
HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

September 20, 2023

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

Opinion

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, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 48, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harris County Emergency Services District No. 48, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Emergency Services District No. 48's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harris County Emergency Services District No. 48's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Emergency Services District No. 48's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension schedules on pages 5 through 8 and 27 through 31 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Emergency Services District No. 48's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Breallone & Co., P.C.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2022

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, 2022. 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 \$38,359,535 as of December 31, 2022.

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, 2022
 (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 26 340 219	\$ 25 239 170
Capital assets	<u>31 279 342</u>	<u>28 304 717</u>
Total assets	<u>\$ 57 619 561</u>	<u>\$ 53 543 887</u>
Deferred outflows of resources	<u>\$ 1 420 417</u>	<u>\$ 680 165</u>
Current liabilities	\$ 3 631 685	\$ 2 024 391
Long term liabilities	<u>17 030 350</u>	<u>15 518 068</u>
Total liabilities	<u>\$ 20 662 035</u>	<u>\$ 17 542 459</u>
Deferred inflows of resources	<u>\$ 18 408</u>	<u>\$ 718 366</u>
Net position:		
Net investment in capital assets	\$ 12 355 264	\$ 11 114 613
Unrestricted	<u>26 004 271</u>	<u>24 848 614</u>
Total net position	<u>\$ 38 359 535</u>	<u>\$ 35 963 227</u>

The following table provides a summary of the District's operations for the year ended December 31, 2022. The District increased its net position by \$2,396,308.

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>
Revenues:		
Property taxes	\$ 14 316 667	\$ 13 720 711
Sales taxes	7 707 403	6 412 865
Other revenues	<u>3 452 588</u>	<u>2 729 592</u>
Total revenues	<u>25 476 658</u>	<u>22 863 168</u>
Operating expenses	20 818 680	16 995 823
Interest expense	587 781	590 671
Depreciation	<u>1 673 889</u>	<u>1 397 331</u>
Total expenses	<u>23 080 350</u>	<u>18 983 825</u>
Change in net position	2 396 308	3 879 343
Net position, beginning of period	<u>35 963 227</u>	<u>32 083 884</u>
Net position, end of period	<u>\$ 38 359 535</u>	<u>\$ 35 963 227</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2022 (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2022 was \$17,731,914.

The General Fund balance increased by \$945,132, primarily due to debt service 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 did not amend the budget during the fiscal year 2022. Actual excess revenues were \$2,168,872 more than the budgeted excess revenues due to capital outlay being less than expected and sales tax revenue and debt service proceeds being more than expected.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2022 (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>2022</u>	<u>2021</u>
Land	\$ 3 173 892	\$ 3 173 892
Construction in progress	1 267 162	792 916
Leased assets, net of depreciation	3 899 582	1 521 446
Capital assets, net of depreciation	<u>22 938 706</u>	<u>22 816 463</u>
Total capital assets	<u>\$ 31 279 342</u>	<u>\$ 28 304 717</u>

Construction in progress includes cost of site preparation and land improvements incurred in prior years, remodel of a station, vehicle costs not yet in service, 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, 2022 are summarized as follows:

Long term debt, beginning of year	\$ 17 190 104
Proceeds	3 403 838
Retirements of principal	<u>(1 669 864)</u>
Long term debt, end of year	<u>\$ 18 924 078</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 Ray Sidwell, Assistant Chief of Administration, 21201 Morton Road, Katy, Texas 77449.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 10 859 163	\$ -	\$ 10 859 163
Temporary Investments	5 356 492	-	5 356 492
Cash on Hand with Tax Assessor	1 636 204	-	1 636 204
Property Taxes Receivable	8 458 105	-	8 458 105
Other Receivable	2 929	-	2 929
Prepaid Expenses	27 326	-	27 326
Net Pension Asset	-	-	-
Capital Assets			
Land	-	3 173 892	3 173 892
Construction in Progress	-	1 267 162	1 267 162
Leased Assets, Nest of Accumulated Depreciation of \$2,103,274	-	3 899 582	3 899 582
Capital Assets, Net of Accumulated Depreciation of \$9,552,102	-	22 938 706	22 938 706
Total Assets	<u>26 340 219</u>	<u>31 279 342</u>	<u>57 619 561</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources	<u>1 420 417</u>	-	<u>1 420 417</u>
Total Deferred Outflows of Resources	<u>1 420 417</u>	-	<u>1 420 417</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 27 760 636</u>	<u>\$ 31 279 342</u>	<u>\$ 59 039 978</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$ 72 509	\$ 185 748	\$ 258 257
Retirement Plan Payable	115 384	-	115 384
Retainage Payable	19 056	-	19 056
Net Pension Liability	1 345 260	-	1 345 260
Long Term Liabilities			
Due within One Year	-	1 893 728	1 893 728
Due after One Year	-	17 030 350	17 030 350
Total Liabilities	<u>1 552 209</u>	<u>19 109 826</u>	<u>20 662 035</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources	18 408	-	18 408
Unavailable Tax Revenue	<u>8 458 105</u>	<u>(8 458 105)</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>8 476 513</u>	<u>(8 458 105)</u>	<u>18 408</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance			
Unassigned Fund Balance	<u>17 731 914</u>	<u>(17 731 914)</u>	<u>-</u>
Total Fund Balance	<u>17 731 914</u>	<u>(17 731 914)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 27 760 636</u>		
Net Position			
Net Investment in Capital Assets		12 355 264	12 355 264
Unrestricted		<u>26 004 271</u>	<u>26 004 271</u>
Total Net Position		<u>38 359 535</u>	<u>38 359 535</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 31 279 342</u>	<u>\$ 59 039 978</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, 2022

	General Fund	Adjustments	Statement of Activities
Revenues			
Property Taxes	\$ 14 074 254	\$ 242 413	\$ 14 316 667
Contract Payments	250 000	-	250 000
Sales Tax	7 707 403	-	7 707 403
Penalty and Interest on Property Taxes	144 695	-	144 695
Patient Revenue	2 268 497	-	2 268 497
Interest Earned on Temporary Investments	98 801	-	98 801
Gain on Disposal of Property	184 055	-	184 055
Miscellaneous	506 540	-	506 540
Total Revenues	25 234 245	242 413	25 476 658
Expenditures/Expenses			
Service Operations			
Accounting	39 589	-	39 589
Appraisal District Fees	101 080	-	101 080
Collection Fees	53 531	-	53 531
Dispatch Fee	525 120	-	525 120
Election	34 953	-	34 953
Employee Benefits	1 561 842	-	1 561 842
Insurance	308 170	-	308 170
IT Infrastructure and Support	611 467	-	611 467
Maintenance and Repair, Small Equipment	1 150 115	-	1 150 115
Miscellaneous	144 384	-	144 384
Medical Billing and Other Contracts	208 678	-	208 678
Medical Supplies	575 043	-	575 043
Notice, Publication, and Filing Fees	567	-	567
Professional Fees	435 439	-	435 439
Retirement Plan	1 614 812	-	1 614 812
Payroll	11 179 463	-	11 179 463
Payroll Tax	816 176	-	816 176
Public Relations	239 244	-	239 244
Safety and Training	253 220	-	253 220
Supplies	443 072	-	443 072
Utilities	305 033	-	305 033
Workers Compensation Insurance	217 682	-	217 682
Capital Outlay	4 648 514	(4 648 514)	-
Debt Service			
Note Principal	1 289 316	(1 289 316)	-
Note Interest	506 588	(12 121)	494 467
Capital Lease Principal	380 548	(380 548)	-
Capital Lease Interest	49 305	44 009	93 314
Depreciation	-	1 673 889	1 673 889
Total Expenditures/Expenses	27 692 951	(4 612 601)	23 080 350
Excess (Deficiency) of Revenues Over Expenditures before Other Items	(2 458 706)	4 855 014	-
Debt Service Proceeds	3 403 838	(3 403 838)	-
Excess (Deficiency) of Revenues Over Expenditures	945 132	1 451 176	-
Change in Net Position			2 396 308
Fund Balance/Net Position			
Beginning of Year	16 786 782	19 176 445	35 963 227
End of Year	\$ 17 731 914	\$ 20 627 621	\$ 38 359 535

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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, 2022 (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 Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In compliance with GASBS No. 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2022. 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, 2022
(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, 2022 (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, 2022	<u>\$ 17 731 914</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	31 279 342
Conversion of property tax assessments to full accrual basis	8 458 105
Interest paid on long term debt is adjusted to accrual basis	(185 748)
Long-term debt obligations are not reported in the funds	<u>(18 924 078)</u>
Adjustment to fund balance to arrive at net position	<u>20 627 621</u>
Total Net Position at December 31, 2022	<u><u>\$ 38 359 535</u></u>

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

Change in fund balance	\$ 945 132
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 depreciation exceeded capital outlay and conveyance of capital assets in the current period.	2 974 625
Governmental funds report proceeds from debt because they provide current financial resources to governmental funds. However, they do not affect net position.	(3 403 838)
Principal payments on debt are reported as expenditures in the funds. However, they do not affect net position.	1 669 864
Interest paid on long term debt is adjusted to accrual basis	(31 888)
Conversion of property tax assessments to full accrual basis	<u>242 413</u>
Change in net position of governmental activities	<u><u>\$ 2 396 308</u></u>

J. LEASES

During the year ended December 31, 2022 the District adopted GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. Beginning net position was not affected by the implementation of the new standard.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (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, 2022, the District received \$250,000 from the ESD.

NOTE (4) AD VALOREM TAX

During the year ended December 31, 2022, the District levied an ad valorem tax at the rate of \$.086911 per \$100 of assessed valuation, which resulted in a tax levy of \$14,727,061 for 2022, on the taxable valuation of \$16,944,990,784 for the 2022 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, 2022, include collections during the current period or within 60 days of year-end related to the 2022 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 2022. The largest cash, savings, and time deposit combined balance in the bank during the year ended December 31, 2022 was \$16,564,745 in February 2022. During the year, amounts over FDIC coverage were adequately collateralized with additional securities.

The District also contracted with PNC Bank during the year 2022. The largest cash, savings, and time deposit combined balance in the bank during the year ended December 31, 2022 was \$334,021 in March 2022. During the year, amounts over FDIC coverage were adequately collateralized with additional securities. These accounts were closed during 2022.

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, 2022, in accordance with the Board approved investment policy. The total carrying value and market value for the certificates of deposit was \$458,063. The District also holds investments at December 31, 2022, 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, 2022 (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 \$2,431,121 at December 31, 2022.

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, 2022, the District had a balance of \$2,467,308 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, 2022.

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(Continued)

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	24 445 419	-	-	24 445 419
Fire Trucks and Vehicles	6 779 698	(116 304)	-	6 663 394
Furniture, Fixtures and Equipment	801 364	580 631	-	1 381 995
Leased Fire Trucks and Vehicles	3 176 780	2 826 076	-	6 002 856
	<u>35 203 261</u>	<u>3 290 403</u>	<u>-</u>	<u>38 493 664</u>
Less: Accumulated Depreciation				
Buildings	(3 196 818)	-	(668 684)	(3 865 502)
Fire Trucks and Vehicles	(5 441 161)	883 865	(461 735)	(5 019 031)
Furniture, Fixtures and Equipment	(572 039)	-	(95 530)	(667 569)
Leased Fire Trucks and Vehicles	(1 655 334)	-	(447 940)	(2 103 274)
Total Accumulated Depreciation	<u>(10 865 352)</u>	<u>883 865</u>	<u>(1 673 889)</u>	<u>(11 655 376)</u>
Net Book Value	<u>24 337 909</u>	<u>4 174 268</u>	<u>(1 673 889)</u>	<u>26 838 288</u>
Construction in Progress	<u>792 916</u>	<u>474 246</u>	<u>-</u>	<u>1 267 162</u>
Totals	<u>\$ 28 304 717</u>	<u>\$ 4 648 514</u>	<u>\$ (1 673 889)</u>	<u>\$ 31 279 342</u>

Construction in progress includes construction and design costs for station no. 6, remodel of station no. 4, an ambulance in progress, and a ladder truck in progress.

During the year ended December 31, 2022 the District implemented GASB Statement No. 87, *Leases*, requiring lease asset to be shown separately from other capital assets.

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, 2022, the balance due on the note was \$135,559. During the year ended December 31, 2022, the District paid principal and interest of \$135,559 and \$6,425, respectively. The balance due at December 31, 2022 was \$0.

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, 2022, the balance due on the note was \$1,083,458. During the year ended December 31, 2022, the District paid principal and interest of \$352,612 and \$30,319, respectively. The balance due at December 31, 2022 was \$730,846.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (Continued)

NOTE (8) NOTES PAYABLE (Continued)

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 annually 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, 2022, the balance due on the note was \$7,829,063. During the year ended December 31, 2022, the District paid principal and interest of \$372,979 and \$275,442, respectively. The balance due at December 31, 2022 was \$7,456,084.

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 \$456,487. 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, 2022, the balance due on the note was \$323,158. During the year ended December 31, 2022, the District paid principal and interest of \$28,233 and \$9,240, respectively. The balance due at December 31, 2022 was \$294,925.

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 annually beginning August 1, 2021 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. At January 1, 2022, the balance due on the note was \$6,234,409. During the year ended December 31, 2022, the District paid principal and interest of \$399,933 and \$185,162, respectively. The balance due at December 31, 2022 was \$5,834,476.

On June 30, 2022, the District entered into a payment plan note with Zoll Medical Corporation (“Lender”) for \$424,362 at an annual interest rate of 0%. Payments of \$84,872 are due annually beginning January 30, 2023 through January 30, 2027. The proceeds were used to pay for monitors and defibrillators. The plan is secured by the equipment. No payments were made in 2022. The balance due at December 31, 2022 was \$424,362.

Future maturities of the balances outstanding are as follows:

Year Ending	Principal	Interest
December 31, 2023	\$ 1 274 427	\$ 464 364
December 31, 2024	1 306 227	428 302
December 31, 2025	966 039	389 820
December 31, 2026	994 432	361 428
December 31, 2027	1 023 746	332 114
December 31, 2028-2032	5 130 752	1 186 347
December 31, 2033-2037	4 045 070	366 203
Total Amount	\$ 14 740 693	\$3 528 578

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(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. At January 1, 2022, the balance due on the lease was \$925,871. During the year ended December 31, 2022, the District paid principal and interest of \$219,570 and \$29,515, respectively. The balance due at December 31, 2022 was \$706,301.

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. At January 1, 2022, the balance due on the lease was \$45,607. During the year ended December 31, 2022, the District paid principal and interest of \$45,607 and \$1,169, respectively. The balance due at December 31, 2022 was \$0.

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, 2021 through February 19, 2028. At January 1, 2022, the balance due on the lease was \$612,979. During the year ended December 31, 2022, the District paid principal and interest of \$115,371 and \$18,621, respectively. The balance due at December 31, 2022 was \$497,608.

On February 16, 2022, the Board entered into a capital lease payable with an interest rate of 1.97% with Community First National Bank. The proceeds were used to pay for two new pumper trucks and an aerial ladder truck. Principal and interest payments of \$331,174 are due annually beginning February 21, 2023 through February 21, 2032. During the year ended December 31, 2022, the District did not make any principal and interest payments. The balance due at December 31, 2022 was \$2,979,476.

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

The following is a schedule year of future minimum principal and interest payments required under the agreements as of December 31, 2022:

Year Ending	Principal	Interest
December 31, 2023	\$ 619 301	\$ 94 949
December 31, 2024	635 118	79 132
December 31, 2025	653 095	61 155
December 31, 2026	418 942	46 223
December 31, 2027	294 593	36 582
December 31, 2028 - 2032	1 562 336	93 535
	<u>\$ 4 183 385</u>	<u>\$ 411 576</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, 2022
(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, 2022:

Long Term Debt at Beginning of Current Year		\$ 17 190 104
Proceeds		3 403 838
Retirement of Principal	Notes Payable	(1 289 316)
	Capital Lease	<u>(380 548)</u>
Long Term Debt at End of Current Year		<u>\$ 18 924 078</u>
Long Term Debt Due in Future		
Current	Notes Payable	\$ 1 274 427
	Capital Lease	619 301
Long-Term	Notes Payable	13 466 266
	Capital Lease	<u>3 564 084</u>
		<u>\$ 18 924 078</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, 2022, the District received \$7,707,403 in sales tax revenue.

NOTE (12) EMERGENCY RESPONSES

During the year ended December 31, 2022, the District responded to 15,123 emergencies. Of this amount, 10,940 calls were for medical emergency services and 4,183 were for fire department incidents.

NOTE (13) 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, 2022 was as follows:

Inactive employees entitled to but not yet receiving benefits	78
Active plan members	171
Inactive employees (or their beneficiaries) receiving benefits	<u>4</u>
	<u>253</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 200%) and is then converted to an annuity.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (Continued)

NOTE (13) RETIREMENT PLAN (Continued)

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, 2022, the District's total payroll for all employees was \$11,179,463. Total covered payroll was \$10,868,790. 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 7% 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, 2022, was 8.91% 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 actual contributions to the Plan for the year ended December 31, 2022 were \$1,628,078.

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

At December 31, 2022, the District reported a net liability of \$1,345,260 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, 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, 2022, the District's proportion was 12.38%.

For the year ended December 31, 2022, the District recognized pension expense of \$1,614,812. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual results	\$ 18 408	\$ 477 031
Changes of assumptions	-	439 398
Net difference between projected and actual earnings	-	503 988
Contributions subsequent to the measurement date	N/A	Employer determined
Total	\$ 18 408	\$ 1 420 417

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (Continued)

NOTE (13) RETIREMENT PLAN (Continued)

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>	
2022	\$ 177 901
2023	207 411
2024	215 788
2025	377 240
2026	118 588
Thereafter	305 081

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation

In the 2022 actuarial valuation, assumed life expectancies were 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the years 2017-2020, except where required to be different by GASBS No. 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 2022 information for a 10 year time horizon.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (Continued)

NOTE (13) RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment - Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. 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, 2022 (Continued)

NOTE (13) 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, 2022 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, 2021	\$ 7 365 946	\$ 7 382 340	\$ (16 394)
Changes for the year:			
Service cost	1 201 754	-	1 201 754
Interest on total pension liability	649 404	-	649 404
Effect of Plan changes	1 239 923	-	1 239 923
Effect of economic/demographic gains or losses	357 374	-	357 374
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(32 037)	(32 037)	-
Benefit payments	(14 631)	(14 631)	-
Administrative expenses	-	(5 522)	5 522
Member contributions	-	760 815	(760 815)
Net investment income	-	(632 505)	632 505
Employer contributions	-	1 628 078	(1 628 078)
Other	-	335 935	(335 935)
Balances as of December 31, 2022	\$ 10 767 733	\$ 9 422 473	\$ 1 345 260

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

The following presents the District's net pension asset calculated using the discount rate of 7.60%, 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 (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	Discount Rate	Net Pension Liability/(Asset)
1% Decrease	6.60%	\$ 3 849 247
Current Discount Rate	7.60%	\$ 1 345 260
1% Increase	8.60%	\$ (633 821)

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, 2022, the District reported a payable of \$115,384 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, 2022
(Continued)

NOTE (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2023, (the date the financial statements were available to be issued) and noted no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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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, 2022

	Original and Final Budget*	Actual	Variance Positive (Negative)
Revenues			
Property Taxes	\$ 14 100 000	\$ 14 074 254	\$ (25 746)
Contract Payments	250 000	250 000	-
Sales Tax Revenue	6 000 000	7 707 403	1 707 403
Penalty and Interest on Property Taxes	-	144 695	144 695
Patient Revenue	2 200 000	2 268 497	68 497
Interest Earned on Temporary Investments	100 000	98 801	(1 199)
Gain on Disposal of Property	-	184 055	184 055
Miscellaneous	555 000	506 540	(48 460)
Total Revenues	<u>23 205 000</u>	<u>25 234 245</u>	<u>2 029 245</u>
Expenditures/Expenses			
Service Operations			
Accounting	36 000	39 589	(3 589)
Appraisal District Fees	100 000	101 080	(1 080)
Collection Fees	-	53 531	(53 531)
Communication	600 000	525 120	74 880
Election	50 000	34 953	15 047
Employee Benefits	1 755 700	1 561 842	193 858
Insurance	286 000	308 170	(22 170)
IT Infrastructure and Support	766 000	611 467	154 533
Maintenance and Repair, Small Equipment	1 644 776	1 150 115	494 661
Miscellaneous	158 400	144 384	14 016
Medical Billing and Other Contracts	126 500	208 678	(82 178)
Medical Supplies	608 500	575 043	33 457
Notice, Publication, and Filing Fees	5 000	567	4 433
Professional Fees	401 800	435 439	(33 639)
Retirement Plan	742 776	1 614 812	(872 036)
Payroll	11 296 255	11 179 463	116 792
Payroll Tax	700 000	816 176	(116 176)
Public Relations	283 100	239 244	43 856
Safety and Training	396 500	253 220	143 280
Supplies	420 500	443 072	(22 572)
Utilities	272 700	305 033	(32 333)
Workers Compensation Insurance	230 000	217 682	12 318
Capital Outlay	1 322 500	4 648 514	(3 326 014)
Debt Service			
Note Principal	1 248 538	1 289 316	(40 778)
Note Interest	547 319	506 588	40 731
Capital Lease Principal	362 595	380 548	(17 953)
Capital Lease Interest	67 281	49 305	17 976
Total Expenditures/Expenses	<u>24 428 740</u>	<u>27 692 951</u>	<u>(3 264 211)</u>
Excess (Deficiency) of Revenues over Expenditures	(1 223 740)	(2 458 706)	(1 234 966)
Debt Service Proceeds	-	3 403 838	3 403 838
Excess (Deficiency) of Revenues and Debt Service Proceeds over Expenditures	(1 223 740)	945 132	2 168 872
Fund Balance/Net Position			
Beginning of the Period	16 786 782	16 786 782	-
End of the Period	<u>\$ 15 563 042</u>	<u>\$ 17 731 914</u>	<u>\$ 2 168 872</u>

* 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability				
Service cost	\$ 1 201 754	\$ 1 112 008	\$ 924 865	\$ 837 894
Interest on total pension liability	649 404	511 631	385 044	283 388
Effect of plan changes	1 239 923	-	28 754	-
Effect of assumption changes or inputs	-	87 104	533 192	-
Effect of economic/demographic (gains) or losses	357 374	83 284	(24 273)	76 847
Benefit payments/refunds of contributions	<u>(46 668)</u>	<u>(94 413)</u>	<u>(19 647)</u>	<u>(40 121)</u>
Net change in total pension liability	3 401 787	1 699 614	1 827 935	1 158 008
Total pension liability, beginning	<u>7 365 945</u>	<u>5 666 331</u>	<u>3 838 396</u>	<u>2 680 388</u>
Total pension liability, ending	<u>10 767 732</u>	<u>7 365 945</u>	<u>5 666 331</u>	<u>3 838 396</u>
 Fiduciary Net Position				
Employer contributions	1 628 078	516 006	453 146	443 436
Member contributions	760 815	656 735	576 732	564 374
Investment income net of investment expenses	(632 505)	1 231 898	377 096	370 375
Benefit payments/refunds of contributions	(46 668)	(94 413)	(19 647)	(40 121)
Administrative expenses	(5 522)	(3 994)	(3 691)	(2 766)
Other	<u>335 935</u>	<u>31 940</u>	<u>30 253</u>	<u>33 637</u>
Net change in fiduciary net position	2 040 133	2 338 172	1 413 889	1 368 935
Fiduciary net position, beginning	<u>7 382 339</u>	<u>5 044 167</u>	<u>3 630 278</u>	<u>2 261 343</u>
Fiduciary net position, ending	<u>9 422 472</u>	<u>7 382 339</u>	<u>5 044 167</u>	<u>3 630 278</u>
 Net pension liability/(asset), ending	<u>\$ 1 345 260</u>	<u>\$ (16 394)</u>	<u>\$ 622 164</u>	<u>\$ 208 118</u>
 Fiduciary net position as a % of total pension liability/(asset)	87.51%	100.22%	89.02%	94.58%
 Pensionable covered payroll	\$ 10 868 790	\$ 9 381 935	\$ 8 239 025	\$ 8 062 486
 Net pension liability/(asset) as a % of covered payroll	12.38%	-0.17%	7.55%	2.58%

See the Accompanying Independent Auditors' Report

<u>Year Ended December 31</u>					
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 635 302	\$ 427 843	\$ 376 047	\$ 122 404	N/A	N/A
168 680	78 135	25 117	4 948	N/A	N/A
446 448	384 058	-	1 140	N/A	N/A
-	272	-	1 057	N/A	N/A
3 948	47 026	17 968	(2 174)	N/A	N/A
<u>(41 510)</u>	<u>(12 951)</u>	<u>(3 370)</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>
1 212 868	924 383	415 762	127 375	N/A	N/A
<u>1 467 520</u>	<u>543 137</u>	<u>127 375</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>
<u>2 680 388</u>	<u>1 467 520</u>	<u>543 137</u>	<u>127 375</u>	<u>N/A</u>	<u>N/A</u>
414 222	274 831	237 959	73 761	N/A	N/A
509 928	318 205	262 649	81 414	N/A	N/A
(15 660)	107 850	11 736	(1 318)	N/A	N/A
<u>(41 510)</u>	<u>(12 951)</u>	<u>(3 370)</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>
(1 816)	(911)	(128)	(58)	N/A	N/A
<u>26 433</u>	<u>7 767</u>	<u>12 318</u>	<u>(8)</u>	<u>N/A</u>	<u>N/A</u>
891 597	694 791	521 164	153 791	N/A	N/A
<u>1 369 746</u>	<u>674 955</u>	<u>153 791</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>
<u>2 261 343</u>	<u>1 369 746</u>	<u>674 955</u>	<u>153 791</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 419 045</u>	<u>\$ 97 774</u>	<u>\$ (131 818)</u>	<u>\$ (26 416)</u>	<u>N/A</u>	<u>N/A</u>
84.37%	93.34%	124.27%	120.74%	N/A	N/A
\$ 7 284 692	\$ 6 364 109	\$ 5 252 981	\$ 3 256 543	N/A	N/A
5.75%	1.54%	-2.51%	-0.81%	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
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	\$(141 775)	\$ 7 284 692	5.70%
2019	\$ 420 862	\$ 443 436	\$ (22 574)	\$ 8 062 486	5.50%
2020	\$ 425 134	\$ 453 146	\$ (28 012)	\$ 8 239 025	5.50%
2021	\$ 492 552	\$ 516 006	\$ (23 454)	\$ 9 381 935	5.50%
2022	\$ 772 771	\$ 1 628 078	\$(855 307)	\$ 10 868 790	15.00%

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

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	18.9 years (based on contribution rate calculated in 12/31/22 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation 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% 2019: Employer contributions reflect that the current service matching rate was increased to 125% 2020 and 2022: No changes in plan provisions were reflected. 2021: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was decreased to 110%

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

SUPPLEMENTARY INFORMATION

ANALYSIS OF TAXES RECEIVABLE
DECEMBER 31, 2022

Taxes Receivable - Beginning of Year	\$ 8 215 692
2022 Tax Roll	14 727 061
Adjustments	<u>(410 394)</u>
Total to be Accounted for	22 532 359
Tax Collections Received from Tax Collector	<u>(14 074 254)</u>
Taxes Receivable - End of Year	<u>\$ 8 458 105</u>
Taxes Receivable - By Years	
2022	\$ 8 176 159
2021	109 345
2020	57 462
2019	36 759
2018 and prior	<u>78 380</u>
Taxes Receivable - End of Year	<u>\$ 8 458 105</u>

Assessed Valuation Summary

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Property Valuations					
Total Property Valuations	<u>\$ 16 944 990 784</u>	<u>\$ 14 697 646 496</u>	<u>\$ 13 678 884 644</u>	<u>\$ 12 767 200 587</u>	<u>\$ 11 958 661 546</u>
Tax Rate per \$100 Valuations	<u>\$ 0.086911</u>	<u>\$ 0.095234</u>	<u>\$ 0.099394</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>
Tax Rolls	<u>\$ 14 727 061</u>	<u>\$ 13 997 157</u>	<u>\$ 13 595 991</u>	<u>\$ 12 767 201</u>	<u>\$ 11 958 662</u>
Percent of Taxes Collected to Taxes Levied	<u>44.5%</u>	<u>99.2%</u>	<u>99.6%</u>	<u>99.7%</u>	<u>100.0%</u>

See the Accompanying Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48

SUPPLEMENTARY INFORMATION

BOARD MEMBERS AND CONSULTANTS
DECEMBER 31, 2022

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

District Telephone Number: (713) 984-8222

Names	Term of office	Fees Paid* FYE 12/31/22	Expense Reimburse- ments FYE 12/31/22	Title at Year End
Board Members:				
Samuel Henderson	(Elected) 06/18 - 05/22 06/22 - 05/26	\$ 3 900	\$ -	President
Jon Russell Solomon	(Elected) 06/20 - 05/24	\$ 2 400	\$ -	Vice President
Michael Fleming	(Elected) 06/18 - 05/22 06/22 - 05/26	\$ 3 450	\$ -	Treasurer
Scott Strait	(Appointed) 06/22 - 05/24	\$ 1 650	\$ -	Secretary
Pattie Creel	(Appointed) 06/22 - 05/24	\$ 1 650	\$ -	Assistant Secretary/ Treasurer
Marshall Kramer	(Elected) 06/20 - 06/22	\$ 1 350	\$ -	-
Bret Fossum	(Elected) 06/20 - 06/22	\$ 1 800	\$ -	-

* 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, 2022
(Continued)

<u>Names</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements FYE 12/31/22</u>	<u>Title at Year End</u>
Consultants:			
Coveler & Peeler, P.C.	2003	\$ 137 047	Attorney
Ann Harris Bennett	2003	\$ 53 531	Tax Collector
ABIP Advisors LLC	2017	\$ 39 589	Bookkeeper
Breedlove & Co., P.C.	2008	\$ 18 820	Auditor
Harris County Appraisal District	2003	\$ 102 510	Appraisal District

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