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July 13, 2022

Mr. James Hastings
Harris County Clerk
Office of Commissioners' Court
1001 Preston, Suite 610
Houston, Texas 77002

***Re: Harris County Emergency Services District No. 25;
Submission of Annual Report for 2021***

Dear Mr. Hastings:

This office is counsel to the Harris County Emergency Services District No. 25, and acting pursuant to their instructions, we are filing herewith the 2021 Audit for the District pursuant to Section 775.082 of the Texas Health and Safety Code.

Please do not hesitate to contact our office should you have questions or need additional information regarding the enclosed submissions.

Very truly yours,

COVELER & PEELER, P.C.

By:


Deirdra Wine

Legal Assistant to Nicole E. Pierce

/dw

Enclosure


JAMES HASTINGS
COUNTY CLERK
HARRIS COUNTY, TEXAS

2022 JUL 15 PM 12:57

RECEIVED

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25

HARRIS COUNTY, TEXAS

FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2021
AND INDEPENDENT AUDITOR'S REPORT

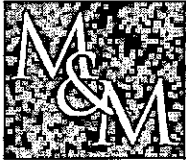


MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25

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MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Harris County Emergency Services District No. 25

Opinion

We have audited the accompanying financial statements of the governmental activities of the general fund of Harris County Emergency Services District No. 25 (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 accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities of the general fund of Harris County Emergency Services District No. 25 as of December 31, 2021, and the changes in its financial position 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 (GAAS). 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 opinion.

Responsibilities of Management for the Financial Statements

The District's 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 one year after the date that the financial statements are issued.

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 opinion. 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 GAAS 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 GAAS, 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 budgetary comparison information on pages 3 through 6 and 20 through 21, respectively, 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.

Melton & Melton, LLP

Houston, Texas
July 6, 2022

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2021

Our discussion and analysis of the financial performance of Harris County Emergency Services District No. 25 (the "District") provides an overview of the District's financial activities for the fiscal year ended December 31, 2021. Please review it in conjunction with the District's financial statements, which begin on page 7 of this report.

FINANCIAL HIGHLIGHTS

- Total net position at December 31, 2021 was \$1,727,142 as compared to \$1,561,218 as of December 31, 2020, representing a increase in total net position of \$165,924 or 10.6%.
- The total 2021 assessed tax levy of the District, which will be used to fund operations for the 2021 calendar year, is \$2,156,960,366 as compared to the total 2020 assessed tax levy of \$1,937,785,144 representing an increase of \$219,175,222 or 11.3%.
- The District incurred \$1,700,126 of expenses during the year ended December 31, 2021 as compared to \$1,749,525 for the year ended December 31, 2020, representing a decrease in expenses of \$49,399 or 2.8%.
- The general fund reported a fund balance of \$1,072,202 at December 31, 2021 as compared to \$726,582 as of December 31, 2020, representing an increase in the general fund balance of \$345,620 or 47.6%.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (pages 7-8) provide information about the activities of the District as a whole. The governmental fund (or "fund") financial statements are included on pages 9-12. The notes provide additional information essential to a full understanding of the data provided in the district-wide financial statements (the statement of net position and the statement of activities) and the fund financial statements. The notes to the basic financial statements can be found on pages 13-19 of this report.

The district-wide financial statements are designed to present a longer-term view of an entity's finances and are prepared under the *full accrual basis of accounting*. These statements include all of the assets and liabilities of the District using methods similar to those used by private-sector companies.

Fund financial statements use a *modified accrual basis of accounting* and focus on sources and uses of cash in the near term, measuring cash and all other financial assets that can be readily converted to cash.

The District's services are reported through one governmental fund, the General Fund.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2021

DISTRICT FINANCIAL SUMMARY

The District levies property taxes on residents of the District to cover the costs of providing emergency services. Below is a summary of the taxes assessed for the years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Total property valuations	\$2,156,960,366	\$1,937,785,144
Tax rate per \$100 valuation	<u>0.10</u>	<u>0.10</u>
Taxes assessed	<u>\$ 2,156,960</u>	<u>\$ 1,937,785</u>

The collections received from the tax levy and the cost of providing emergency services and other general expenses of the District for the years ended December 31, 2021 and 2020 are summarized below:

	<u>2021</u>	<u>2020</u>
Property tax revenue	\$ 1,827,812	\$ 1,745,220
Penalties, interest, and other	37,854	51,297
Miscellaneous income	384	7,354
Expenses	<u>(1,700,126)</u>	<u>(1,749,525)</u>
Change in net position	<u>\$ 165,924</u>	<u>\$ 54,346</u>

The District's total net position as of December 31, 2021 and 2020 is summarized below:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets (noncapital)	\$ 1,072,202	\$ 726,582	\$ 345,620
Assets (capital)	3,017,042	3,139,233	(122,191)
Liabilities (current)	(909,077)	(660,676)	(248,401)
Liabilities (noncurrent)	<u>(1,453,025)</u>	<u>(1,643,921)</u>	<u>190,896</u>
Net position	<u>\$ 1,727,142</u>	<u>\$ 1,561,218</u>	<u>\$ 165,924</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2021

DISTRICT FINANCIAL SUMMARY (CONTINUED)

Following is a summary of the differences between the District's significant budgeted amounts versus actual amounts reported in the General Fund for the year ended December 31, 2021, which is more fully detailed on page 20 of this report:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues:</u>			
Property tax revenue	\$1,826,597	\$2,206,651	\$380,054
Penalties and interest	-	37,854	37,854
Other income	-	180	180
Interest income	<u>10,000</u>	<u>204</u>	<u>(9,796)</u>
	<u>1,836,597</u>	<u>2,244,889</u>	<u>408,292</u>
<u>Expenditures:</u>			
Emergency services	1,323,882	1,265,470	58,412
Principal and interest	372,000	369,270	2,730
General operating expenses	139,515	184,055	(44,540)
Capital assets	-	79,374	(79,374)
Dues	<u>1,200</u>	<u>1,100</u>	<u>100</u>
	<u>1,836,597</u>	<u>1,899,269</u>	<u>(62,672)</u>
Net variance	<u>\$ -</u>	<u>\$ 345,620</u>	<u>\$345,620</u>

The Board of Commissioners of the District as of the date of this report is as follows:

President	Royce Sunday
Vice President	Vester Melancon
Treasurer	Shirley Cody
Secretary	Carol McGee
Board member at large	David Lindeen

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2021 and 2020, the District had the following capital assets in operation:

	<u>2021</u>	<u>2020</u>
Land	\$ 255,346	\$ 255,346
Building and improvements	3,707,178	3,707,178
Fire trucks	1,416,310	1,416,310
Furniture and fixtures	<u>215,880</u>	<u>136,506</u>
Total capital assets	5,594,714	5,515,340
Less: Accumulated depreciation	<u>2,577,672</u>	<u>2,376,107</u>
Total net capital assets	<u>\$3,017,042</u>	<u>\$3,139,233</u>

More detailed information about the District's capital assets is presented in the *Notes to Financial Statements*.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended December 31, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

During 2010 through 2012, the District entered into three loan agreements with a financial institution to fund the construction of the District's fire station and purchase fire equipment. During 2018, the District entered into a loan agreement with a financial institution to purchase fire equipment. During 2020, the District entered into a loan agreement with a financial institution to purchase fire equipment. The District made principal payments of \$310,218 and \$301,015 during the years ended December 31, 2021 and 2020, respectively, related to these agreements.

More detailed information about the District's loan agreements is presented in the *Notes to Financial Statements*.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
STATEMENT OF NET POSITION
December 31, 2021

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 965,124
Taxes receivable	107,078
Total current assets	<u>1,072,202</u>
Capital Assets, at cost:	5,594,714
Accumulated depreciation	<u>(2,577,672)</u>
Net capital assets	<u>3,017,042</u>
	<u>\$ 4,089,244</u>

LIABILITIES

Current Liabilities:	
Current portion of notes payable - due within one year	\$ 192,296
Deferred revenues	668,838
Interest payable	<u>47,943</u>
Total current liabilities	<u>909,077</u>
Notes Payable, net of current portion - due after one year	<u>1,453,025</u>

NET POSITION

Net Position:	
Net investment in capital assets	1,371,721
Unrestricted	<u>355,421</u>
Total net position	<u>1,727,142</u>
	<u>\$ 4,089,244</u>

(See Notes to Financial Statements)

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

<u>FUNCTIONS:</u>	<u>Expenses</u>	<u>Contributions</u>	Net (Expense) Revenue
Primary Government:			
Governmental activities:			
Public safety - emergency services	\$ 1,265,470	\$ -	\$ (1,265,470)
General government	<u>434,656</u>	<u>-</u>	<u>(434,656)</u>
Total governmental activities	<u>\$ 1,700,126</u>	<u>\$ -</u>	<u>(1,700,126)</u>
 <u>GENERAL REVENUES:</u>			
Property taxes			1,827,812
Penalties and interest			37,854
Other income			180
Interest income			<u>204</u>
Total general revenues			<u>1,866,050</u>
 Change in net position			 165,924
 Net Position - beginning of year			 <u>1,561,218</u>
 Net Position - end of year			 <u>\$ 1,727,142</u>

(See Notes to Financial Statements)

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2021

ASSETS:

Cash and cash equivalents	\$ 965,124
Taxes receivable	<u>107,078</u>
 Total assets	 <u>\$ 1,072,202</u>

FUND BALANCE:

Unassigned	<u>\$ 1,072,202</u>
 Total fund balance	 <u>\$ 1,072,202</u>

(See Notes to Financial Statements)

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2021

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2021

<u>Total Governmental Fund Balance</u>	\$ 1,072,202
Capital assets used in governmental activities are not financial resources and, therefore, are not recorded in the governmental fund financial statements.	5,594,714
Deferred tax revenues are available to pay for current-period expenditures and, therefore, are not deferred in the fund.	(668,838)
Accumulated depreciation has not been included in the governmental fund financial statements.	(2,577,672)
Interest expense is accrued on outstanding debt in the statement of net position, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(47,943)
Obligations incurred under debt-financed construction are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(1,645,321)</u>
<u>Net Position of Governmental Activities</u>	<u>\$ 1,727,142</u>

(See Notes to Financial Statements)

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended December 31, 2021

REVENUES:

Property tax	\$ 2,206,651
Penalties and interest	37,854
Other income	180
Interest income	<u>204</u>
Total revenues	<u>2,244,889</u>

EXPENDITURES:

Westfield Volunteer Fire Department - emergency services	1,265,470
Insurance	4,312
Director fees	10,800
Harris County Appraisal District - fee	14,390
Other professional fees	735
Contract labor	4,500
Accounting	25,111
Legal	19,454
Dues	1,100
Office supplies	366
Meeting and training	1,545
Advertising and marketing	2,235
Security	31,405
Capital assets	79,374
Notes payable - principal and interest	369,270
Other	<u>69,202</u>
Total expenditures	<u>1,899,269</u>

Excess of revenues over expenditures 345,620

Fund Balance - beginning of year 726,582

Fund Balance - end of year \$ 1,072,202

(See Notes to Financial Statements)

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended December 31, 2021

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Net Change in Governmental Fund Balance</u>	\$ 345,620
Governmental funds report capital cost outflows as expenditures, whereas those costs are shown as increases in capital assets in the statement of activities.	79,374
Governmental funds report principal outflows as expenditures, whereas those costs are shown as decreases in notes payable in the statement of activities.	310,218
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund: Change in deferred tax revenues	(378,839)
Depreciation expense has not been included in the governmental fund financial statements.	(201,565)
Accrued interest expense is not a cash outflow for the purposes of governmental fund reporting.	<u>11,116</u>
<u>Change in Net Position of Governmental Activities</u>	<u>\$ 165,924</u>

(See Notes to Financial Statements)

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - CREATION OF DISTRICT

Harris County Emergency Services District No. 25 (the "District"), a political subdivision of the State of Texas, was created on August 14, 1984 as Harris County Rural Fire Prevention District No. 25, under former Chapter 794 of the Texas Health and Safety Code, to facilitate the provision of emergency services, including fire protection, fire prevention, and rescue services to the residents of the District. The District was converted to an emergency services district operating under Chapter 775 of the Texas Health and Safety Code on September 1, 2003 by action of the Texas Legislature with the adoption of Texas Health and Safety Code Section 775.026. The basic operations of the District are funded through an ad valorem tax assessed on property owners within the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

All financial activities attributable to the District and directly subject to the authorization and control by the Board of Commissioners are included in the financial statements. For financial reporting purposes, the District is neither considered to be a component unit of another entity nor is another entity considered to be a component unit of the District.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the financial position and activities of the District. All payments to the District are the result of a tax levy received in a non-exchange transaction. All tax revenues received are reported in the statement of activities as general revenues. The District does not provide any program services for which it receives a fee.

The fund financial statements provide reports on the financial condition and results of operations of the General Fund, the only fund of the District.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the district-wide statement of net position and statement of activities, Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant policies are discussed in subsequent sections of this Note 2.

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of related cash flows.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become measurable and available to finance expenditures of the current period. For this purpose, the District considers the revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Fund Accounting

The General Fund is used to account for all the financial resources of the District. The General Fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of the State of Texas and the bylaws of the District. Currently, the District has no obligations or restrictions requiring the use of other specific fund types.

Revenues - Exchange and Non-Exchange Transactions

The District does not receive any revenue resulting from exchange transactions in which each party gives and receives essentially equal value.

Non-exchange transactions in which the District receives value without directly giving value in return include property taxes collected on the tax levy.

Expenses/Expenditures

Under the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction, or the improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by external restrictions by creditors, grantors, laws, or regulations of other governmental bodies. The District has no restrictions on its net position.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Board of Commissioners adopts an annual nonappropriated budget for the General Fund in accordance with the accounting principles applicable to that fund. The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended December 31, 2021. The District does not use encumbrances or appropriations.

Property Taxes

During the year ended December 31, 2021, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation for the 2021 tax year. Deferred and unearned revenue arise when potential revenue does not meet the measurable and available criterion for recognition in the current period. Property taxes for the 2021 fiscal year were levied for the 2022 fiscal year. Therefore, the revenue related to the 2022 tax monies collected in November and December 2021 have been deferred until the fiscal year 2022.

The District's tax calendar is as follows:

- | | | |
|-----------------|---|---|
| Levy Date | - | Before the later of September 30 th or the 60 th day after the receipt of the certified tax roll. |
| Lien Date | - | January 1. |
| Due Date | - | No later than January 31. |
| Delinquent Date | - | February 1 and July 1, at which times the taxpayer is liable for interest and penalties, respectively. |

Cash and Cash Equivalents

The District considers cash and cash equivalents to include cash on hand and in financial institutions, and other short-term highly liquid instruments with original maturities of three months or less.

Capital Assets

Capital assets, which include land, buildings, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at cost. The District provides for depreciation using the straight-line method over the estimated useful lives of the assets. The District has not received any capital assets through donations. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. As of December 31, 2021, there are no assets that are considered construction in progress, which represent costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. The District did not have any nonspendable resources as of December 31, 2021.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted resources as of December 31, 2021.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2021.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District did not have any assigned resources as of December 31, 2021.

Unassigned: This classification includes the residual fund balance for the General Fund, which has not been classified within the other above-mentioned categories.

NOTE 3 - CONTRACT WITH WESTFIELD VOLUNTEER FIRE DEPARTMENT

The District has entered into a contract with the Westfield Volunteer Fire Department (the "Department"). Within the District's geographical area, the Department has agreed to provide fire prevention and medical emergency training and to respond to requests for assistance in the event of fire and/or medical emergencies. The District has agreed to pay the Department's monthly submitted and approved bills, not to exceed the taxes collected, less the District's administrative expenses.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended December 31, 2021 was as follows:

	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>
Land	\$ 255,346	\$ -	\$ -	\$ 255,346
Total capital assets not depreciated	<u>255,346</u>	<u>-</u>	<u>-</u>	<u>255,346</u>
Fire trucks	1,416,310	-	-	1,416,310
Building and improvements	3,707,178	-	-	3,707,178
Furniture and fixtures	136,506	79,374	-	215,880
Less: Accumulated depreciation	<u>(2,376,107)</u>	<u>(201,565)</u>	<u>-</u>	<u>(2,577,672)</u>
Total capital assets being depreciated, net	<u>2,883,887</u>	<u>(122,191)</u>	<u>-</u>	<u>2,761,696</u>
Total	<u>\$ 3,139,233</u>	<u>\$ (122,191)</u>	<u>\$ -</u>	<u>\$ 3,017,042</u>

Total depreciation expense for the year ended December 31, 2021 was \$201,565.

NOTE 5 - NOTES PAYABLE

The District has a note payable to a financial institution for the construction of the Department building (the "Building Loan"), interest and principal payable annually at 2.736%, maturing March 2030, secured by the District's ad valorem taxes granted. The balance at December 31, 2021 is \$1,415,467.

The District has a second note payable to a financial institution for the construction of a training room in the Department building (the "Training Room Loan"), interest and principal payable annually at 4.614%, maturing May 2026, secured by the District's ad valorem taxes granted. The balance at December 31, 2021 is \$128,015.

The District has a note payable to a financial institution for the financing of a fire truck used by the Department (the "Fire Truck Loan"), interest and principal payable annually at 3.995%, maturing April 2021, secured by the District's ad valorem taxes granted. The note payable was paid off in 2021.

The District has a note payable to a financial institution for the financing of a pumper truck used by the Department (the "Pumper Loan"), interest and principal payable annually at 3.53%, maturing July 2026, secured by the District's ad valorem taxes granted. The balance at December 31, 2021 is \$101,839.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 - NOTES PAYABLE (CONTINUED)

Notes payable activity for the District for the year ended December 31, 2021 was as follows:

	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>
Building Loan	\$1,552,552	\$ -	\$137,085	\$1,415,467
Training Room Loan	149,319	-	21,304	128,015
Fire Truck Loan	125,972	-	125,972	-
Pumper Loan	<u>127,696</u>	<u>-</u>	<u>25,857</u>	<u>101,839</u>
Total	<u>\$1,955,539</u>	<u>\$ -</u>	<u>\$310,218</u>	<u>\$1,645,321</u>

As of December 31, 2021, future annual maturities of notes payable are as follows:

<u>For the Year Ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 192,296	\$ 47,837	\$ 240,133
2023	198,407	41,925	240,332
2024	204,308	35,824	240,132
2025	189,427	29,528	218,955
2026	189,197	23,902	213,099
Thereafter	<u>671,686</u>	<u>46,563</u>	<u>718,249</u>
	<u>\$1,645,321</u>	<u>\$225,579</u>	<u>\$1,870,900</u>

Total interest costs amounted to \$47,936 for the year ended December 31, 2021.

NOTE 6 - RISK MANAGEMENT

The District covers various risks of loss in the event it incurs tort claims including 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 insurance coverage or had settlements that exceeded coverage amounts from the date of inception on September 1, 2003 through December 31, 2021.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District maintains its cash in financial institutions that are considered high quality by the District's Board of Commissioners. At times, such cash investments may be in excess of federally insured limits. Subsequent to year-end, the District entered into a deposit security agreement with its financial institutions protecting amounts in excess of federally insured limits.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District adopted its 2021 budget on August 3, 2020. Annual budgets are adopted on a cash basis of accounting, which is not consistent with GAAP. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the account level.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
BUDGETARY COMPARISON SCHEDULE -
GOVERNMENTAL FUND (UNAUDITED)
For the Year Ended December 31, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property tax	\$ 1,826,597	\$ 2,206,651	\$ 380,054
Penalties and interest	-	37,854	37,854
Other income	-	180	180
Interest income	<u>10,000</u>	<u>204</u>	<u>(9,796)</u>
Total revenues	<u>1,836,597</u>	<u>2,244,889</u>	<u>408,292</u>
<u>Expenditures:</u>			
Emergency services	1,323,882	1,265,470	58,412
Principal and interest	372,000	369,270	2,730
General operating expenses	139,515	184,055	(44,540)
Capital assets	-	79,374	(79,374)
Dues	<u>1,200</u>	<u>1,100</u>	<u>100</u>
Total expenditures	<u>1,836,597</u>	<u>1,899,269</u>	<u>(62,672)</u>
Excess of Revenues over Expenditures	-	345,620	345,620
Fund Balance - beginning of year	<u>726,582</u>	<u>726,582</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 726,582</u>	<u>\$ 1,072,202</u>	<u>\$ 345,620</u>

(See Notes to Required Supplementary Information)

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 25
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND (UNAUDITED)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

NOTE 1 - BUDGETARY PROCESS

The Board of Commissioners adopts an annual nonappropriated budget for the General Fund in accordance with the accounting principles applicable to that fund. The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended December 31, 2021. The District does not use encumbrances or appropriations.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the district-wide statements. The District budgets capital purchases as expenditures, but the district-wide financial statements show those purchases as depreciable capital assets. There were no other significant differences between the GAAP basis financial statements and the budget prepared by the District.