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**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

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REPORT ON FINANCIAL STATEMENTS  
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2023

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

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## INDEPENDENT AUDITORS' REPORT

August 15, 2024

Board of Commissioners  
Harris County Emergency Services District No. 7  
Harris County, Texas

### Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 7, as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 7, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harris County Emergency Services District No. 7, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Emergency Services District No. 7's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harris County Emergency Services District No. 7's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Emergency Services District No. 7's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension schedules on pages 5 through 8 and 25 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Emergency Services District No. 7's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Breallone & Co., P.C.*

# **HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

## **MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2023**

Our discussion and analysis of the financial performance of Harris County Emergency Services District No. 7 (the "District") provides an overview of the District's financial activities for the year ended December 31, 2023. Please read it in conjunction with the District's financial statements, included in this annual report.

### **USING THIS ANNUAL REPORT**

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The first of the government-wide financial statements is the Statement of Net Position. This statement is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$114,686,961 as of December 31, 2023.

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2023

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 93 731 739	\$ 72 807 509
Capital and noncurrent assets	<u>63 761 401</u>	<u>62 614 843</u>
Total assets	<u>\$ 157 493 140</u>	<u>\$ 135 422 352</u>
Deferred outflows of resources	<u>\$ 1 628 736</u>	<u>\$ 1 037 368</u>
Current liabilities	\$ 5 471 194	\$ 4 609 714
Long term liabilities	<u>38 941 553</u>	<u>32 414 301</u>
Total liabilities	<u>\$ 44 412 747</u>	<u>\$ 37 024 015</u>
Deferred inflows of resources	<u>\$ 22 168</u>	<u>\$ 275 335</u>
Net position:		
Net investment in capital assets	\$ 21 315 736	\$ 27 279 989
Unrestricted	<u>93 371 225</u>	<u>71 880 381</u>
Total net position	<u>\$ 114 686 961</u>	<u>\$ 99 160 370</u>

The following table provides a summary of the District's operations for the years ended December 31, 2023 and 2022. The District increased its net position by \$15,526,591.

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Property taxes	\$ 17 773 957	\$ 16 403 252
Other revenues	<u>24 462 782</u>	<u>20 067 457</u>
Total Revenues	<u>42 236 739</u>	<u>36 470 709</u>
Operating expenses	23 703 658	20 952 272
Interest and debt issuance	1 099 465	739 003
Loss on disposal of capital assets	-	84 319
Depreciation	<u>1 907 025</u>	<u>1 893 805</u>
Total Expenses	<u>26 710 148</u>	<u>23 669 399</u>
Change in net position	15 526 591	12 801 310
Net position, beginning of year	99 160 370	86 324 709
Contribution of capital assets and small equipment	<u>-</u>	<u>34 351</u>
Net position, end of year	<u>\$ 114 686 961</u>	<u>\$ 99 160 370</u>

# **HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

**DECEMBER 31, 2023**

(Continued)

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

The District's fund balance as of December 31, 2023 was \$83,110,372.

The General Fund balance increased by \$20,266,296.

### **FUND FINANCIAL STATEMENTS**

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

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

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

### **NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the basic financial statements provide information essential to a full understanding of government-wide and fund financial statements. The notes to the financial statements follow the financial statements in this annual report.

### **OTHER INFORMATION**

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

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Commissioners amended the budget during the fiscal year. The change in fund balance was \$21,981,894 more than budgeted due to an increase in sales tax revenue, debt proceeds received during the year, and an increase in interest earned on temporary investments.



# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2023 (Continued)

### CAPITAL ASSETS AND RELATED DEBT

#### Capital Assets

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

#### Capital Assets (Net of Accumulated Depreciation)

	<u>2023</u>	<u>2022</u>
Land	\$ 18 493 618	\$ 18 493 618
Construction in progress	3 731 506	802 827
Capital assets, net of depreciation	<u>41 424 942</u>	<u>43 173 888</u>
Total capital assets	<u>\$ 63 650 066</u>	<u>\$ 62 470 333</u>

The District currently has a \$48M capital project in progress for Phase 1 of the Training Center, with \$2.52M recorded as construction in progress as of December 31, 2023.

#### Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2023 are summarized as follows:

Notes Payable, beginning of year	\$ 35 190 344
Note proceeds	10 000 000
Retirements of principal	<u>(2 856 014)</u>
Notes Payable, end of year	<u>\$ 42 334 330</u>

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Michelle Jahr, Finance Director, 656 East Louetta Road, Spring, Texas 77373.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 77 363 283	\$ -	\$ 77 363 283
Property taxes receivable	10 341 719	-	10 341 719
Due from tax assessor	5 276 916	-	5 276 916
Grants receivable	227 792	-	227 792
Prepaid expenses	122 029	-	122 029
Investment in TECC	400 000	-	400 000
Right-of-use operating lease	-	111 335	111 335
Capital Assets			
Land	-	18 493 618	18 493 618
Construction in progress	-	3 731 506	3 731 506
Property and equipment, net of accumulated depreciation of \$15,890,547	-	<u>41 424 942</u>	<u>41 424 942</u>
Total Assets	<u>93 731 739</u>	<u>63 761 401</u>	<u>157 493 140</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources	<u>1 628 736</u>	-	<u>1 628 736</u>
Total Deferred Outflows of Resources	<u>1 628 736</u>	-	<u>1 628 736</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 95 360 475</u>	<u>\$ 63 761 401</u>	<u>\$ 159 121 876</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 1 040 683	\$ 75 650	\$ 1 116 333
Retainage payable	33 816	-	33 816
Net pension liability	811 717	-	811 717
Operating lease liabilities			
Due within one year	-	98 890	98 890
Due after one year	-	17 661	17 661
Notes payable			
Due within one year	-	3 410 438	3 410 438
Due after one year	-	<u>38 923 892</u>	<u>38 923 892</u>
Total Liabilities	<u>1 886 216</u>	<u>42 526 531</u>	<u>44 412 747</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources	22 168	-	22 168
Unavailable tax revenue	<u>10 341 719</u>	<u>(10 341 719)</u>	-
Total Deferred Inflows of Resources	<u>10 363 887</u>	<u>(10 341 719)</u>	<u>22 168</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance			
Unassigned fund balance	<u>83 110 372</u>	<u>(83 110 372)</u>	-
Total Fund Balance	<u>83 110 372</u>	<u>(83 110 372)</u>	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 95 360 475</u>		
Net Position			
Net investment in capital assets		21 315 736	21 315 736
Unrestricted		<u>93 371 225</u>	<u>93 371 225</u>
Total Net Position		<u>114 686 961</u>	<u>114 686 961</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 63 761 401</u>	<u>\$ 159 121 876</u>

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

## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

### STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes - maintenance and operations	\$ 15 018 306	\$ 1 228 506	\$ 16 246 812
Property taxes - debt service	1 527 145	-	1 527 145
Penalty and interest on property taxes	242 077	-	242 077
Sales taxes	20 080 943	-	20 080 943
State grants	227 792	-	227 792
Interest earned on temporary investments	3 476 154	-	3 476 154
Gain on disposal of capital assets	-	129 270	129 270
Miscellaneous	306 546	-	306 546
Total Revenues	<u>40 878 963</u>	<u>1 357 776</u>	<u>42 236 739</u>
<b>Expenditures/Expenses</b>			
<b>Service Operations</b>			
Salaries	13 478 046	-	13 478 046
Employee benefits	1 887 022	-	1 887 022
Retirement plan contribution	1 096 703	-	1 096 703
Payroll taxes	1 010 533	-	1 010 533
Supplies and small equipment	980 000	-	980 000
Insurance	960 417	-	960 417
Communications	864 534	2 606	867 140
Station expenses	745 839	( 20 775)	725 064
Training and travel	587 898	-	587 898
Information technology	518 166	-	518 166
Vehicles, fuel and maintenance	425 503	-	425 503
Professional services	326 894	-	326 894
Arbitrage	302 298	-	302 298
Fire prevention and outreach	180 921	-	180 921
Appraisal district fees	119 021	-	119 021
Collection fees	109 672	-	109 672
Lease	83 640	-	83 640
Sales tax monitoring	30 100	-	30 100
District administration	7 987	-	7 987
Legal fees	6 633	-	6 633
Capital Outlay	2 957 488	(2 957 488)	-
<b>Debt Service</b>			
Principal	2 856 014	(2 856 014)	-
Interest	973 838	22 127	995 965
Debt issuance cost	103 500	-	103 500
Depreciation	-	1 907 025	1 907 025
Total Expenditures/Expenses	<u>30 612 667</u>	<u>(3 902 519)</u>	<u>26 710 148</u>
Excess (Deficiency) of Revenues Over Expenditures	10 266 296	5 260 295	15 526 591
<b>Other financing sources/uses:</b>			
Proceeds	<u>10 000 000</u>	<u>(10 000 000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	20 266 296	(4 739 705)	
Change in Net Position			15 526 591
<b>Fund Balance/Net Position</b>			
Beginning of Year	<u>62 844 076</u>	<u>36 316 294</u>	<u>99 160 370</u>
End of Year	<u>\$ 83 110 372</u>	<u>\$ 31 576 589</u>	<u>\$114 686 961</u>

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

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

### NOTE (1) CREATION OF DISTRICT

Harris County Emergency Services District No. 7 was created by popular vote on May 10, 1997. Harris County Emergency Services District No. 7 contracted with Spring Volunteer Association to provide emergency services until March 31, 2020. Effective April 1, 2020, Harris County Emergency Services District No. 7 became the direct service provider.

Emergency Services Districts (ESDs) are authorized by the Texas Constitution, Article 3, Section 48-e, and Chapter 775 of the Texas Health & Safety Code. ESDs are political subdivisions of the State of Texas. They may support or provide local emergency services, including emergency medical services, emergency ambulance services, rural fire prevention and control services, and other emergency services authorized by the Texas Legislature. ESDs may collect sales and use tax and/or property taxes to support or provide these services.

### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES

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

#### A. REPORTING ENTITY

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

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

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

#### B. BASIS OF PRESENTATION

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

The District uses the following fund types:

##### a. Governmental Funds

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

##### b. Fund Balances

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

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. BASIS OF PRESENTATION (Continued)

##### b. Fund Balances

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

Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose.

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

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – 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 improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation..

Unrestricted – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

#### C. BASIS OF ACCOUNTING

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

The District has adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In compliance with GASB Statement No. 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2023. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. BASIS OF ACCOUNTING (Continued)

The "Adjustments" column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

#### D. BUDGET

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

#### E. CASH EQUIVALENTS

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

#### F. CAPITAL ASSETS

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

Assets are capitalized if they have an original cost of \$25,000 or more, and a useful life of at least one year. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

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

#### G. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### H. RECEIVABLES

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

Amounts due from tax assessor at year end are amounts collected on behalf of the District that had not been deposited into the District's account at year end. The amount was received subsequent to year end.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total Fund Balance at December 31, 2023	<u>\$ 83 110 372</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	63 650 066
Conversion of property tax assessments to full accrual basis	10 341 719
Interest paid on long term debt is adjusted to accrual basis	( 75 650)
Notes payable obligations are not due and payable in the current period and are not reported in the funds	(42 334 330)
Right-of-use operating lease and operating lease liability are not reported in the funds	<u>( 5 216)</u>
Adjustment to fund balance to arrive at net position	<u>31 576 589</u>
Total Net Position at December 31, 2023	<u><u>\$114 686 961</u></u>

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

Change in fund balance	\$ 20 266 296
Governmental funds report capital outlays as expenditures. However, for government-wide financials statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and conveyance of capital assets exceeded depreciation in the current period.	1 050 463
Gain on disposal of capital assets is not reported in the funds	129 270
Interest paid on long term debt is adjusted to accrual basis	( 22 127)
Amortization of right-of-use assets is not reported in the funds	18 169
Governmental funds report proceeds from debt because they provide current financial resources to governmental funds. However, they do not affect net position.	(10 000 000)
Principal payments on debt are reported as expenditures in the funds. However, they do not affect net position.	2 856 014
Conversion of property tax assessments to full accrual basis	<u>1 228 506</u>
Change in net position of governmental activities	<u><u>\$ 15 526 591</u></u>

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### J. LEASES

During the year ended December 31, 2022 the District adopted GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021.

### NOTE (3) AD VALOREM TAX

During the year ended December 31, 2023, the District levied an ad valorem tax at the rate of \$0.090 per \$100 of assessed valuation, which resulted in a tax levy of \$18,194,439 for 2023, on the taxable valuation of \$20,216,043,235 for the 2023 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. The levy date of the tax was the later of September 30 of the prior year or the 60<sup>th</sup> day after the receipt of the certified tax roll. The lien date was January 1 of the subsequent year.

Property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended December 31, 2023, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

### NOTE (4) DEPOSITS AND INVESTMENTS

Deposits were with various contracted depository banks in checking accounts and money market accounts during the year. The deposits were secured by FDIC coverage, and when necessary, additional securities were pledged.

The largest cash balance during the year for Amegy Bank was \$6,748,296, which occurred in June 2023. These funds were adequately secured by \$250,000 FDIC coverage and pledged securities.

The District holds investments at December 31, 2023, in accordance with the Board approved investment policy, in TexPool State Treasury ("TexPool"). In following the Public Funds Collateral Act, TexPool invests the District's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with TexPool plus any accrued interest. A separate financial report for TexPool is prepared in accordance with GASB Statement No. 31, *Accounting and financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from TexPool Participant Services, c/o Federated Investors, 1001 Texas Ave., 14th Floor, Houston, Texas 77002. The District held investments in TexPool at December 31, 2023 with a total carrying value and market value of \$16,265.

The District holds investments at December 31, 2023, in accordance with the Board approved investment policy, in Texas CLASS. In following the Public Funds Collateral Act, Texas CLASS invests the District's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with Texas CLASS plus any accrued interest.



## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

#### NOTE (4) DEPOSITS AND INVESTMENTS (Continued)

A separate financial report for Texas CLASS is prepared in accordance with GASB Statement No. 31, *Accounting and financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from Texas CLASS Client Services, 717 17<sup>th</sup> St., Suite 1850, Denver, Colorado 80202. The District held investments in Texas CLASS at December 31, 2023 with a total carrying value and market value of \$75,922,846.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the state, or any county, school district, or other political subdivision of the state. Funds of the District may also be placed in certificates of deposit of state or national banks or savings associations within the state.

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has substantially complied with the Act's provisions during the year ended December 31, 2023.

#### NOTE (5) CHANGES IN CAPITAL ASSETS

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

	Beginning of Year	Acquisitions (Disposals), net	Depreciation Expense	End of Year
Land	\$ 18 493 618	\$ -	\$ -	\$ 18 493 618
Buildings	40 381 457	-	-	40 381 457
Vehicles	16 850 116	( 589 496)	-	16 260 620
Equipment	174 358	-	-	174 358
Fences	470 513	28 541	-	499 054
Less: Accumulated Depreciation	<u>(14 702 556)</u>	<u>719 034</u>	<u>(1 907 025)</u>	<u>(15 890 547)</u>
Capital Assets	<u>43 173 888</u>	<u>158 079</u>	<u>(1 907 025)</u>	<u>41 424 942</u>
Construction in Progress	<u>802 827</u>	<u>2 928 679</u>	<u>-</u>	<u>3 731 506</u>
Totals	<u>\$ 62 470 333</u>	<u>\$ 3 086 758</u>	<u>\$ (1 907 025)</u>	<u>\$ 63 650 066</u>

## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

#### NOTE (6) NOTES PAYABLE

On April 28, 2016, the District entered into a construction loan agreement with JP Morgan Chase Bank at an interest rate of 1.71%. The total agreed loan amount is \$10,000,000. One interest payment was due on October 15, 2016, and 29 semi-annual payments including interest and various principal amounts are due beginning April 15, 2017. At January 1, 2023, the balance due on the note was \$6,305,000. During the year ended December 31, 2023, the District made principal and interest payments of \$654,000 and \$102,224, respectively. At December 31, 2023, the balance due on the note was \$5,651,000. The loan was used for the construction of fire station No. 75 and No. 76. Sales tax revenue collected acts as collateral for the note.

On August 5, 2016, the District entered into a loan agreement (Sales Tax Revenue Note, Series 2016B) with JP Morgan Chase Bank at an interest rate of 1.49% to refinance prior construction loans with Trustmark National Bank and Wells Fargo Bank. The total agreed loan amount is \$8,052,005. A total of 16 semi-annual payments including interest and various principal amounts are due beginning February 1, 2017. At January 1, 2023 the balance due on the note was \$1,386,083. During the year ended December 31, 2023, the District made principal and interest payments of \$687,979 and \$18,108, respectively. At December 31, 2023, the balance due on the note was \$698,104. The loan was used for construction of new fire station No. 78 and No. 79. Sales tax revenue collected acts as collateral for the note.

On December 28, 2017 the District entered into a construction loan agreement (Sales Tax Revenue note, Series 2017) with Government Capital Corporation at an interest rate of 3.35%. The total agreed loan amount is \$10,000,000. A total of 20 annual payments including interest and various principal amounts are due beginning on December 15, 2018. At January 1, 2023 the balance due on the note was \$8,075,013. During the year ended December 31, 2023, the District made principal and interest payments of \$422,915 and \$270,366, respectively. At December 31, 2023, the balance due on the note was \$7,652,098. The loan was used for the construction of station No. 74 and No. 75 and a maintenance facility. Sales tax revenue collected acts as collateral for the note.

On December 29, 2021 the District entered into a construction loan agreement (Property Tax Revenue note, Series 2021) with TIB N.A. at an interest rate of 2.06%. The total agreed loan amount is \$10,000,000. A total of 20 annual payments including interest and various principal amounts are due beginning on December 15, 2022. At January 1, 2023, the balance due on the note was \$9,424,248. During the year ended December 31, 2023, the District made principal and interest payments of \$587,613 and \$194,140, respectively. At December 31, 2023, the balance due on the note was \$8,836,635. The loan was used for the construction of a new training facility. Property tax pledges act as collateral for the note.

On December 22, 2022 the District entered into a construction loan agreement (Property Tax Revenue note, Series 2022) with Truist Bank at an interest rate of 3.89%. The total agreed loan amount is \$10,000,000. A total of 15 annual payments including interest and various principal amounts are due beginning on December 22, 2023. At January 1, 2023, the balance due on the note was \$10,000,000. During the year ended December 31, 2023, the District made principal and interest payments of \$503,507 and \$389,000, respectively. At December 31, 2023, the balance due on the note was \$9,496,493. The loan is being used for the construction of a new training facility. Property tax pledges act as collateral for the note.

On November 10, 2023 the District entered into a construction loan agreement (Sales Tax Revenue note, Series 2023) with JP Morgan Chase Bank at an interest rate of 4.28%. The total agreed loan amount is \$10,000,000. A total of 30 semi-annual payments including interest and various principal amounts are due beginning on May 10, 2024. During the year ended December 31, 2023, the District did not make any principal or interest payments. At December 31, 2023, the balance due on the note was \$10,000,000. The loan is being used for construction of a new training facility. Sales Tax receipts act as collateral for the note.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

### NOTE (6) NOTES PAYABLE (Continued)

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
December 31, 2024	\$ 3 410 438	\$ 1 329 252
December 31, 2025	2 791 765	1 241 557
December 31, 2026	2 874 644	1 159 014
December 31, 2027	2 960 064	1 073 709
December 31, 2028	3 048 119	985 581
December 31, 2029-2033	15 130 861	3 498 364
December 31, 2034-2038	<u>12 118 439</u>	<u>1 125 720</u>
Total Amount	<u>\$ 42 334 330</u>	<u>\$ 10 413 197</u>

### NOTE (7) SALES TAX REVENUE

On May 14, 2011, the residents of the District authorized the District to impose a 1% sales tax where eligible within the District. During the year ended December 31, 2023, the District received \$20,080,943 in sales tax revenue.

### NOTE (8) LEASE AGREEMENTS

The District adopted GASB Statement No. 87, *Leases*, due to the District having agreements for the use of a radio tower and for facility rental space, both of which have terms that exceed 12 months. These leases are the only leases required to be included on the Statement of Financial Position under GASB Statement No. 87.

Leases with an initial term of 12 months or less are not recorded on the Statement of Financial Position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The exercise of lease renewal options is at the District's sole discretion.

As of December 31, 2023, the CenterPoint Energy tower right-of-use operating lease asset had a balance of \$16,524 included in total assets on the Statement of Financial Position. The operating lease liability of \$17,496 is included in total liabilities as of December 31, 2023. The lease asset was calculated utilizing the average monthly payment over the lease term for the year ended December 31, 2023. The operating lease liability is the total amount due on the lease at December 31, 2023.

As of December 31, 2023, the Giddy Up right-of-use operating lease asset had a balance of \$60,689 included in total assets on the Statement of Financial Position. The operating lease liability of \$62,475 is included in total liabilities as of December 31, 2023. The lease asset was calculated utilizing the average monthly payment over the lease term for the year ended December 31, 2023. The operating lease liability is the total amount due on the lease at December 31, 2023.

As of December 31, 2023, the SBA 2012 TC Assets, LLC right-of-use operating lease asset had a balance of \$14,624 included in total assets on the Statement of Financial Position. The operating lease liability of \$15,793 is included in total liabilities as of December 31, 2023. The lease asset was calculated utilizing the average monthly payment over the lease term for the year ended December 31, 2023. The operating lease liability is the total amount due on the lease at December 31, 2023.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

### NOTE (8) LEASE AGREEMENTS (Continued)

As of December 31, 2023, the SBA Monarch Towers I, LLC right-of-use operating lease asset had a balance of \$19,499 included in total assets on the Statement of Financial Position. The operating lease liability of \$20,787 is included in total liabilities as of December 31, 2023. The lease asset was calculated utilizing the average monthly payment over the lease term for the year ended December 31, 2023. The operating lease liability is the total amount due on the lease at December 31, 2023.

Maturities of the operating lease liabilities as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 98 890
2025	14 079
2026	<u>3 582</u>
Operating lease liability	<u>\$ 116 551</u>

### NOTE (9) INTERLOCAL AGREEMENTS

On September 1, 2021, the District entered into a lease agreement with Harris County Emergency Services District No. 11 (ESD 11). The lease agreement is for lease and usage of District owned facilities, Stations 73, 74 and 75. ESD 11 will lease the facilities for operation of an emergency medical services facility. ESD 11 agrees to lease the real property for a term commencing on September 1, 2021, and ending on September 1, 2022. It will renew annually at the end of each one (1) -year term for a total of five (5) one (1)-year terms, unless otherwise terminated prior to such renewal. ESD 11 will make rental payments for the use and occupancy of the real property at a rate of One Thousand (\$1,000.00) per station per month, due no later than forty-five (45) days after receipt of invoice. on each anniversary date thereof. A party may withdraw its participation from this agreement by providing thirty (30) days' prior written notice to the other party. Upon receipt and expiration of such notices, ESD 11 shall vacate the premises. Due to the one (1) year term of the lease, as well as the unknown cost of future years' fees, this agreement does not meet the reportable criteria of a lease under GASB Statement No. 87, *Leases*.

### NOTE (10) DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits 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 Section 457 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 plan is administered by a private corporation under contract with the District. The District does not contribute to this plan.

The District offers its volunteers deferred compensation plan (TESRS) created in accordance with Government Code Title 8 – Public Retirement Systems Subtitle H. The plan permits 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. Active members are covered by survivor and disability benefits. Federal law requires all assets and income of Section 457 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 plan is administered by a governor appointed Board. The District contributed \$52,200 to this plan in 2023.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

### NOTE (11) RETIREMENT PLAN

#### Plan Description

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

Employee membership data related to the Plan, as of December 31, 2023 was as follows:

Inactive employees entitled to but not yet receiving benefits	24
Active plan members	<u>165</u>
	<u>189</u>

Any participant whose years of continuous employment, when added to the participant’s age equals or exceeds 75, may retire without a reduction in the monthly benefit.

By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.

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

For the year ended December 31, 2023, the District’s total payroll for all employees was \$13,478,046. Total covered payroll was \$13,352,247. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan and was calculated by the actuary based on contributions as reported to the Plan.

#### Contributions

Employees of the District are required to contribute 7% of covered compensation to the Plan. The contributions are deducted from the employee’s wages or salary and remitted by the District to the Plan on a monthly basis. The District’s contractually required contribution rate for the year ended December 31, 2023, was 11.4% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District’s contributions to the Plan for the year ended December 31, 2023 were \$1,527,816.

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

At December 31, 2023, the District reported a liability of \$811,717 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2023, the District’s proportion was 6.08%.

## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

#### NOTE (11) RETIREMENT PLAN (Continued)

For the year ended December 31, 2023, the District recognized pension expense of \$1,044,503. At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual results	\$ -	\$ 1 299 934
Changes of assumptions	22 168	93 914
Net difference between projected and actual earnings	-	234 888
Contributions subsequent to the measurement date	N/A	Employer determined
<b>Total</b>	<b>\$ 22 168</b>	<b>\$ 1 628 736</b>

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

<u>Year ending December 31,</u>	
2024	\$ 222 843
2025	214 153
2026	272 522
2027	128 250
2028	150 720
Thereafter	618 080

#### Actuarial Assumptions

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

In the 2023 actuarial valuation, assumed life expectancies were 135% of the Pub 2010 General Retirees Table of males and 120% of the Pub 2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB Statement No. 68.

The long-term expected rate of return on pension plan investments was determined by adding expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by the Plan's investment consultant, Cliffwater, LLC. The numbers shown are based on January 2024 information for a 10 year time horizon.

## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

#### NOTE (11) RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	11.50%	4.75%
Global Equities	2.50%	4.75%
International Equities - Developed	5.00%	4.75%
International Equities - Emerging	6.00%	4.75%
Investment - Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.75%
Hedge Funds	6.00%	3.25%
Cash Equivalents	<u>2.00%</u>	0.60%
	<u>100.00%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (Continued)

#### NOTE (11) RETIREMENT PLAN (Continued)

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

Changes in the District's net pension liability/(asset) for the year ended December 31, 2023 was as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2022	\$ 5 926 114	\$ 5 396 557	\$ 529 557
Changes for the year:			
Service cost	1 953 390	-	1 953 390
Interest on total pension liability	597 038	-	597 038
Effect of Plan changes	-	-	-
Effect of economic/demographic gains or losses	929 737	-	929 737
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	( 48 365)	( 48 365)	-
Benefit payments	-	-	-
Administrative expenses	-	( 4 463)	4 463
Member contributions	-	934 657	( 934 657)
Net investment income	-	616 975	( 616 975)
Employer contributions	-	1 527 816	(1 527 816)
Other	-	123 020	( 123 020)
Balances as of December 31, 2023	\$ 9 357 914	\$ 8 546 197	\$ 811 717

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

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

	Discount Rate	Net Pension Liability/(Asset)
1% Decrease	6.60%	\$ 3 223 632
Current Discount Rate	7.60%	\$ 811 717
1% Increase	8.60%	\$ (1 059 863)

##### Plan Fiduciary Net Position

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



**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023  
(Continued)

NOTE (11) RETIREMENT PLAN (Continued)

Payable to the Plan

At December 31, 2023, the District had a payable of \$206,109 included in accounts payable for the outstanding amount of contributions due to the Plan for the year.

NOTE (12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 15, 2024, (the date the financial statements were available to be issued) and noted no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget*	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes - maintenance and operations	\$ 14 777 080	\$16 346 911	\$ 15 018 306	\$ (1 328 605)
Property taxes - debt service	-	-	1 527 145	1 527 145
Penalty and interest on property taxes	-	-	242 077	242 077
Sales tax revenue	17 000 000	17 000 000	20 080 943	3 080 943
State grants	-	-	227 792	227 792
Interest earned on temporary investments	75 000	75 000	3 476 154	3 401 154
Miscellaneous	-	-	306 546	306 546
Total Revenues	<u>31 852 080</u>	<u>33 421 911</u>	<u>40 878 963</u>	<u>7 457 052</u>
<b>Expenditures/Expenses</b>				
<b>Service Operations</b>				
Salaries and benefits	13 369 279	13 559 938	13 478 046	81 892
Employee benefits	2 796 056	2 427 462	1 887 022	540 440
Payroll taxes	1 038 577	1 064 115	1 096 703	( 32 588)
Retirement plan contribution	1 510 624	1 489 544	1 010 533	479 011
Supplies and small equipment	1 223 740	1 231 739	980 000	251 739
Insurance	1 025 000	1 025 000	960 417	64 583
Communications	900 000	935 000	864 534	70 466
Station expenses	1 123 071	6 718 831	745 839	5 972 992
Training	710 890	493 630	587 898	( 94 268)
Information technology	458 149	458 149	518 166	( 60 017)
Vehicles, fuel and maintenance	398 350	390 350	425 503	( 35 153)
Professional services	228 000	378 000	326 894	51 106
Arbitrage	-	-	302 298	( 302 298)
Fire prevention and outreach	213 400	213 400	180 921	32 479
Appraisal district fees	100 000	100 000	119 021	( 19 021)
Collection fees	85 000	85 000	109 672	( 24 672)
Lease	-	-	83 640	( 83 640)
Sales tax monitoring	300 000	150 000	30 100	119 900
District administration	7 500	7 500	7 987	( 487)
Legal fees	-	-	6 633	( 6 633)
Capital Outlay	600 000	580 000	2 957 488	(2 377 488)
<b>Debt Service</b>				
Note principal	2 352 507	2 856 014	2 856 014	-
Note interest	584 837	973 837	973 838	( 1)
Debt issuance cost	-	-	103 500	( 103 500)
Total Expenditures/Expenses	<u>29 024 980</u>	<u>35 137 509</u>	<u>30 612 667</u>	<u>4 524 842</u>
Change in Fund Balance	2 827 100	(1 715 598)	10 266 296	11 981 894
Proceeds	-	-	10 000 000	10 000 000
<b>Fund Balance</b>				
Beginning of the Year	<u>62 844 076</u>	<u>62 844 076</u>	<u>62 844 076</u>	<u>-</u>
End of the Year	<u>\$ 65 671 176</u>	<u>\$61 128 478</u>	<u>\$ 83 110 372</u>	<u>\$ 21 981 894</u>

\* The Budget was amended 6 times during the year. This is a comparison between the original and final budgets.

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Pension Liability				
Service cost	\$ 1 953 390	\$ 1 745 056	\$ 1 722 597	\$ 1 106 307
Interest on total pension liability	597 038	390 605	231 938	89 580
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	-	( 31 669)	135 654
Effect of economic/demographic (gains) or losses	929 737	419 560	168 457	1 664
Benefit payments/refunds of contributions	<u>( 48 365)</u>	<u>( 46 325)</u>	<u>( 6 535)</u>	<u>( 775)</u>
Net change in total pension liability	\$ 3 431 800	\$ 2 508 896	\$ 2 084 788	\$ 1 332 430
Total pension liability, beginning	<u>5 926 114</u>	<u>3 417 218</u>	<u>1 332 430</u>	<u>-</u>
Total pension liability, ending	<u>9 357 914</u>	<u>5 926 114</u>	<u>3 417 218</u>	<u>1 332 430</u>
Fiduciary Net Position				
Employer contributions	1 527 816	1 431 224	944 320	640 320
Member contributions	934 657	796 388	707 734	479 897
Investment income net of investment expenses	616 975	( 378 723)	442 615	2 287
Benefit payments/refunds of contributions	( 48 365)	( 46 325)	( 6 535)	( 775)
Administrative expenses	( 4 463)	( 3 162)	( 1 778)	( 844)
Other	<u>123 020</u>	<u>309 853</u>	<u>46 936</u>	<u>33 125</u>
Net change in fiduciary net position	3 149 640	2 109 255	2 133 292	1 154 010
Fiduciary net position, beginning	<u>5 396 557</u>	<u>3 287 302</u>	<u>1 154 010</u>	<u>-</u>
Fiduciary net position, ending	<u>8 546 197</u>	<u>5 396 557</u>	<u>3 287 302</u>	<u>1 154 010</u>
Net pension liability/(asset), ending	<u>\$ 811 717</u>	<u>\$ 529 557</u>	<u>\$ 129 916</u>	<u>\$ 178 420</u>
Fiduciary net position as a % of total pension liability/(asset)	91.33%	91.06%	96.20%	86.61%
Pensionable covered payroll	\$ 13 352 247	\$ 11 376 976	\$ 10 110 491	\$ 6 855 670
Net pension liability/(asset) as a % of covered payroll	6.08%	4.65%	1.28%	2.60%



**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020	\$ 640 320	\$ 640 320	\$ -	\$ 6 855 670	9.34%
2021	\$ 944 320	\$ 944 320	\$ -	\$ 10 110 491	9.34%
2022	\$ 1 431 224	\$ 1 431 224	\$ -	\$ 11 376 976	12.58%
2023	\$ 1 527 497	\$ 1 527 816	\$ ( 319)	\$ 13 352 247	11.44%

NOTE (1) VALUATION DATE

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

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (Continued)

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.6 years (based on contribution rate calculated in 12/31/23 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.5%, 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2015 - 2023: No changes in plan provisions were reflected.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TEMPORARY INVESTMENTS (CASH EQUIVALENTS)  
DECEMBER 31, 2023**

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
TexPool	-	5.3836%	\$ 16 265
Texas CLASS - General Operating Fund	-	5.5744%	33 594 359
Texas CLASS - Sales Tax	-	5.5744%	13 263 507
Texas CLASS - Series 2021	-	5.5744%	8 467 229
Texas CLASS - Series 2022	-	5.5744%	10 517 951
Texas CLASS - Series 2023	-	5.5744%	<u>10 079 799</u>
		<b>TOTAL</b>	<u><u>\$ 75 939 110</u></u>

See Independent Auditors' Report

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

SUPPLEMENTARY INFORMATION

ANALYSIS OF TAXES RECEIVABLE  
DECEMBER 31, 2023

Taxes Receivable - Beginning of Year	\$	9 113 213
2023 Tax Roll		18 194 439
Adjustments		<u>( 420 482)</u>
Total to be Accounted for		26 887 170
Tax Collections Received from Tax Collector		<u>(16 545 451)</u>
Taxes Receivable - End of Year	\$	<u><u>10 341 719</u></u>
Taxes Receivable - By Years		
2023	\$	10 006 840
2022		129 709
2021		53 378
2020		40 598
2019 and prior		<u>111 194</u>
Taxes Receivable - End of Year	\$	<u><u>10 341 719</u></u>

Assessed Valuation Summary

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations					
Total Property Valuations	<u>\$20 216 043 235</u>	<u>\$17 731 587 211</u>	<u>\$15 411 162 268</u>	<u>\$14 381 124 911</u>	<u>\$13 727 782 358</u>
Tax Rate per \$100 Valuations	<u>\$ 0.09000</u>	<u>\$ 0.09390</u>	<u>\$ 0.09750</u>	<u>\$ 0.09970</u>	<u>\$ 0.09939</u>
Tax Rolls	<u>\$ 18 194 439</u>	<u>\$ 16 649 960</u>	<u>\$ 15 025 883</u>	<u>\$ 14 337 982</u>	<u>\$ 13 644 043</u>
Percent of Taxes Collected to Taxes Levied	<u>45.0%</u>	<u>99.2%</u>	<u>99.6%</u>	<u>99.7%</u>	<u>99.9%</u>

See Independent Auditors' Report



# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## SUPPLEMENTARY INFORMATION

### BOARD MEMBERS AND CONSULTANTS DECEMBER 31, 2023

District Mailing Address: Harris County Emergency Services District No. 7  
656 E. Louetta Rd.  
Spring, Texas 77373

District Telephone Number: (281) 355-1266

<u>Names</u>	<u>Term of office or Date Hired</u>	<u>Fees Paid* FYE 12/31/23</u>	<u>Expense Reimburse- ments FYE 12/31/23</u>	<u>Title at Year End</u>
Board Members:				
Melanie Gander	(Elected) 06/01/20-05/31/24	\$ 1 500	\$ -	President
Gayle Fuller	(Elected) 06/01/22-05/31/26	\$ 4 500	\$ -	Vice President
Todd Anderson	(Elected) 06/01/20-05/31/24	\$ 2 550	\$ -	Treasurer
Keith Willingham	(Elected) 06/01/22-05/31/26	\$ 900	\$ -	Secretary
David Mills	(Appointed) 06/14/21-05/31/24	\$ 2 250	\$ -	Assistant Treasurer

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

# HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

## SUPPLEMENTARY INFORMATION

### BOARD MEMBERS AND CONSULTANTS DECEMBER 31, 2023 (Continued)

<u>Names</u>	<u>Date Hired</u>	<u>Fees Paid* and Expense Reimbursements FYE 12/31/23</u>	<u>Title at Year End</u>
Consultants:			
Coveler & Peeler, P.C.	2000	\$ 107 695	Attorney
Thrower Law, P.C.	2017	\$ 26 397	Attorney
Andrews Myers Coulter & Hayes, P.C.	2021	\$ 11 431	Attorney
Ann Harris Bennett	2003	\$ 77 647	Tax Collector
McLennan & Associates, LP	2003	\$ 25 253	Bookkeeper
Breedlove & Co., P.C.	2009	\$ 21 092	Auditor
Harris County Appraisal District	2003	\$ 119 021	Appraisal District

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