29 918</u>
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balance			
Unassigned Fund Balance	<u>16 464 671</u>	<u>(16 464 671)</u>	<u>-</u>
Total Fund Balance	<u>16 464 671</u>	<u>(16 464 671)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 23 720 572</u>		
Net Position			
Net Investment in Capital Assets		5 178 552	5 178 552
Unrestricted		<u>22 703 292</u>	<u>22 703 292</u>
Total Net Position		<u>27 881 844</u>	<u>27 881 844</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 26 069 824</u>	<u>\$ 49 790 396</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, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property Taxes	\$ 12 632 107	\$ ( 116 608)	\$ 12 515 499
Contract Payments	250 000	-	250 000
Sales Taxes	4 573 354	-	4 573 354
Penalty and Interest on Property Taxes	128 320	-	128 320
Patient Revenue	1 912 666	-	1 912 666
Interest Earned on Temporary Investments	257 889	-	257 889
Miscellaneous	339 099	-	339 099
Total Revenues	<u>20 093 435</u>	<u>( 116 608)</u>	<u>19 976 827</u>
<b>Expenditures/Expenses</b>			
<b>Service Operations</b>			
Accounting	44 097	-	44 097
Appraisal District Fees	88 219	-	88 219
Collection Fees	50 354	-	50 354
Dispatch Fee	182 802	-	182 802
Election	312	-	312
Employee Benefits	965 613	-	965 613
Insurance	200 128	-	200 128
IT Infrastructure and Support	352 854	-	352 854
Maintenance and Repair	1 204 713	-	1 204 713
Miscellaneous	74 840	-	74 840
Medical Billing and Other Contracts	89 110	-	89 110
Medical Supplies	436 660	-	436 660
Notice, Publication, and Filing Fees	70	-	70
Professional Fees	302 773	-	302 773
Rent	192 164	-	192 164
Retirement Plan	311 509	-	311 509
Payroll	8 288 022	-	8 288 022
Payroll Tax	633 462	-	633 462
Public Relations	101 087	-	101 087
Safety and Training	230 800	-	230 800
Supplies	332 474	-	332 474
Utilities	213 503	-	213 503
Workers Compensation Insurance	102 767	-	102 767
Capital Outlay	5 020 872	(5 020 872)	-
<b>Debt Service</b>			
Note Principal	804 419	( 804 419)	-
Note Interest	406 389	80 159	486 548
Capital Lease Principal	485 802	( 485 802)	-
Capital Lease Interest	76 847	6 762	83 609
Depreciation	-	1 157 352	1 157 352
Total Expenditures/Expenses	<u>21 192 662</u>	<u>(5 066 820)</u>	<u>16 125 842</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Items	(1 099 227)	4 950 212	
Capital Lease Proceeds	835 119	( 835 119)	-
Note Proceeds	<u>7 000 000</u>	<u>(7 000 000)</u>	-
Excess (Deficiency) of Revenues Over Expenditures	6 735 892	(2 884 907)	
Change in Net Position			3 850 985
<b>Fund Balance/Net Position</b>			
Beginning of Year	<u>9 728 779</u>	<u>14 302 080</u>	<u>24 030 859</u>
End of Year	<u>\$ 16 464 671</u>	<u>\$ 11 417 173</u>	<u>\$ 27 881 844</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, 2019

### 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 19, 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, 2019 (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, 2019. 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, 2019 (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, 2019 (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, 2019	<u>\$ 16 464 671</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	26 069 824
Conversion of property tax assessments to full accrual basis	6 439 683
Interest paid on long term debt is adjusted to accrual basis	( 201 062)
Long-term debt obligations are not reported in the funds	<u>(20 891 272)</u>
Adjustment to fund balance to arrive at net position	<u>11 417 173</u>
Total Net Position at December 31, 2019	<u><u>\$ 27 881 844</u></u>

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

Change in fund balance	\$ 6 735 892
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.	3 863 520
Governmental funds report proceeds from debt because they provide current financial resources to governmental funds. However, they do not affect net position.	(7 835 119)
Principal payments on debt are reported as expenditures in the funds. However, they do not affect net position.	1 290 221
Interest paid on long term debt is adjusted to accrual basis	( 86 921)
Conversion of property tax assessments to full accrual basis	<u>( 116 608)</u>
Change in net position of governmental activities	<u><u>\$ 3 850 985</u></u>

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 (Continued)

### NOTE (3) CONTRACTS FOR FIRE PROTECTION AND RESCUE SERVICES

On September 19, 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, 2019, the District received \$250,000 from the ESD.

### NOTE (4) AD VALOREM TAX

During the year ended December 31, 2019, the District levied an ad valorem tax at the rate of \$.10 per \$100 of assessed valuation, which resulted in a tax levy of \$12,767,201 for 2019, on the taxable valuation of \$12,767,200,587 for the 2019 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, 2019, include collections during the current period or within 60 days of year-end related to the 2019 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 2019. The largest cash, savings, and time deposit combined balance in the bank during the year ended December 31, 2019 was \$9,771,289 in August 2019. During the year, amounts over FDIC coverage were adequately collateralized with additional securities.

The District also contracted with BBVA Compass Bank during the year 2019. The largest cash, savings, and time deposit combined balance in the bank during the year ended December 31, 2019 was \$248,186 in January 2019. During the year, amounts were adequately secured by FDIC coverage.

The District also contracted with Guaranty Bank & Trust (formerly Westbound Bank). The largest cash, savings, and time deposit combined balance during the year ended December 31, 2019 was \$251,838 in April 2019. The account was closed during the year.

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, 2019, in accordance with the Board approved investment policy. The total carrying value and market value for the certificates of deposit was \$1,102,762. The District also holds investments at December 31, 2019, 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, 2019 (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., 14<sup>th</sup> Floor, Houston, Texas 77002. The District held investments in TexPool with a total carrying value and market value of \$2,380,530 at December 31, 2019.

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, 2019, the District had a balance of \$2,404,464 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, 2019.

### 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 (Dispositions)	Depreciation Expense	End of Year
Land	\$ 3 173 892	\$ -	\$ -	\$ 3 173 892
Buildings	16 358 371	791 603	-	17 149 974
Fire Trucks and Vehicles	9 085 324	1 292 444	-	10 377 768
Furniture, Fixtures and Equipment	486 254	84 060	-	570 314
Less: Accumulated Depreciation	<u>(7 604 531)</u>	<u>45 000</u>	<u>(1 157 352)</u>	<u>(8 716 883)</u>
Net Capital Assets	<u>18 325 418</u>	<u>2 213 107</u>	<u>(1 157 352)</u>	<u>19 381 173</u>
Construction in Progress	<u>706 994</u>	<u>2 807 765</u>	<u>-</u>	<u>3 514 759</u>
Totals	<u>\$ 22 206 304</u>	<u>\$ 5 020 872</u>	<u>\$ (1 157 352)</u>	<u>\$26 069 824</u>

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



## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 (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, 2019, the balance due on the note was \$506,528. During the year ended December 31, 2019, the District paid principal and interest of \$117,976 and \$24,008, respectively. The balance due at December 31, 2019 was \$388,552.

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, 2019, the balance due on the note was \$2,084,442. During the year ended December 31, 2019, the District paid principal and interest of \$323,524 and \$59,407, respectively. The balance due at December 31, 2019 was \$1,760,918.

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, 2019, the balance due on the note was \$8,873,769. During the year ended December 31, 2019, the District paid principal and interest of \$337,142 and \$311,278, respectively. The balance due at December 31, 2019 was \$8,536,627.

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, 2019, the balance due on the note was \$403,041. During the year ended December 31, 2019, the District paid principal and interest of \$25,777 and \$11,696, respectively. The balance due at December 31, 2019 was \$377,264.

On August 1, 2019, the District entered into a real estate construction note with Capital One Public Funding, LLC (“Lender”) for \$7,000,000 at an annual interest rate of 2.97%. Principal and interest payments of \$585,094 are due annual beginning August 1, 2020 through August 1, 2034. The proceeds were used to pay for the construction of a fire station. The note is secured by the District’s sales tax revenue. During the year ended December 31, 2019, the District did not make any principal and interest payments. The balance due at December 31, 2019 was \$7,000,000.

## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 (Continued)

#### NOTE (8) NOTES PAYABLE (Continued)

Future maturities of the balances outstanding are as follows:

Year Ending	Amount
December 31, 2020	\$ 1 208 632
December 31, 2021	1 248 686
December 31, 2022	1 289 482
December 31, 2023	1 189 555
December 31, 2024	1 221 968
December 31, 2025-2029	4 698 589
December 31, 2030-2034	5 391 471
December 31, 2035-2037	1 814 978
Total Amount	\$ 18 063 361

#### 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, 2019, the District paid principal and interest of \$202,528 and \$46,556, respectively. The balance due at December 31, 2019 was \$1,349,339.

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, 2019, the District paid principal and interest of \$241,000 and \$25,786, respectively. The balance due at December 31, 2019 was \$510,022.

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, 2019, the District paid principal and interest of \$42,273 and \$4,503, respectively. The balance due at December 31, 2019 was \$133,431.

On February 19, 2019, the Board entered into a capital lease payable with an interest rate of 2.99% with Frost Bank. The proceeds were used to pay for a new ambulance. Principal and interest payments of \$133,991 are due annually beginning February 19, 2020 through February 19, 2028. During the year ended December 31, 2019, the District did not make any principal or interest payments. The balance due at December 31, 2019 was \$835,119.

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

Vehicles	\$ 4 226 246
Less: Accumulated Depreciation	(1 443 604)
	\$ 2 782 642

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(Continued)

NOTE (9) CAPITAL LEASE PAYABLE (Continued)

Future maturities of the balances outstanding are as follows:

Year Ending	Amount
December 31, 2020	\$ 696 638
December 31, 2021	696 638
December 31, 2022	429 852
December 31, 2023	383 076
December 31, 2024	383 076
December 31, 2025-2026	<u>517 067</u>
Total minimum payments	3 106 347
Less: amount representing interest	278 436
Less: current maturities of present value of minimum lease payments	<u>611 237</u>
Present value of minimum lease payments- net of current maturities	<u>\$ 2 216 674</u>

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

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, 2019:

Long Term Debt at Beginning of Current Year	\$ 14 346 374
Proceeds	7 835 119
Retirement of Principal	( 804 419)
Notes Payable	( 485 802)
Capital Lease	<u>( 485 802)</u>
Long Term Debt at End of Current Year	<u>\$ 20 891 272</u>
Long Term Debt Due in Future	
Current	
Notes Payable	\$ 1 208 632
Capital Lease	611 237
Long-Term	
Notes Payable	16 854 729
Capital Lease	<u>2 216 674</u>
	<u>\$ 20 891 272</u>

## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 (Continued)

#### 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, 2019, the District received \$4,573,354 in sales tax revenue.

#### NOTE (12) EMERGENCY RESPONSES

During the year ended December 31, 2019, the District responded to 10,393, emergencies. Of this amount, 7,976 calls were for medical emergency services and 2,417 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 was 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 terminated in August 2019. 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 \$122,164 for this lease, including expense reimbursements of \$1,650 during the year ended December 31, 2019.

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 lease was terminated in August 2019. The District paid \$70,000 for this lease during the year ended December 31, 2019.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 (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, 2019 was as follows:

Inactive employees entitled to but not yet receiving benefits	47
Active plan members	<u>159</u>
	<u>206</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, 2019, the District’s total payroll for all employees was \$8,262,243. Total covered payroll was \$8,062,486. 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, 2019, was 5.5% 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, 2019 were \$443,436.

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

At December 31, 2019, the District reported a liability of \$208,118 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, 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, 2019, the District’s proportion was 2.58%.

For the year ended December 31, 2019, the District recognized pension expense of \$311,509. At December 31, 2019, 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, 2019 (Continued)

#### NOTE (14) RETIREMENT PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 1 701	\$ 124 996
Changes of assumptions	-	1 036
Net difference between projected and actual earnings	28 217	-
Contributions subsequent to the measurement date	N/A	<u>Employer determined</u>
Total	\$ 29 918	\$ 126 032

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>	
2020	\$ 11 895
2021	7 703
2022	13 676
2023	( 18 851)
2024	10 660
Thereafter	71 031

#### Actuarial Assumptions

The total pension liability in the December 31, 2019 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 2019 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, 2019 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, 2019  
(Continued)

NOTE (14) RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment - Grade Bonds	3.00%	-20.00%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
	<u>100.00%</u>	

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, 2019 (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, 2019 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, 2018	\$ 2 680 388	\$ 2 261 343	\$ 419 045
Changes for the year:			
Service cost	837 894	-	837 894
Interest on total pension liability	283 388	-	283 388
Effect of Plan changes	-	-	-
Effect of economic/demographic gains or losses	76 847	-	76 847
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	( 37 472)	( 37 472)	-
Benefit payments	( 2 649)	( 2 649)	-
Administrative expenses	-	( 2 766)	2 766
Member contributions	-	564 374	( 564 374)
Net investment income	-	370 375	( 370 375)
Employer contributions	-	443 436	( 443 436)
Other	-	33 637	( 33 637)
Balances as of December 31, 2019	\$ 3 838 396	\$ 3 630 278	\$ 208 118

##### 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%	\$ 1 104 023
Current Discount Rate	8.10%	\$ 208 118
1% Increase	9.10%	\$ ( 498 682)

##### 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, 2019, the District reported a payable of \$52,645 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, 2019  
(Continued)

NOTE (15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2020, (the date the financial statements were available to be issued) and noted that the coronavirus pandemic occurred subsequent to year end. The economic effects of this pandemic on the District are unknown at the date of this report. No other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

*This page intentionally left blank.*

## 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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 12 013 567	\$ 12 013 567	\$ 12 632 107	\$ 618 540
Contract Payments	250 000	250 000	250 000	-
Sales Tax Revenue	4 800 000	4 800 000	4 573 354	( 226 646)
Penalty and Interest on Property Taxes	-	-	128 320	128 320
Patient Revenue	2 200 000	2 200 000	1 912 666	( 287 334)
Interest Earned on Temporary Investments	50 000	50 000	257 889	207 889
Miscellaneous	115 000	384 635	339 099	( 45 536)
Total Revenues	<u>19 428 567</u>	<u>19 698 202</u>	<u>20 093 435</u>	<u>395 233</u>
<b>Expenditures/Expenses</b>				
<b>Service Operations</b>				
Accounting	30 000	30 000	44 097	( 14 097)
Appraisal District Fees	90 000	90 000	88 219	1 781
Collection Fees	-	-	50 354	( 50 354)
Communication	190 000	190 000	182 802	7 198
Election	2 500	2 500	312	2 188
Employee Benefits	944 600	944 600	965 613	( 21 013)
Insurance	200 000	200 000	200 128	( 128)
IT Infrastructure and Support	558 450	538 451	352 854	185 597
Maintenance and Repair	2 470 850	2 269 088	1 204 713	1 064 375
Miscellaneous	90 500	90 500	74 840	15 660
Medical Billing and Other Contracts	64 000	64 000	89 110	( 25 110)
Medical Supplies	461 002	461 002	436 660	24 342
Notice, Publication, and Filing Fees	2 500	2 500	70	2 430
Professional Fees	264 000	264 000	302 773	( 38 773)
Rent	215 000	215 000	192 164	22 836
Retirement Plan	443 948	443 948	311 509	132 439
Payroll	8 132 787	8 132 787	8 288 022	( 155 235)
Payroll Tax	648 143	648 143	633 462	14 681
Public Relations	107 000	107 000	101 087	5 913
Safety and Training	306 500	306 500	230 800	75 700
Supplies	423 000	423 000	332 474	90 526
Utilities	200 400	200 400	213 503	( 13 103)
Workers Compensation Insurance	250 000	250 000	102 767	147 233
Capital Outlay	-	-	5 020 872	(5 020 872)
<b>Debt Service</b>				
Note Principal	1 210 893	1 210 893	804 419	406 474
Note Interest	-	-	406 389	( 406 389)
Capital Lease Principal	563 000	563 000	485 802	77 198
Capital Lease Interest	-	-	76 847	( 76 847)
Total Expenditures/Expenses	<u>17 869 073</u>	<u>17 647 312</u>	<u>21 192 662</u>	<u>(3 545 350)</u>
Excess (Deficiency) of Revenues over Expenditures	1 559 494	2 050 890	(1 099 227)	(3 150 117)
Capital Lease Proceeds	-	-	835 119	835 119
Note Proceeds	-	-	7 000 000	7 000 000
Excess (Deficiency) of Revenues and Note Proceeds Over Expenditures	1 559 494	2 050 890	6 735 892	4 685 002
<b>Fund Balance/Net Position</b>				
Beginning of the Period	9 728 779	9 728 779	9 728 779	-
End of the Period	<u>\$ 11 288 273</u>	<u>\$ 11 779 669</u>	<u>\$ 16 464 671</u>	<u>\$ 4 685 002</u>

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability				
Service cost	\$ 837 894	\$ 635 302	\$ 427 843	\$ 376 047
Interest on total pension liability	283 388	168 680	78 135	25 117
Effect of plan changes	-	446 448	384 058	-
Effect of assumption changes or inputs	-	-	272	-
Effect of economic/demographic (gains) or losses	76 847	3 948	47 026	17 968
Benefit payments/refunds of contributions	<u>( 40 121)</u>	<u>( 41 510)</u>	<u>( 12 951)</u>	<u>( 3 370)</u>
Net change in total pension liability	1 158 008	1 212 868	924 383	415 762
Total pension liability, beginning	<u>2 680 388</u>	<u>1 467 520</u>	<u>543 137</u>	<u>127 375</u>
Total pension liability, ending	<u>3 838 396</u>	<u>2 680 388</u>	<u>1 467 520</u>	<u>543 137</u>
 Fiduciary Net Position				
Employer contributions	443 436	414 222	274 831	237 959
Member contributions	564 374	509 928	318 205	262 649
Investment income net of investment expenses	370 375	( 15 660)	107 850	11 736
Benefit payments/refunds of contributions	( 40 121)	( 41 510)	( 12 951)	( 3 370)
Administrative expenses	( 2 766)	( 1 816)	( 911)	( 128)
Other	<u>33 637</u>	<u>26 433</u>	<u>7 767</u>	<u>12 318</u>
Net change in fiduciary net position	1 368 935	891 597	694 791	521 164
Fiduciary net position, beginning	<u>2 261 343</u>	<u>1 369 746</u>	<u>674 955</u>	<u>153 791</u>
Fiduciary net position, ending	<u>3 630 278</u>	<u>2 261 343</u>	<u>1 369 746</u>	<u>674 955</u>
 Net pension liability/(asset), ending	<u>\$ 208 118</u>	<u>\$ 419 045</u>	<u>\$ 97 774</u>	<u>\$ ( 131 818)</u>
 Fiduciary net position as a % of total pension liability/(asset)	94.58%	84.37%	93.34%	124.27%
 Pensionable covered payroll	\$ 8 062 486	\$ 7 284 692	\$ 6 364 109	\$ 5 252 981
 Net pension liability/(asset) as a % of covered payroll	2.58%	5.75%	1.54%	-2.51%

See the Accompanying Independent Auditors' Report

	<u>Year Ended December 31</u>					
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$	122 404	N/A	N/A	N/A	N/A	N/A
	4 948	N/A	N/A	N/A	N/A	N/A
	1 140	N/A	N/A	N/A	N/A	N/A
	1 057	N/A	N/A	N/A	N/A	N/A
	( 2 174)	N/A	N/A	N/A	N/A	N/A
	-	N/A	N/A	N/A	N/A	N/A
	<u>127 375</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	-	N/A	N/A	N/A	N/A	N/A
	<u>127 375</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	73 761	N/A	N/A	N/A	N/A	N/A
	81 414	N/A	N/A	N/A	N/A	N/A
	( 1 318)	N/A	N/A	N/A	N/A	N/A
	-	N/A	N/A	N/A	N/A	N/A
	( 58)	N/A	N/A	N/A	N/A	N/A
	( 8)	N/A	N/A	N/A	N/A	N/A
	<u>153 791</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	-	N/A	N/A	N/A	N/A	N/A
	<u>153 791</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$	<u>( 26 416)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	120.74%	N/A	N/A	N/A	N/A	N/A
\$	3 256 543	N/A	N/A	N/A	N/A	N/A
	-0.81%	N/A	N/A	N/A	N/A	N/A

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
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%
2019	\$ 420 862	\$ 443 436	\$ ( 22 574)	\$ 8 062 486	5.50%

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	5.6 years (based on contribution rate calculated in 12/31/19 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, 2019

Taxes Receivable - Beginning of Year	\$ 6 556 291
2019 Tax Roll	12 767 201
Adjustments	<u>( 251 702)</u>
Total to be Accounted for	19 071 790
Tax Collections Received from Tax Collector	<u>(12 632 107)</u>
Taxes Receivable - End of Year	<u>\$ 6 439 683</u>
Taxes Receivable - By Years	
2019	\$ 6 296 038
2018	60 061
2017	28 621
2016	11 637
2015 and prior	<u>43 326</u>
Taxes Receivable - End of Year	<u>\$ 6 439 683</u>

Assessed Valuation Summary

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations					
Total Property Valuations	<u>\$ 12 767 200 587</u>	<u>\$ 11 958 661 546</u>	<u>\$11 584 573 980</u>	<u>\$10 099 634 849</u>	<u>\$8 910 829 616</u>
Tax Rate per \$100 Valuations	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.08900</u>
Tax Rolls	<u>\$ 12 767 201</u>	<u>\$ 11 958 662</u>	<u>\$ 11 584 574</u>	<u>\$ 10 099 635</u>	<u>\$ 7 930 638</u>
Percent of Taxes Collected to Taxes Levied	<u>50.7%</u>	<u>99.5%</u>	<u>99.8%</u>	<u>99.9%</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, 2019

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 12/31/19</u>	<u>Expense</u> <u>Reimburse-</u> <u>ments</u> <u>FYE 12/31/19</u>	<u>Title at</u> <u>Year End</u>
Board Members:				
Marshall Kramer	(Elected) 06/16 - 05/20	\$ -	\$ -	President
Bret Fossum	(Elected) 06/16 - 05/20	\$ -	\$ -	Vice President
Samuel Henderson	(Elected) 06/18 - 05/22	\$ -	\$ -	Treasurer
Jon Russell Solomon	(Appointed) 06/17 - 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, 2019**

(Continued)

<u>Names</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements FYE 12/31/19</u>	<u>Title at Year End</u>
Consultants:			
Coveler & Peeler, P.C.	2003	\$ 150 310	Attorney
Ann Harris Bennett	2003	\$ 50 354	Tax Collector
Ubernosky & Majeres	2017	\$ 44 097	Bookkeeper
Breedlove & Co., P.C.	2008	\$ 17 675	Auditor
Harris County Appraisal District	2003	\$ 88 729	Appraisal District

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