

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Harris County Emergency
Services District No. 17
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 17 (the "District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, the Schedule of Changes in Net Pension Liability and related ratios and the Schedule of Distinct contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by Harris County 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 25, 2022

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Management’s discussion and analysis of Harris County Emergency Services District No. 17’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended December 31, 2021. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, sales tax receipts, costs of assessing and collecting taxes and general expenditures.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$24,542,063 as of December 31, 2021.

A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide firefighting and fire prevention services within the District and to provide administrative, training and meeting facilities.

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 17,197,119	\$ 15,601,715	\$ 1,595,404
Capital Assets (Net of Accumulated Depreciation)	<u>22,076,335</u>	<u>21,914,098</u>	<u>162,237</u>
Total Assets	<u>\$ 39,273,454</u>	<u>\$ 37,515,813</u>	<u>\$ 1,757,641</u>
Deferred Outflows of Resources	<u>\$ 767,157</u>	<u>\$ 503,825</u>	<u>\$ 263,332</u>
Long-Term Liabilities	\$ 7,827,337	\$ 7,675,058	\$ (152,279)
Other Liabilities	<u>1,818,558</u>	<u>918,687</u>	<u>(899,871)</u>
Total Liabilities	<u>\$ 9,645,895</u>	<u>\$ 8,593,745</u>	<u>\$ (1,052,150)</u>
Deferred Inflows of Resources	<u>\$ 5,852,653</u>	<u>\$ 5,436,624</u>	<u>\$ (416,029)</u>
Net Position:			
Net Investment in Capital Assets	\$ 13,452,202	\$ 13,557,451	\$ (105,249)
Restricted	637,696	637,696	
Unrestricted	<u>10,452,165</u>	<u>9,794,122</u>	<u>658,043</u>
Total Net Position	<u>\$ 24,542,063</u>	<u>\$ 23,989,269</u>	<u>\$ 552,794</u>

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

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,355,544	\$ 4,832,313	\$ 523,231
Sales Tax Receipts	4,320,753	4,121,267	199,486
Other Revenues	<u>264,967</u>	<u>292,002</u>	<u>(27,035)</u>
Total Revenues	<u>\$ 9,941,264</u>	<u>\$ 9,245,582</u>	<u>\$ 695,682</u>
Expenses for Services	<u>9,388,470</u>	<u>9,036,799</u>	<u>(351,671)</u>
Change in Net Position	\$ 552,794	\$ 208,783	\$ 344,011
Net Position, Beginning of Year	<u>23,989,269</u>	<u>23,780,486</u>	<u>208,783</u>
Net Position, End of Year	<u>\$ 24,542,063</u>	<u>\$ 23,989,269</u>	<u>\$ 552,794</u>

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2021, was \$10,177,346, an increase of \$570,753 from the prior year. The increase was primarily due to note proceeds which offset service operations and capital outlay costs exceeding property tax and sales tax revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current fiscal year. Actual revenues were \$1,960,498 more than budgeted revenues. Actual expenditures were \$59,898 less than budgeted expenditures. Note proceeds of \$1,000,000 were not budgeted for. This resulted in a positive budget variance of \$3,020,396. See the budget to actual variance analysis for further information.

CAPITAL ASSETS

Capital assets as of December 31, 2021, total \$22,076,335 (net of accumulated depreciation) and include land, buildings and equipment.

Completed Projects/Purchases:		
Station 84 Steel Cover Carport	\$	11,408
Security Cameras for Admin. Building		4,784
Security Cameras for Fire Field		12,820
Security Cameras for Station 81		11,330
Alarm System for Station 81		9,660
Alarm System for Station 83		8,844
Fork Lift		28,958
Station 81 Training Field Concrete Slabs		50,345
Gator		8,546
Station 82 Purvis Alert System		68,390
Total Completed Projects/Purchases	\$	<u>215,085</u>

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 669,964	\$ 669,964	\$
Construction in Progress	1,479,151	152,414	1,326,737
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	16,425,809	17,006,480	(580,671)
Machinery and Equipment	930,477	975,550	(45,073)
Vehicles	2,570,934	3,109,690	(538,756)
Total Net Capital Assets	\$ 22,076,335	\$ 21,914,098	\$ 162,237

Additional information on the District's capital assets can be found in Note 5 of this report.

LONG-TERM DEBT ACTIVITY

At December 31, 2021, the District had total long-term debt payable of \$8,558,102. The changes in the debt position of the District during the year ended December 31, 2021, are summarized as follows:

Notes Payable, January 1, 2021	\$ 8,286,154
Add: Note Proceeds Received	1,000,000
Less: Note Principal Paid	728,052
Notes Payable, December 31, 2021	\$ 8,558,102

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 17, 10410 Airline, Houston, Texas 77037.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash-Unrestricted	\$ 1,461,543	\$	\$ 1,461,543
Investments-Unrestricted	8,821,784		8,821,784
Investments-Restricted	637,696		637,696
Cash with Harris County	174,107		174,107
Receivables:			
Property Taxes	4,345,011		4,345,011
Penalty and Interest on Delinquent Taxes		147,478	147,478
Accrued Interest	2,507		2,507
Sales Tax	926,873		926,873
Prepaid Costs	170,679		170,679
Due from Bank	509,441		509,441
Land		669,964	669,964
Construction in Progress		1,479,151	1,479,151
Capital Assets (Net of Accumulated Depreciation)		<u>19,927,220</u>	<u>19,927,220</u>
TOTAL ASSETS	<u>\$ 17,049,641</u>	<u>\$ 22,223,813</u>	<u>\$ 39,273,454</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Plan Charges	<u>\$ - 0 -</u>	<u>\$ 767,157</u>	<u>\$ 767,157</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,049,641</u>	<u>\$ 22,990,970</u>	<u>\$ 40,040,611</u>

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
LIABILITIES			
Accounts Payable	\$ 716,705	\$	\$ 716,705
Accrued Interest Payable		61,704	61,704
Net Pension Liability		188,160	188,160
Retainage Payable	55,193		55,193
Long-Term Debt:			
Notes Payable Within One Year		796,796	796,796
Notes Payable After One Year		7,827,337	7,827,337
TOTAL LIABILITIES	<u>\$ 771,898</u>	<u>\$ 8,873,997</u>	<u>\$ 9,645,895</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 6,100,397	\$ (263,739)	\$ 5,836,658
Deferred Pension Plan Income		15,995	15,995
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 6,100,397</u>	<u>\$ (247,744)</u>	<u>\$ 5,852,653</u>
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 170,679	\$ (170,679)	\$
Restricted for Debt Service	637,696	(637,696)	
Assigned to 2022 Budget	2,841,167	(2,841,167)	
Unassigned	6,527,804	(6,527,804)	
TOTAL FUND BALANCE	<u>\$ 10,177,346</u>	<u>\$ (10,177,346)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 17,049,641</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 13,452,202	\$ 13,452,202
Restricted for Debt Service		637,696	637,696
Unrestricted		10,452,165	10,452,165
TOTAL NET POSITION		<u>\$ 24,542,063</u>	<u>\$ 24,542,063</u>

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total Fund Balance - Governmental Fund		\$ 10,177,346
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		22,076,335
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Certain liabilities are not available in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of net pension liability.		(188,160)
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Portions of the change in net pension asset that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.		751,162
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenues in the governmental activities of the District.		411,217
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (61,704)	
Notes Payable Within One Year	(796,796)	
Notes Payable After One Year	<u>(7,827,337)</u>	<u>(8,685,837)</u>

Total Net Position - Governmental Activities		<u>\$ 24,542,063</u>
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The accompanying notes to financial statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 5,333,913	\$ 21,631	\$ 5,355,544
Sales Tax Receipts	4,320,753		4,320,753
Penalty and Interest	76,478	14,867	91,345
Investment Revenues	30,488		30,488
Miscellaneous Revenues	143,134		143,134
TOTAL REVENUES	\$ 9,904,766	\$ 36,498	\$ 9,941,264
EXPENDITURES/EXPENSES			
Service Operations:			
Accounting and Auditing	\$ 61,100	\$	\$ 61,100
Appraisal District Fees	30,191		30,191
Building Maintenance and Supplies	282,297		282,297
Contracted Services	54,690		54,690
Depreciation		1,377,227	1,377,227
Dispatch	222,687		222,687
Dues and Fees	1,100		1,100
Election Expenses	130		130
EMS Supplies	16,452		16,452
Fire Vehicle Maintenance	442,553		442,553
Information Technology	88,716		88,716
Insurance	266,439		266,439
Legal Fees - General	68,986		68,986
Legal Fees - Delinquent Tax Collections	25,444		25,444
Loss on Disposal of Assets		2,358	2,358
Office Equipment and Supplies	13,626		13,626
Personnel	54,055		54,055
Protective Gear	150,526		150,526
Public Relations	11,430		11,430
Salaries and Benefits	5,414,583	(49,017)	5,365,566
Sales Tax Collection Fee	36,527		36,527
Sales Tax Consultant	6,278		6,278
Tax Assessor/Collector Fees	32,722		32,722
Training	156,593		156,593
Uniforms	39,443		39,443
Utilities	202,941		202,941
Other-Fire Operations	52,336		52,336
Other-Administration	3,571		3,571
Capital Outlay	1,581,924	(1,541,762)	40,162
Debt Service:			
Note Principal	728,052	(728,052)	
Note Interest	288,621	(6,297)	282,324
TOTAL EXPENDITURES/EXPENSES	\$ 10,334,013	\$ (945,543)	\$ 9,388,470

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (429,247)	\$ 429,247	\$ - 0 -
OTHER FINANCING SOURCES (USES)			
Note Proceeds	\$ 1,000,000	\$ (1,000,000)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 570,753	\$ (570,753)	\$
CHANGE IN NET POSITION		552,794	552,794
FUND BALANCE/NET POSITION - JANUARY 1, 2021	<u>9,606,593</u>	<u>14,382,676</u>	<u>23,989,269</u>
FUND BALANCE/NET POSITION - DECEMBER 31, 2021	<u>\$ 10,177,346</u>	<u>\$ 14,364,717</u>	<u>\$ 24,542,063</u>

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balance - Governmental Funds	\$	570,753
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		21,631
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.		14,867
Governmental funds report the proceeds received from the sale of an asset as revenues. However, in the government-wide statements, the asset and accumulated depreciation are deducted and a gain or loss on disposal is recorded in the Statement of Activities.		(2,358)
The changes in the net pension asset as well as deferred inflows and outflows of resources are recorded as pension expense in the government-wide financial statements.		49,017
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(1,377,227)
Governmental funds report capital asset purchases as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.		1,541,762
Governmental funds report principal payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected.		728,052
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on long-term debt through fiscal year-end.		6,297
Governmental funds report note proceeds as other financing sources. However, issued debt is recorded as a liability in the government-wide financial statements.		(1,000,000)
Change in Net Position - Governmental Activities	\$	<u>552,794</u>

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

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 17 (the “District”) was created by the Commissioners Court of Harris County, Texas on August 20, 1985, as a political subdivision of the State of Texas under the provision of Section 48-d of Article III of the State Constitution in accordance with Title 44, Article 3351a-6 of The Revised Civil Statutes of the State of Texas. This action was taken by the Commissioners as a result of voter approval by residents of the District on August 10, 1985. Effective September 1, 2003, Texas Legislature Senate Bill 1021 converted all rural fire prevention districts to emergency services districts and mandated a name change to Harris County Emergency Services District No. 17 (the “District”). In accordance with Senate Bill 1021, the District now operates under Chapter 775 of the Health and Safety Code.

Chapter 775 of the Health and Safety Code provides that an emergency services district may provide all or any one of the emergency services included in the code, including fire prevention and firefighting, but is not required to perform all emergency services. The District transitioned from a volunteer fire department-based service provider to a direct District-based provider in 2016.

The District is governed by a Board of Commissioners consisting of five individuals residing within the District who are elected by voters within the District. The Board of Commissioners sets the policies of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund; therefore, this fund is a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, sales tax receipts, costs of assessing and collecting taxes and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenues include the 2020 tax levy collections during the period October 1, 2020 to December 31, 2021, and taxes collected from January 1, 2021, to December 31, 2021, for all prior tax levies. The 2021 tax levy has been fully deferred to meet the District's planned expenditures in the 2022 fiscal year.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Personal tangible assets (computers, office machines, office furniture, etc.) are capitalized if they have a total cost of \$5,000 or more (including installation costs and professional fees) and a useful life of more than one year. All other capital assets are capitalized if they have a total cost of \$5,000 or more (including installation costs and professional fees) and a useful life of more than 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:

	Years
Buildings and Improvements	30
Machinery and Equipment	2-15
Vehicles	7-15

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only. The District has a 457(b) retirement plan for its employees. See Note 10. The District also participates in the Texas County and District Retirement System and Length of Service Awards Program for its employees. See Notes 11 and 12.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. As of December 31, 2021, the District has restricted funds of \$106,160 for 2022 note payments to Wells Fargo Brokerage Services; and \$531,536 for 2022 note payment to Capital One Public Funding, LLC. See Note 7.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of December 31, 2021, the District has assigned \$2,841,167 of the General Fund fund balance for a projected budget deficit for the year ending December 31, 2022.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. TAX LEVY

On May 13, 2006, the voters of the District approved the levy and collection of a tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2021, the District levied an ad valorem tax at the rate of \$0.0974454 per \$100 of assessed valuation, which resulted in a tax levy of \$5,836,658 on the adjusted taxable valuation of \$5,989,162,339 for the 2021 tax year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. TAX LEVY (Continued)

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$3,621,543 and the bank balance was \$3,643,059. The District was not exposed to custodial credit risk at year end.

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

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 1,461,543	\$ 2,160,000	\$ 3,621,543

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Commissioners.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

Certificates of deposit are valued at acquisition cost at the date of purchase.

As of December 31, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 7,299,480	\$ 7,299,480
Certificates of Deposit	2,160,000	2,160,000
TOTAL INVESTMENTS	\$ 9,459,480	\$ 9,459,480

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021, the District’s investment in Texas CLASS was rated “AAAm” by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year because the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021:

	January 1, 2021	Increases	Decreases	December 31, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 669,964	\$	\$	\$ 669,964
Construction in Progress	<u>152,414</u>	<u>1,541,762</u>	<u>215,025</u>	<u>1,479,151</u>
Total Capital Assets Not Being Depreciated	<u>\$ 822,378</u>	<u>\$ 1,541,762</u>	<u>\$ 215,025</u>	<u>\$ 2,149,115</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 19,288,462	\$ 61,753	\$	\$ 19,350,215
Machinery and Equipment	1,596,549	153,332		1,749,881
Vehicles	<u>6,591,804</u>		<u>5,995</u>	<u>6,585,809</u>
Total Capital Assets at Subject to Depreciation	<u>\$ 27,476,815</u>	<u>\$ 215,085</u>	<u>\$ 5,995</u>	<u>\$ 27,685,905</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 2,281,982	\$ 642,424		\$ 2,924,406
Machinery and Equipment	620,999	198,405		819,404
Vehicles	<u>3,482,114</u>	<u>536,398</u>	<u>3,637</u>	<u>4,014,875</u>
Total Accumulated Depreciation	<u>\$ 6,385,095</u>	<u>\$ 1,377,227</u>	<u>\$ 3,637</u>	<u>\$ 7,758,685</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,091,720</u>	<u>\$ (1,162,142)</u>	<u>\$ 2,358</u>	<u>\$ 19,927,220</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 21,914,098</u></u>	<u><u>\$ 379,620</u></u>	<u><u>\$ 217,383</u></u>	<u><u>\$ 22,076,335</u></u>

NOTE 6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced fiscal insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7. NOTES PAYABLE

On September 4, 2008, the District entered into a \$1,200,000 real estate lien note with Wells Fargo Brokerage Services at an interest rate of 4.99%. The proceeds were used to fund the construction of Station No. 83. On January 15, 2014, this note was refinanced with Wells Fargo Bank, National Association at an interest rate of 2.59%. The new note is for \$930,000 and is secured by a pledge and lien against all gross sales and use taxes it receives during each calendar year. Principal and interest payments of \$53,080.18 are payable semi-annually, on the 1st day of each March and September beginning March 1, 2014 and ending September 1, 2023.

On October 20, 2016, the District entered into a \$7,500,000 loan agreement with Capital One Public Funding, LLC at an interest rate of 3.58%. The proceeds were used to finance the construction of two fire stations, an administration building and related equipment. The loan is secured by and payable solely from sales tax revenues received by the District. Principal and interest payments of \$531,535.23 are payable annually, on October 20 beginning October 20, 2017 and ending October 20, 2036. The District has the right to prepay the note in full on any date on or after October 20, 2026 with three days prior written notice to the lender.

On March 1, 2018, the District entered into a \$2,300,000 loan agreement with Trustmark National Bank at an interest rate of 2.95%. The proceeds will be used to finance the acquisition of three fire apparatus and secured by the titles to the purchased vehicles. Principal and interest payments of \$162,431.78 are payable semi-annually, on September 1 and March 1 beginning September 1, 2018 and ending March 1, 2026. The District has the right to prepay at any time, and from time to time, all or any part of the principal amount of this note, without notice, penalty or fee.

On June 16, 2021, the district entered into a \$1,000,000 loan agreement with Trustmark National Bank at an interest rate of 1.53%. The proceeds will be used to finance the remodeling of Station No. 83. Principal and interest payments of \$54,113.14 are payable semi-annually beginning six months from the loan execution date. The District has the right to prepay at any time, and from time to time, all or any part of the principal amount of this note, without notice, penalty or fee.

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

	January 1, 2021	Additions	Retirements	December 31, 2021
Notes Payable	\$ 8,286,154	\$ 1,000,000	\$ 728,052	\$ 8,558,102
Unamortized Premiums	<u>70,493</u>		<u>4,462</u>	<u>66,031</u>
Notes Payable, Net	<u>\$ 8,356,647</u>	<u>\$ 1,000,000</u>	<u>\$ 732,514</u>	<u>\$ 8,624,133</u>
			Amounts Due Within One Year	\$ 796,796
			Amounts Due After One Year	<u>7,827,337</u>
			Notes Payable, Net	<u>\$ 8,624,133</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7. NOTES PAYABLE (Continued)

The debt service requirements on these notes as of December 31, 2021 were as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 796,796	\$ 273,467	\$ 1,070,263
2023	809,665	249,586	1,059,251
2024	738,679	225,945	964,624
2025	761,286	203,339	964,625
2026	579,978	180,623	760,601
2027-2031	2,477,216	667,480	3,144,696
2032-2035	1,881,318	244,823	2,126,141
2036	513,164	18,371	531,535
	<u>\$ 8,558,102</u>	<u>\$ 2,063,634</u>	<u>\$ 10,621,736</u>

NOTE 8. TOWER LEASE AGREEMENT

On March 20, 2000, the District entered into an agreement with Nextel of Texas, LLC for the lease of land within the District. In September 2000, the lease interest transferred to SpectraSite, which subsequently merged with American Tower Corporation on August 5, 2005. The initial term of the lease is 5 years, with automatic renewals for up to 5 additional 5-year terms, unless the lessee notifies the District prior to commencement of any subsequent renewal term. Effective January 30, 2015, the agreement was amended to extend the term of the agreement for four additional 5-year renewal terms. If all renewal options are exercised final expiration of the lease would be April 17, 2050. Commencing with the first rental payment due following the effective date, the rent will increase to \$1,360 per month. Commencing on April 18, 2015 and each renewal term thereafter, rent due will increase by 15 percent. Currently, the rent payable to the District is \$1,799 per month. During the current fiscal year the District recorded revenue of \$21,583 from this lease.

NOTE 9. SALES AND USE TAX

In accordance with Chapter 775 of the Health and Safety Code, the District is authorized to adopt and impose a sales and use tax if authorized by a majority of the qualified voters of the District. The election to adopt a sales and use tax is governed by the provisions of Subchapter E, Chapter 323 of the Tax Code.

On May 12, 2012, the voters of the District approved the establishment and adoption of a sales and use tax of up to a maximum of one percent. On May 30, 2012, the Board set a local sales and use tax of one percent on all applicable sales and uses within the boundaries of the District, excluding any territory in the District where sales and use tax is currently two percent. The sales

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9. SALES AND USE TAX (Continued)

tax became effective on October 1, 2012. During the year ended December 31, 2021, the District recorded \$4,320,753 in sales tax receipts, of which \$926,873 was recorded as a receivable.

NOTE 10. RETIREMENT PLANS

403 (b) Retirement Plan

Effective January 1, 2009, Little York Volunteer Fire Department established a 403(b) retirement plan for its employees. The plan was transferred to the District in 2016. The plan is a qualified prototype plan approved by the Internal Revenue Service and administered by AXA Equitable Life Insurance Company which also serves as custodian of assets of the plan. The 403(b) is a deferred compensation plan open to all employees and is funded 100 percent by employee pre-tax contributions. Employees can contribute up to the maximum amount permitted annually by law. Each employee participant directs the investment in his/her respective account. During the current year, the employees contributed \$1,426 to the plan. This plan was rolled out in January 2021.

Deferred Compensation Plan 457(b)

The District offers its employees a deferred compensation plan, a Section 457 (B) plan, created in accordance with the Internal Revenue Service Codes, Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies. Federal law requires all assets and income of the plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The District's deferred compensation plans are administered by a private corporation under contract with the District. During the current year, the employees contributed \$89,598 to the plan.

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS issues a publicly available comprehensive annual financial report (CAFR) which includes financial statements, notes and required supplementary information which can be obtained at TCDRS, Finance Division, Barton Oaks Plaza IV Suite 500, 901 S. MoPac Expressway, Austin, Texas 78746 or at www.TCDRS.org.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided

Benefit provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled but not yet receiving benefits	20
Active employees	75

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 7.13% for the months of the 2021 accounting year. The deposit rate payable by the employee members for calendar year 2021 is 7% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District’s accounting year ended December 31, 2021, the annual pension cost for the TCDRS plan for its employees was \$310,776; the actual contributions were \$310,776. The employees contributed \$263,688 to the plan for the 2021 fiscal year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

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

Actuarial valuation date	12/31/20
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	20 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	7.50%
Projected salary increases ¹	4.60%
Inflation	2.50%
Cost-of-living adjustments	0.00%

¹ Includes inflation at the stated rate

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Disabled retirees - 130% of the RP-2014 Disability Annuitant Mortality Table for males and 115% of the RP-2014 Disability Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

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

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2019	\$ 1,226,353	\$ 1,244,572	\$ (18,219)
Changes for the year:			
Service costs	468,167		468,167
Interest on the total pension liability	135,482		135,482
Effect of Plan Changes			
Effect of economic/demographic gains or losses	56,244		56,244
Effect of assumptions changes or inputs	200,505		200,505
Refund of Contributions	(40,763)	(40,763)	
Benefit Payments	(3,900)	(3,900)	
Administrative expenses		(1,357)	1,357
Member contributions		259,096	(259,096)
Net investment income		129,527	(129,527)
Employer contributions		252,804	(252,804)
Other		13,949	(13,949)
Balances of December 31, 2020	<u>\$ 2,042,088</u>	<u>\$ 1,853,928</u>	<u>\$ 188,160</u>

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.60%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 2,541,112	\$ 2,042,088	\$ 1,656,670
Fiduciary net position	<u>1,853,928</u>	<u>1,853,928</u>	<u>1,853,928</u>
Net pension liability/(asset)	<u>\$ 687,184</u>	<u>\$ 188,160</u>	<u>\$ (197,258)</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN (Continued)

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ - 0 -	\$ 275,927
Changes in assumptions	1,703	180,454
Net difference between projected and actual earnings	14,292	.
Contributions paid subsequent to the measurement date		310,776
Total	\$ 15,995	\$ 767,157

\$310,776 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 (i.e. recognized in the District's financial statements for the year ending December 31, 2022). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2021	\$ 50,016
2022	49,175
2023	42,942
2024	49,563
2025	51,497
Thereafter	197,193

NOTE 12. LENGTH OF SERVICE AWARD PLAN (LOSAP)

Effective January 1, 2021, the District signed agreements to provide retirement for their participating members through a non-traditional defined contribution length of service award plan (LOSAP) managed by VFIS of Texas. The District budgets a specific amount each year as a contributing entity to the Providers' LOSAP plan but does not meet the requirements as a non-employer contributing entity under current Governmental Accounting Standards Board standards. The District recorded \$91,628 Support Expense-LOSAP for the District's contribution toward the Providers plan.

Upon reaching age 18 and completing at least 5 years of participation in the plan, each vested member may retire and receive a lump-sum benefit equal to his account balance in the plan. Members are 100% vested after the 5th year of service, with active emergency service prior to participation in the plan included. At December 31, 2021, 11 active employees were covered by the benefit terms.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12. LENGTH OF SERVICE AWARD PLAN (LOSAP) (Continued)

The plan provisions are adopted by the governing body of the participating departments. No contributions are required from the individuals who are members of the system, nor are they allowed. The governing bodies of each participating department set the contribution rate annually per member. The District has agreed to make annual contributions of \$500 for per participating active member per year.

NOTE 13. RADIO CHANNEL COMMUNICATIONS DISPATCH SYSTEM

Effective February 1, 2016, the District entered into an Interlocal Agreement for a Combined Radio Channel Communications Dispatch System. Harris County Emergency Services District Nos. 7, 13, 16, 28 and 29 (the “ESD Members”), Ponderosa Volunteer Fire Association, Spring Volunteer Fire Department, Cypress Creek Volunteer Fire Department, Klein Volunteer Fire Department, and Little York Volunteer Fire Department (the “VFD Members”), are parties to the agreement, collectively referred to as Radio Communications Consortium Members. The agreement sets out the understanding regarding the purchase, acquisition and maintenance of the radio channel communications dispatch system for the use and benefit of the Members and the related cost-sharing. The term of the agreement is through December 31, 2019 and will automatically renew every year for one-year terms unless agreed upon otherwise by the Members. The agreement may be terminated by a two-thirds vote by the Members. Any party to this agreement may exit and terminate its obligation under this agreement and remove itself from any further obligations by giving 90 days written notice to the other Members prior to the renewal date.

The combined fire department dispatch channels will be used to dispatch fire, first responder and emergency medical services to the Members. Initially three sites will maintain the three analog channels. The channels will be monitored for integrity in accordance with Insurance Services Organization (“ISO”) requirements. Each host department will: allow any and all of their facilities to be used for the term of this agreement; promptly pay for any and all utility costs related to operation of the channels and will not seek reimbursements from other Members for these costs; maintain insurance coverage sufficient to replace, at full replacement value, any and all equipment owned or maintained by the host department, name other parties to this agreement as additional insured on such policies; and maintain adequate backup power to the equipment.

The Members agree the initial equipment and installation costs will be shared equally between the six ESD Members and their respective Department’s. The estimated cost was \$271,456.38 with each ESD or corresponding department paying to Northwest Communications, Inc. (“NWC”) one-sixth of the total cost of the equipment, \$45,242.73. In 2016, the District paid \$41,897 to NWC for the District’s share of the actual cost of the equipment and installation. There will be initial as well as reoccurring costs paid as follows: 1) Spring VFD will invoice the six ESD Members their pro-rata share of the rental cost for the Plum Creek Tower, \$9,816 per year; 2) NWC will invoice the six ESD Members their pro-rata share of the rental cost for the

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13. RADIO CHANNEL COMMUNICATIONS DISPATCH SYSTEM
(Continued)

NWC Tower and the Greenspoint No. 4 site, \$8,400 each site per year. Maintenance, repair, replacement and upgrade costs, recurring costs, and Cypress Creek VFD administrator and project manager costs for the system operations will be shared equally between the six ESD Members or their corresponding department. Initially, it is not anticipated that there would be any cost to the Members for the administrative work. During the prior year, the District paid \$33,809 for its share of the tower lease. During the current year, the District paid \$34,572 for its share of the tower lease.

NOTE 14. INTERLOCAL AGREEMENT

On August 24, 2020, the District entered into an Interlocal Agreement with Harris County Emergency Services District No. 11 (“ESD No. 11”) to provide housing at certain stations located within the District’s service area, as may be necessary for the ESD 11’s EMS service provider to perform such services within their boundaries. The initial term of this agreement is one year, and automatically renewable for successive one-year periods for a total of five one-year terms, unless otherwise terminated prior to renewal. The agreement may be terminated by providing 30 days prior written notice. ESD 11 shall pay to the District a monthly amount of \$1,000 for each station housing ESD 11 facilities.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 4,180,000	\$ 5,333,913	\$ 1,153,913
Sales Tax Receipts	3,600,000	4,320,753	720,753
Penalty and Interest	65,000	76,478	11,478
Investment Revenues	76,000	30,488	(45,512)
Miscellaneous Revenues	23,268	143,134	119,866
TOTAL REVENUES	<u>\$ 7,944,268</u>	<u>\$ 9,904,766</u>	<u>\$ 1,960,498</u>
EXPENDITURES			
Service Operations:			
Accounting and Auditing	\$ 65,000	\$ 61,100	\$ 3,900
Appraisal District Fees	37,900	30,191	7,709
Building Maintenance and Supplies	183,000	282,297	(99,297)
Contracted Services	106,000	54,690	51,310
Dispatch	83,000	222,687	(139,687)
Dues and Fees	4,400	1,100	3,300
Election Expenses		130	(130)
EMS Supplies	11,100	16,452	(5,352)
Fire Vehicle Maintenance	368,600	442,553	(73,953)
Information Technology	29,650	88,716	(59,066)
Insurance	222,000	266,439	(44,439)
Legal Fees - General	75,000	68,986	6,014
Legal Fees - Delinquent Tax Collections		25,444	(25,444)
Office Equipment and Supplies	46,700	13,626	33,074
Personnel	40,500	54,055	(13,555)
Protective Gear	159,000	150,526	8,474
Public Relations	25,000	11,430	13,570
Salaries and Benefits	5,558,050	5,414,583	143,467
Sales Tax Collection Fees		36,527	(36,527)
Sales Tax Consultant	35,000	6,278	28,722
Tax Assessor/Collector Fees	32,500	32,722	(222)
Training	106,000	156,593	(50,593)
Uniforms	40,000	39,443	557
Utilities	216,000	202,941	13,059
Other-Fire Operations	98,500	52,336	46,164
Other-Administration	38,450	3,571	34,879
Capital Outlay	1,850,000	1,581,924	268,076
Debt Service:			
Note Principal	659,242	728,052	(68,810)
Note Interest	303,319	288,621	14,698
TOTAL EXPENDITURES	<u>\$ 10,393,911</u>	<u>\$ 10,334,013</u>	<u>\$ 59,898</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (2,449,643)	\$ (429,247)	\$ 2,020,396
OTHER FINANCING SOURCES(USES)			
Note Proceeds	\$ -0-	\$ 1,000,000	\$ 1,000,000
NET CHANGE IN FUND BALANCE	\$ (2,449,643)	\$ 570,753	\$ 3,020,396
FUND BALANCE - JANUARY 1, 2021	<u>9,606,593</u>	<u>9,606,593</u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 7,156,950</u>	<u>\$ 10,177,346</u>	<u>\$ 3,020,396</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2021

	Year Ended December 31, 2020	Year Ended December 31, 2019
Total Pension Liability		
Service cost	\$ 468,167	\$ 353,559
Interest on total pension liability	135,482	78,044
Effect of plan changes		
Effect of economic/demographic (gains) or losses	56,244	184,796
Effect of assumptions changes or inputs	200,505	
Benefit payments/refunds of contributions	<u>(44,663)</u>	<u> </u>
Net change in total pension liability	\$ 815,735	\$ 616,399
Total pension liability, beginning	<u>1,226,353</u>	<u>609,954</u>
Total pension liability, ending (a)	<u>\$ 2,042,088</u>	<u>\$ 1,226,353</u>
Fiduciary Net Position		
Employer contributions	\$ 252,804	\$ 245,116
Member contributions	259,096	237,319
Investment income net of investment expenses	129,527	104,862
Benefit payments/refunds of contributions	(44,663)	
Administrative expenses	(1,357)	(948)
Other	<u>13,949</u>	<u>16,691</u>
Net change in plan fiduciary net position	\$ 609,356	\$ 603,040
Fiduciary net position, beginning	<u>1,244,572</u>	<u>641,532</u>
Fiduciary net position, ending (b)	<u>\$ 1,853,928</u>	<u>\$ 1,244,572</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ 188,160</u>	<u>\$ (18,219)</u>
Fiduciary net position as a percentage of the total pension liability	90.79%	101.49%
Pensionable covered payroll	\$ 3,701,371	\$ 3,390,270
Net pension liability as a percentage of covered employee payroll	5.08%	-0.54%

See accompanying independent auditor's report.

Year Ended December 31, 2018	Year Ended December 31, 2017
\$ 196,108	\$ 157,520
29,313	12,759
119,013	(2,675)
101,783	135
<u>(4,002)</u>	<u> </u>
\$ 442,215	\$ 167,739
<u>167,739</u>	<u> </u>
<u>\$ 609,954</u>	<u>\$ 167,739</u>
\$ 298,137	\$ 95,042
153,540	79,296
1,659	2,804
(4,002)	
(515)	(119)
<u>13,355</u>	<u>2,335</u>
\$ 462,174	\$ 179,358
<u>179,358</u>	<u> </u>
<u>\$ 641,532</u>	<u>\$ 179,358</u>
<u>\$ (31,578)</u>	<u>\$ (11,619)</u>
105.18%	106.93%
\$ 2,193,429	\$ 1,132,801
-1.44%	-1.03%

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
DECEMBER 31, 2021

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 95,042	\$ 95,042	\$ -0-	\$ 1,132,801	8.4%
2018	\$ 184,029	\$ 298,137	\$ (114,108)	\$ 2,193,429	13.6%
2019	\$ 245,116	\$ 245,116	\$ -0-	\$ 3,390,270	7.2%
2020	\$ 252,804	\$ 252,804	\$ -0-	\$ 3,701,371	6.8%
2021	\$ 310,776	\$ 310,776	\$ -0-	\$ 3,766,969	8.3%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years (based on contribution rate calculated in 12/31/20 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	4.6%, average over career including inflation. Varies by age and service.
Investment Rate of Return	7.50%, net of administrative and 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 MP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP -2014 Healthy Annuitant Mortality Table for females both projected with 110% of 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 2019: New inflation, mortality ad other assumption were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan previsions. 2016: No changes in plan provisions. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions. 2019: Employer contributions reflect that the prior service matching rate was increased to 100%. 2020: No changes in plan provisions were reflected in the schedule.

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2021
(UNAUDITED)

Long-Term Debt at December 31, 2021	\$ 8,558,102
Less: Amount in Debt Service Fund	<u> </u>
Net Long-Term Debt at December 31, 2021	\$ 8,558,102
Estimated District Population	<u>90,000</u>
Net Long-Term Debt Per Capita at December 31, 2021	<u>\$ 95.09</u>

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
LISTING OF THE NUMBER OF EMERGENCY RESPONSES
MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

Number of Emergency Responses made Within the District	2,993
Number of Emergency Responses made Outside of the District	<u>271</u>
Total Emergency Responses	<u><u>3,264</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2021

Type of Coverage	From To	Amount of Coverage	Insurer/Name
POSITION SCHEDULE BOND Treasurer	06/07/21 06/07/22	\$ 100,000	National Union Fire Insurance Company
PUBLIC EMPLOYEE BLANKET BOND	06/07/21 06/07/22	\$ 100,000	National Union Fire Insurance Company
GENERAL LIABILITY General Aggregate Per Occurrence	06/07/21 06/07/22	\$ 3,000,000 1,000,000	National Union Fire Insurance Company
MANAGEMENT LIABILITY General Aggregate Per Wrongful Act	06/07/21 06/07/22	\$ 3,000,000 1,000,000	National Union Fire Insurance Company
EXCESS LIABILITY General Aggregate Per Occurrence	06/07/21 06/07/22	\$ 2,000,000 1,000,000	National Union Fire Insurance Company
HIRED AND NON-OWNED AUTOMOBILE LIABILITY Combined Single Limit	06/07/21 06/07/22	\$ 1,000,000	National Union Fire Insurance Company
WORKER'S COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	06/17/21 06/17/22	\$ 1,000,000 1,000,000 1,000,000	Texas Mutual Insurance Company
PROPERTY Buildings Contents Portable Equipment Deductible	06/07/21 06/07/22	\$ 21,547,762 983,139 Replacement Cost 5,000	National Union Fire Insurance Company
ACCIDENT AND SICKNESS Accidental Death and Dismemberment Medical	06/17/21 06/17/22	\$ 100,000 100,000	National Union Fire Insurance Company

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Maintenance Taxes	
TAXES RECEIVABLE - JANUARY 1, 2021	\$ 4,607,261	
Adjustments to Beginning Balance	(73,021)	\$ 4,534,240
Original 2021 Tax Levy	\$ 5,417,978	
Adjustment to 2021 Tax Levy	418,680	5,836,658
 TOTAL TO BE ACCOUNTED FOR		 \$ 10,370,898
 TAX COLLECTIONS:		
Prior Years	\$ 4,270,500	
Current Year	1,755,387	6,025,887
 TAXES RECEIVABLE - DECEMBER 31, 2021		 \$ <u>4,345,011</u>
 TAXES RECEIVABLE BY YEAR:		
2021		\$ 4,081,271
2020		98,435
2019		52,780
2018		20,778
2017		17,388
2016		12,817
2015		11,598
2014		9,618
2013		7,581
2012		7,528
2011		8,134
2010		4,102
2009		4,819
2008		1,499
2007		1,113
2006		986
2005		513
2004		478
2003		408
2002		744
2001		871
2000		1,550
 TOTAL		 \$ <u>4,345,011</u>

See accompanying independent auditor's report.

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**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS	<u>\$ 5,989,162,339</u>	<u>\$ 5,480,607,126</u>	<u>\$ 4,978,879,328</u>	<u>\$ 4,546,895,991</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.097454</u>	<u>\$ 0.099044</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
ADJUSTED TAX LEVY*	<u>\$ 5,836,658</u>	<u>\$ 5,428,565</u>	<u>\$ 4,978,859</u>	<u>\$ 4,552,533</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>30.08 %</u>	<u>98.19 %</u>	<u>98.94 %</u>	<u>99.54 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 5,333,913	\$ 4,766,428	\$ 4,475,316
Sales Tax Receipts	4,320,753	4,121,267	3,838,222
Penalty and Interest	76,478	69,002	85,457
Investment Revenues	30,488	97,927	254,222
Sale of Assets			
Miscellaneous Revenues	143,134	103,918	60,906
TOTAL REVENUES	\$ 9,904,766	\$ 9,158,542	\$ 8,714,123
EXPENDITURES			
Accounting and Auditing	\$ 61,100	\$ 55,425	\$ 59,714
Appraisal District Fees	30,191	37,488	34,029
Building Maintenance and Supplies	282,297	343,235	510,940
Communications			67,089
Contracted Services	54,690	135,199	65,061
Dispatch	222,687	53,424	48,002
Dues and Fees	1,100	1,850	
Election Expenses	130	900	
EMS Supplies	16,452	13,220	24,519
Equipment and Supplies			8,365
Fire Vehicle Maintenance	442,553	518,270	293,353
Information Technology	88,716		
Insurance	266,439	237,561	225,691
Legal Fees - General	68,986	75,284	28,279
Legal Fees - Delinquent Tax Collections	25,444	21,495	23,001
Office Equipment and Supplies	13,626	40,085	31,914
Personnel	54,055	31,891	35,926
Protective Gear	150,526	63,882	78,253
Public Relations	11,430	10,520	12,880
Salaries and Benefits	5,414,583	4,982,510	4,501,274
Sales Tax Collection Fee	36,527		
Sales Tax Consultant	6,278	13,115	50,549
Tax Assessor/Collector Fees	32,722	21,497	35,683
Training	156,593	109,354	98,856
Uniforms	39,443	142,674	54,140
Utilities	202,941	223,504	141,080
Other-Fire Operations	52,336	43,965	52,382
Other-Administration	3,571	21,970	26,058
Capital Outlay	1,581,924	1,144,254	1,845,602

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 4,102,373	\$ 3,750,502	53.9 %	52.0 %	51.4 %	51.9 %	49.8 %
3,452,480	3,417,815	43.6	45.0	44.0	43.7	45.4
67,195	65,678	0.8	0.8	1.0	0.9	0.9
229,417	120,712	0.3	1.1	2.9	2.9	1.6
	101,000					1.3
49,488	75,547	1.4	1.1	0.7	0.6	1.0
\$ 7,900,953	\$ 7,531,254	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 62,175	\$ 48,758	0.6 %	0.6 %	0.7 %	0.8 %	0.6 %
31,527	28,790	0.3	0.4	0.4	0.4	0.4
292,708	101,046	2.9	3.7	5.9	3.7	1.3
90,301	25,958			0.8	1.1	0.3
15,625	24,374	0.6	1.5	0.7	0.2	0.3
54,275	51,319	2.2	0.6	0.6	0.7	0.7
3,025	1,100					
6,824	11,780	0.2	0.1	0.3	0.1	0.2
8,763	6,098			0.1	0.1	0.1
248,625	195,659	4.5	5.7	3.4	3.1	2.6
		0.9				
182,557	151,871	2.7	2.6	2.6	2.3	2.0
66,958	22,108	0.7	0.8	0.3	0.8	0.3
20,859	20,414	0.3	0.2	0.3	0.3	0.3
62,348	19,813	0.1	0.4	0.4	0.8	0.3
32,359	5,118	0.5	0.3	0.4	0.4	0.1
143,867	81,510	1.5	0.7	0.9	1.8	1.1
12,097	11,030	0.1	0.1	0.1	0.2	0.1
3,191,454	1,781,556	54.7	54.4	51.7	40.4	23.7
		0.4				
67,329	69,620	0.1	0.1	0.6	0.9	0.9
31,686	32,354	0.3	0.2	0.4	0.4	0.4
85,171	81,296	1.6	1.2	1.1	1.1	1.1
35,146	31,449	0.4	1.6	0.6	0.4	0.4
119,713	89,512	2.0	2.4	1.6	1.5	1.2
42,557	29,826	0.5	0.5	0.6	0.5	0.4
22,329	9,480		0.2	0.3	0.3	0.1
7,157,178	4,831,625	16.0	12.5	21.2	90.6	64.2

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	<i>Amounts</i>		
	2021	2020	2019
Debt Service:			
Note Principal	728,052	661,055	639,146
Note Interest	288,621	301,504	323,414
TOTAL EXPENDITURES	\$ 10,334,013	\$ 9,305,131	\$ 9,315,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (429,247)	\$ (146,589)	\$ (601,077)
OTHER FINANCING SOURCES (USES)			
Note Proceeds	\$ 1,000,000	\$	\$ (34,384)
Contribution from Little York Volunteer Fire Department			
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,000,000	\$ - 0 -	\$ (34,384)
NET CHANGE IN FUND BALANCE	\$ 570,753	\$ (146,589)	\$ (635,461)
BEGINNING FUND BALANCE	9,606,593	9,753,182	10,388,643
ENDING FUND BALANCE	\$ 10,177,346	\$ 9,606,593	\$ 9,753,182

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2018</u>	<u>2017</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
492,777	353,414	7.4	7.2	7.3	6.2	4.7
<u>307,350</u>	<u>284,282</u>	<u>2.9</u>	<u>3.3</u>	<u>3.7</u>	<u>3.9</u>	<u>3.8</u>
<u>\$ 12,887,583</u>	<u>\$ 8,401,160</u>	<u>104.4 %</u>	<u>101.3 %</u>	<u>107.0 %</u>	<u>163.0 %</u>	<u>111.6 %</u>
<u>\$ (4,986,630)</u>	<u>\$ (869,906)</u>	<u>(4.4) %</u>	<u>(1.3) %</u>	<u>(7.0) %</u>	<u>(63.0) %</u>	<u>(11.6) %</u>
\$ 2,300,000	\$					
<u>90,298</u>	<u></u>					
<u>\$ 2,390,298</u>	<u>\$ - 0 -</u>					
\$ (2,596,332)	\$ (869,906)					
<u>12,984,975</u>	<u>13,854,881</u>					
<u>\$ 10,388,643</u>	<u>\$ 12,984,975</u>					

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2021

District Mailing Address - Harris County Emergency Services District No. 17
10410 Airline
Houston, Texas 77037

District Telephone Number - (281) 448-0391

<u>Commissioners</u>	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended December 31, 2021</u>	<u>Expense Reimbursement for the year ended December 31, 2021</u>	<u>Title</u>
William C. Blasdel, Jr.	06/01/20 05/31/24 (Elected)	\$ -0-	\$ -0-	President
Robin L. Hayslip	06/01/18 05/31/22 (Elected)	\$ -0-	\$ -0-	Secretary/ Treasurer/ Investment Officer
Kenneth Adcock	09/03/19 05/31/22 (Appointed)	\$ -0-	\$ -0-	Commissioner
Everett Griffin	06/01/20 05/31/24 (Elected)	\$ -0-	\$ -0-	Commissioner
Don Gilkey	06/01/20 05/31/24 (Elected)	\$ -0-	\$ -0-	Commissioner

The limit on fees of office that a Commissioner may receive during a year is set by the Health and Safety Code-Chapter 775. Effective September 1, 2017, a Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently \$7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts paid to a Commissioner during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 17
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2021**

Consultants:	<u>Date Hired</u>	<u>Fees for the Year ended December 31, 2021 *</u>	<u>Title</u>
Coveler & Peeler, P.C.		\$ 68,986	General Counsel
McCall Gibson Swedlund Barfoot PLLC	08/23/11	\$ 23,500	Auditor
Municipal Account & Consulting, LP	04/30/13	\$ 21,480	Prior Bookkeeper
RIT Financial, Inc.		\$ 17,500	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP		\$ 25,444	Delinquent Tax Attorney
Hdl Companies	02/28/2013	\$ 6,278	Sales Tax Consultant
Harris County Tax Assessor/Collector	Legislative Action	\$ 32,722	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.

