

COVELER & PEELER, P.C.

Attorneys At Law

Two Memorial City Plaza
820 Gessner, Suite 1710
Houston, Texas 77024-4298

Phone 713.984.8222

Fax 713.984.0670

wine@coveler.com

September 9, 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. 7;
Submission of Annual Report for 2021***

Dear Mr. Hastings:

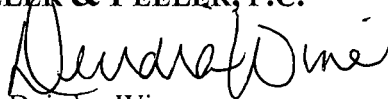
This office is counsel to the Harris County Emergency Services District No. 7, and acting pursuant to their instructions, we are filing herewith the 2021 Audit for the District pursuant to Section 775.082 of the Texas Health and Safety Code.

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 John W. Peeler

/dw

Enclosure

RECEIVED
2022 SEP 12 PM 1:39
HARRIS COUNTY CLERK
HARRIS COUNTY, TEXAS

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2021

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

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Management's Discussion & Analysis	5-8

FINANCIAL STATEMENTS

Statement of Net Position and Governmental Funds Balance Sheet	9
Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance	10
Notes to Financial Statements	11-22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	23
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios	24-25
Schedule of Employer Contributions	26

SUPPLEMENTARY INFORMATION

Schedule of Temporary Investments	27
Analysis of Taxes Receivable	28
Board Members and Consultants	29-30

BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

JILL A. HENZE, CPA
President

NICOLE BREEDLOVE HUNT, CPA
CEO

INDEPENDENT AUDITORS' REPORT

September 8, 2022

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, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 7, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harris County Emergency Services District No. 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 and budgetary comparison on pages 5 through 8 and 23 through 26 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, 2021

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, 2021. 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 \$86,324,709 as of December 31, 2021.

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, 2021 (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 56 133 509	\$ 37 079 620
Capital assets, net of accumulated depreciation	<u>60 129 716</u>	<u>60 694 324</u>
Total assets	<u>\$ 116 263 225</u>	<u>\$ 97 773 944</u>
Deferred outflows of resources	<u>\$ 267 803</u>	<u>\$ 161 514</u>
Current liabilities	\$ 4 780 067	\$ 3 310 655
Long term liabilities	<u>25 190 346</u>	<u>19 378 348</u>
Total liabilities	<u>\$ 29 970 413</u>	<u>\$ 22 689 003</u>
Deferred inflows of resources	<u>\$ 235 906</u>	<u>\$ -</u>
Net position:		
Net investment in capital assets	30 751 368	38 944 193
Unrestricted	<u>55 573 341</u>	<u>36 302 262</u>
Total net position	<u>\$ 86 324 709</u>	<u>\$ 75 246 455</u>

The following table provides a summary of the District's operations for the years ended December 31, 2021 and 2020. The District increased its net position by \$11,078,254.

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Property taxes	\$ 14 852 157	\$ 14 179 372
Other revenues	<u>17 516 642</u>	<u>14 561 626</u>
Total Revenues	<u>32 368 799</u>	<u>28 740 998</u>
Expenses for services	-	3 286 134
Operating expenses	19 198 747	12 872 565
Interest and debt issuance	144 762	969 569
Loss on disposal of capital assets	-	165 732
Depreciation	<u>1 947 036</u>	<u>1 784 836</u>
Total Expenses	<u>21 290 545</u>	<u>19 078 836</u>
Change in net position	11 078 254	9 662 162
Net position, beginning of year	75 246 455	63 485 025
Adjustment to correct conveyance of assets	<u>-</u>	<u>2 099 268</u>
Net position, beginning of year, as restated	<u>75 246 455</u>	<u>65 584 293</u>
Net position, end of year	<u>\$ 86 324 709</u>	<u>\$ 75 246 455</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2021

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2021 was \$46,864,113

The General Fund balance increased by \$21,552,295.

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 \$2,694,610 greater than budgeted due operating expenses being less than anticipated, offset by less than expected property tax revenue.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2021 (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>2021</u>	<u>2020</u>
Land	\$ 15 785 577	\$ 17 028 038
Construction in progress	802 827	87 827
Capital assets, net of depreciation	<u>43 541 312</u>	<u>43 578 458</u>
Total capital assets	<u>\$ 60 129 716</u>	<u>\$ 60 694 323</u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2021 are summarized as follows:

Long term debt, beginning of year	\$ 21 750 130
Note proceeds	10 000 000
Retirements of principal	<u>(2 371 783)</u>
Long term debt, end of year	<u>\$ 29 378 347</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 John Peeler, Coveler & Peeler, P.C., *Attorneys at Law*, Two Memorial City Plaza, 820 Gessner, Suite 1710, Houston, Texas 77024-8261.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash and cash equivalents	\$ 46 354 147	\$ -	\$ 46 354 147
Property taxes receivable	8 771 669	-	8 771 669
Due from tax assessor	627 034	-	627 034
Prepaid expenses	80 659	-	80 659
Investment in TECC	300 000		300 000
Capital Assets			
Land	-	15 785 577	15 785 577
Construction in progress	-	802 827	802 827
Property and equipment, net of accumulated depreciation of \$13,442,326	-	43 541 312	43 541 312
Total Assets	<u>56 133 509</u>	<u>60 129 716</u>	<u>116 263 225</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources	267 803	-	267 803
Total Deferred Outflows of Resources	<u>267 803</u>	<u>-</u>	<u>267 803</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 56 401 312</u>	<u>\$ 60 129 716</u>	<u>\$ 116 531 028</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 399 708	\$ 62 441	\$ 462 149
Net pension liability	129 916	-	129 916
Long term liabilities			
Due within one year	-	4 188 002	4 188 002
Due after one year	-	25 190 346	25 190 346
Total Liabilities	<u>529 624</u>	<u>29 440 789</u>	<u>29 970 413</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources	235 906	-	235 906
Unavailable tax revenue	8 771 669	(8 771 669)	-
Total Deferred Inflows of Resources	<u>9 007 575</u>	<u>(8 771 669)</u>	<u>235 906</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance			
Unassigned fund balance	46 864 113	(46 864 113)	-
Total Fund Balance	<u>46 864 113</u>	<u>(46 864 113)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 56 401 312</u>		
Net Position			
Net investment in capital assets		30 751 368	30 751 368
Unrestricted		55 573 341	55 573 341
Total Net Position		<u>86 324 709</u>	<u>86 324 709</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 60 129 716</u>	<u>\$ 116 531 028</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, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 17 587 513	\$ (2 735 356)	\$ 14 852 157
Sales taxes	17 020 761	-	17 020 761
Penalty and interest on property taxes	190 044	-	190 044
Interest earned on temporary investments	18 101	-	18 101
Gain on sale of capital assets	223 129	-	223 129
Miscellaneous	64 607	-	64 607
Total Revenues	<u>35 104 155</u>	<u>(2 735 356)</u>	<u>32 368 799</u>
Expenditures/Expenses			
Service Operations			
Appraisal district fees	104 401	-	104 401
Collection fees	135 291	-	135 291
Communications	617 332	-	617 332
District administration	37 413	-	37 413
Donations	12 018	-	12 018
Employee benefits	1 965 062	-	1 965 062
Fire prevention and outreach	168 580	-	168 580
Information technology	415 715	-	415 715
Insurance	632 420	-	632 420
Miscellaneous	102 816	-	102 816
Payroll taxes	774 857	-	774 857
Professional services	380 644	-	380 644
Retirement plan contribution	1 025 298	-	1 025 298
Salaries	10 322 320	-	10 322 320
Sales tax monitoring	39 352	-	39 352
Station expenses	576 385	-	576 385
Supplies and small equipment	548 599	-	548 599
Training and travel	345 778	-	345 778
Vehicles, fuel and maintenance	994 466	-	994 466
Capital Outlay	1 382 428	(1 382 428)	-
Debt Service			
Principal	2 371 783	(2 371 783)	-
Interest	498 902	(454 140)	44 762
Debt issuance cost	100 000	-	100 000
Depreciation	-	1 947 036	1 947 036
Total Expenditures/Expenses	<u>23 551 860</u>	<u>(2 261 315)</u>	<u>21 290 545</u>
Excess (Deficiency) of Revenues Over Expenditures	11 552 295	(474 041)	
Other financing sources/uses:			
Proceeds from Debt	10 000 000	(10 000 000)	-
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	21 552 295	(10 474 041)	
Change in Net Position			11 078 254
Fund Balance/Net Position			
Beginning of Year	25 311 818	49 934 637	75 246 455
End of Year	<u>\$ 46 864 113</u>	<u>\$ 39 460 596</u>	<u>\$ 86 324 709</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, 2021

NOTE (1) CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 1 was created by the Commissioners' Court of the County of Harris in 1979, in accordance with Article III, section 48-d, of the Texas Constitution. At an election held on May 10, 1997, pursuant to Section 794.100, Health & Safety Code, the District converted from a rural fire prevention district to an emergency services district operating under Chapter 775, Health & Safety Code. The District was then renamed Harris County Emergency Services District No. 7 (the District). The District was established to provide operating funds for the contracting of fire prevention within the boundaries of the District. Effective April 1, 2020, the District became the direct employer of fire suppression and administrative personnel and acquired the assets of Spring Volunteer Fire Association (the Association). The merged entity continues to provide fire suppression and prevention and first aid 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, 2021 (Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

b. Fund Balances

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose.

The District uses the following classifications for net position:

Net Investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - It includes funds restricted within the General Fund for the purposes of contingencies or emergencies. The Board must approve any changes in the restriction of this fund balance.

Unrestricted - To indicate net position that is available for use in future periods.

C. BASIS OF ACCOUNTING

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

The District has adopted GASB 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2021. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGET

The District annually adopts a budget for the General Fund in accordance with the accounting principles applicable to this fund. The Board of Commissioner's approval is required for revisions that alter the total expenditures. Reported budgeted amounts are as originally adopted. 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, 2021 (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, 2021	<u>\$ 46 864 113</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	60 129 716
Conversion of property tax assessments to full accrual basis	8 771 669
Interest paid on long term debt is adjusted to accrual basis	(62 441)
Notes payable obligations are not due and payable in the current period and are not reported in the funds	<u>(29 378 348)</u>
Adjustment to fund balance to arrive at net position	<u>39 460 596</u>
Total Net Position at December 31, 2021	<u>\$ 86 324 709</u>

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

Change in fund balance	\$ 21 552 295
Governmental funds report capital outlays as expenditures. However, for government-wide financials statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay and conveyance of capital assets in the current period.	(564 608)
Interest paid on long term debt is adjusted to accrual basis	454 140
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.	2 371 783
Conversion of property tax assessments to full accrual basis	<u>(2 735 356)</u>
Change in net position of governmental activities	<u>\$ 11 078 254</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (Continued)

NOTE (3) AD VALOREM TAX

During the year ended December 31, 2021, the District levied an ad valorem tax at the rate of \$0.0975 per \$100 of assessed valuation, which resulted in a tax levy of \$15,025,883 for 2021, on the taxable valuation of \$15,411,162,268 for the 2021 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 60th 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, 2021, include collections during the current period or within 60 days of year-end related to the 2021 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.

From January 1, 2021 to November 16, 2021 the contracted depository bank used by the District was PNC Bank (formerly BBVA Compass Bank). The largest cash balance during the year for PNC Bank was \$6,887,801, which occurred in February 2021. These funds were adequately secured by \$250,000 FDIC coverage and pledged securities. On November 16, 2021 the PNC Bank balances were transferred to Amegy Bank. The highest cash balance at Amegy Bank was \$11,613,530 and occurred in December 2021. These funds were adequately secured by \$250,000 FDIC coverage and pledged securities.

The District holds investments at December 31, 2021, 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, 2021 with a total carrying value and market value of \$15,230.

The District holds investments at December 31, 2021, 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. 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 17th St., Suite 1850, Denver, Colorado 80202. The District held investments in Texas CLASS at December 31, 2021 with a total carrying value and market value of \$35,723,898.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (Continued)

NOTE (4) DEPOSITS AND INVESTMENTS (Continued)

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, 2021.

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	\$ 17 028 038	\$ (1 242 461)	\$ -	\$ 15 785 577
Buildings	40 381 457	-	-	40 381 457
Vehicles	14 088 979	1 909 889	-	15 998 868
Equipment	132 800	-	-	132 800
Fences	470 513	-	-	470 513
Less: Accumulated Depreciation	(11 495 290)	-	(1 947 036)	(13 442 326)
Capital Assets	43 578 459	1 909 889	(1 947 036)	43 541 312
Construction in Progress	87 827	715 000	-	802 827
Totals	\$ 60 694 324	\$ 1 382 428	\$ (1 947 036)	\$ 60 129 716

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(Continued)

NOTE (6) LONG-TERM DEBT

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, 2021, the balance due on the note was \$7,580,000. During the year ended December 31, 2021, the District made principal and interest payments of \$632,000 and \$124,214, respectively. At December 31, 2021, the balance due on the note was \$6,948,000. 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, 2021 the balance due on the note was \$3,399,198. During the year ended December 31, 2021, the District made principal and interest payments of \$1,157,607 and \$46,360, respectively. At December 31, 2021, the balance due on the note was \$2,241,591. 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 August 25, 2016, the District entered into a loan agreement (Sales Tax Refunding Note, Series 2016C) with JP Morgan Chase Bank at an interest rate of 1.68% to refinance a prior construction loan with Independent Bank. The total agreed loan amount is \$2,684,846. A total of 11 semi-annual payments including interest and various principal amounts are due beginning February 1, 2017. At January 1, 2021 the balance due on the note was \$1,890,770. During the year ended December 31, 2021, the District made principal and interest payments of \$186,234 and \$30,988, respectively. At December 31, 2021, the balance due on the note was \$1,704,536. The loan was used for construction of new fire station No. 77. 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, 2021 the balance due on the note was \$8,880,163. During the year ended December 31, 2021, the District made principal and interest payments of \$395,942 and \$297,340, respectively. At December 31, 2021, the balance due on the note was \$8,484,221. 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 (Sales 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. During the year ended December 31, 2021, the District had no payments due. As a result, at December 31, 2021, the balance due on the note remained at \$10,000,000. The loan was used for the construction of a new training facility. Property tax pledges act as collateral for the note.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (Continued)

NOTE (6) LONG-TERM DEBT (Continued)

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2022	\$ 4 188 002
December 31, 2023	2 352 507
December 31, 2024	2 399 905
December 31, 2025	1 739 797
December 31, 2026	1 779 539
December 31, 2027-2031	9 523 443
December 31, 2032-2036	6 720 005
Thereafter	<u>675 150</u>
Total Amount	<u>\$ 29 378 348</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, 2021, the District received \$17,020,761 in sales tax revenue.

NOTE (8) 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. During the year ended December 31, 2021, the District contributed \$176,938 (1.7% of payroll) to the plan.

NOTE (9) RETIREMENT PLAN

Plan Description

During the year ended December 31, 2020 the District began contributing 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, 2021 was as follows:

Inactive employees entitled to but not yet receiving benefits	8
Active plan members	<u>147</u>
	<u>155</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

Any participant whose years of continuous employment, when added to the participant's age equals or exceeds 80, may retire without a reduction in the monthly benefit.

By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 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, 2021, the District's total payroll for all employees was \$10,322,320. Total covered payroll was \$10,110,491. 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 from when the Plan began in 2020.

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, 2021, was 9.34% 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, 2021 were \$944,320.

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

At December 31, 2021, the District reported a liability of \$129,916 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, 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, 2021, the District's proportion was 9.34%.

For the year ended December 31, 2021, the District recognized pension expense of \$1,025,298. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual results	\$ -	\$ 153 019
Changes of assumptions	28 502	114 784
Net difference between projected and actual earnings	207 404	-
Contributions subsequent to the measurement date	N/A	Employer determined
Total	<u>\$ 235 906</u>	<u>\$ 267 803</u>

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

<u>Year ending December 31,</u>	
2022	\$ (25 436)
2023	(25 436)
2024	(25 437)
2025	(34 127)
2026	24 242
Thereafter	118 091

Actuarial Assumptions

The total pension liability in the December 31, 2021 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 2021 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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASBS No. 68.

The long-term expected rate of return on pension plan investments was determined by adding expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by the Plan's investment consultant, Cliffwater, LLC. The numbers shown are based on January 2021 information for a 10 year time horizon.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed	5.00%	3.80%
International Equities - Emerging	6.00%	4.30%
Investment - Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	<u>2.00%</u>	-1.05%
	<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, 2021 (Continued)

NOTE (9) 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, 2021 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, 2020	\$ 1 332 430	\$ 1 154 010	\$ 178 420
Changes for the year:			
Service cost	1 722 597	-	1 722 597
Interest on total pension liability	231 938	-	231 938
Effect of Plan changes	-	-	-
Effect of economic/demographic gains or losses	168 457	-	168 457
Effect of assumptions changes or inputs	(31 669)	-	(31 669)
Refund of contributions	(6 535)	-	(6 535)
Benefit payments	-	(6 535)	6 535
Administrative expenses	-	(1 778)	1 778
Member contributions	-	707 734	(707 734)
Net investment income	-	442 615	(442 615)
Employer contributions	-	944 320	(944 320)
Other	-	46 936	(46 936)
Balances as of December 31, 2021	<u>\$ 3 417 218</u>	<u>\$ 3 287 302</u>	<u>\$ 129 916</u>

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

The following presents the District's net pension liability calculated using the discount rate of 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:

Plan Fiduciary Net Position

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

Payable to the Plan

At December 31, 2021, the District had a payable of \$135,089 included in accounts payable for the outstanding amount of contributions due to the Plan for the year.

NOTE (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 8, 2022, (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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 14 134 774	\$14 134 774	\$ 17 587 513	\$ 3 452 739
Sales tax revenue	13 000 000	13 000 000	17 020 761	4 020 761
Penalty and interest on property taxes	-	-	190 044	190 044
Interest earned on temporary investments	75 000	75 000	18 101	(56 899)
Gain on sale of capital assets	-	-	223 129	223 129
Miscellaneous	-	-	64 607	64 607
Total Revenues	<u>27 209 774</u>	<u>27 209 774</u>	<u>35 104 155</u>	<u>7 894 381</u>
Expenditures/Expenses				
Service Operations				
Appraisal district fees	92 000	92 000	104 401	(12 401)
Collection fees	70 000	70 000	135 291	(65 291)
Communications	423 000	1 177 956	617 332	560 624
District administration	10 500	10 500	37 413	(26 913)
Donations	-	-	12 018	(12 018)
Employee benefits	318 500	318 500	1 965 062	(1 646 562)
Fire prevention and outreach	182 600	182 600	168 580	14 020
Information technology	495 309	495 309	415 715	79 594
Insurance	757 000	757 000	632 420	124 580
Miscellaneous	-	-	102 816	(102 816)
Payroll taxes	-	-	774 857	(774 857)
Professional services	884 500	884 500	380 644	503 856
Retirement plan contribution	-	-	1 025 298	(1 025 298)
Salaries and benefits	15 260 854	15 260 854	10 322 320	4 938 534
Sales tax monitoring	-	-	39 352	(39 352)
Station expenses	-	2 163 769	576 385	1 587 384
Supplies and small equipment	521 640	521 640	548 599	(26 959)
Training	316 476	316 476	345 778	(29 302)
Vehicles, fuel and maintenance	275 300	275 300	994 466	(719 166)
Capital Outlay	2 955 000	2 955 000	1 382 428	1 572 572
Debt Service				
Note principal	2 371 783	2 371 783	2 371 783	-
Note interest	498 902	498 902	498 902	-
Debt issuance cost	-	-	100 000	(100 000)
Total Expenditures/Expenses	<u>25 433 364</u>	<u>28 352 089</u>	<u>23 551 860</u>	<u>4 800 229</u>
Change in Fund Balance	1 776 410	(1 142 315)	11 552 295	12 694 610
Proceeds from debt	-	-	10 000 000	(10 000 000)
Fund Balance				
Beginning of the Year	<u>25 311 818</u>	<u>25 311 818</u>	<u>25 311 818</u>	-
End of the Year	<u>\$ 27 088 228</u>	<u>\$24 169 503</u>	<u>\$ 46 864 113</u>	<u>\$ 2 694 610</u>

See Independent Auditors' Report

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability				
Service cost	\$ 1 722 597	\$ 1 106 307	N/A	N/A
Interest on total pension liability	231 938	89 580	N/A	N/A
Effect of plan changes	-	-	N/A	N/A
Effect of assumption changes or inputs	(31 669)	135 654	N/A	N/A
Effect of economic/demographic (gains) or losses	168 457	1 664	N/A	N/A
Benefit payments/refunds of contributions	(6 535)	(775)	N/A	N/A
Net change in total pension liability	\$ 2 084 788	\$ 1 332 430	N/A	N/A
Total pension liability, beginning	1 332 430	-	N/A	N/A
Total pension liability, ending	<u>3 417 218</u>	<u>1 332 430</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position				
Employer contributions	944 320	640 320	N/A	N/A
Member contributions	707 734	479 897	N/A	N/A
Investment income net of investment expenses	442 615	2 287	N/A	N/A
Benefit payments/refunds of contributions	(6 535)	(775)	N/A	N/A
Administrative expenses	(1 778)	(844)	N/A	N/A
Other	46 936	33 125	N/A	N/A
Net change in fiduciary net position	2 133 292	1 154 010	N/A	N/A
Fiduciary net position, beginning	1 154 010	-	N/A	N/A
Fiduciary net position, ending	<u>3 287 302</u>	<u>1 154 010</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability/(asset), ending	<u>\$ 129 916</u>	<u>\$ 178 420</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability/(asset)	96.20%	86.61%	N/A	N/A
Pensionable covered payroll	\$ 10 110 491	\$ 6 855 670	N/A	N/A
Net pension liability/(asset) as a % of covered payroll	1.28%	2.60%	N/A	N/A

See Independent Auditors' Report

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%

NOTE (1) VALUATION DATE

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

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

Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.0 years (based on contribution rate calculated in 12/31/21 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.
Changes in Plan Provisions Reflected in the Schedule	2015 - 2021: No changes in plan provisions were reflected.

See Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

SUPPLEMENTARY INFORMATION

SCHEDULE OF TEMPORARY INVESTMENTS (CASH EQUIVALENTS) DECEMBER 31, 2021

Bank	Maturity	Interest	Amount
		Rate	
PNC Bank MM Account	-	0.000%	\$ 137
TexPool	-	0.028%	15 230
Texas CLASS - General Operating Fund	-	0.069%	23 355 325
Texas CLASS - Sales Tax	-	0.069%	<u>12 368 573</u>
		TOTAL	<u>\$ 35 739 265</u>

See Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

SUPPLEMENTARY INFORMATION

ANALYSIS OF TAXES RECEIVABLE DECEMBER 31, 2021

Taxes Receivable - Beginning of Year	\$ 11 507 025
2021 Tax Roll	15 025 883
Adjustments	<u>(173 726)</u>
Total to be Accounted for	26 359 182
Tax Collections Received from Tax Collector	<u>(17 587 513)</u>
Taxes Receivable - End of Year	<u>\$ 8 771 669</u>
Taxes Receivable - By Years	
2021	\$ 8 507 150
2020	106 350
2019	49 611
2018	22 978
2017 and prior	<u>85 580</u>
Taxes Receivable - End of Year	<u>\$ 8 771 669</u>

Assessed Valuation Summary

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Valuations					
Total Property Valuations	<u>\$15 411 162 268</u>	<u>\$14 381 124 911</u>	<u>\$13 727 782 358</u>	<u>\$12 660 798 169</u>	<u>\$12 133 912 537</u>
Tax Rate per \$100 Valuations	<u>\$ 0.09750</u>	<u>\$ 0.09970</u>	<u>\$ 0.09939</u>	<u>\$ 0.09606</u>	<u>\$ 0.09606</u>
Tax Rolls	<u>\$ 15 025 883</u>	<u>\$ 14 337 982</u>	<u>\$ 13 644 043</u>	<u>\$ 12 161 963</u>	<u>\$ 11 655 836</u>
Percent of Taxes Collected to Taxes Levied	<u>43.4%</u>	<u>99.3%</u>	<u>99.6%</u>	<u>99.8%</u>	<u>99.9%</u>

See Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

SUPPLEMENTARY INFORMATION

BOARD MEMBERS AND CONSULTANTS DECEMBER 31, 2021

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 12/31/21</u>	<u>Expense Reimburse- ments FYE 12/31/21</u>	<u>Title at Year End</u>
Board Members:				
Melanie Gander	(Elected) 06/01/20-05/31/24	\$ 4 800	\$ -	President
Gayle Fuller	(Elected) 06/01/18-05/31/22	\$ 6 600	\$ -	Vice President
Todd Anderson	(Elected) 06/01/20-05/31/24	\$ 2 400	\$ 98	Treasurer
Keith Willingham	(Elected) 06/01/18-05/31/22	\$ 4 950	\$ -	Secretary
David Mills	(Appointed) 06/14/21-05/31/24	\$ 3 150	\$ -	Assistant Treasurer
Bob Schmanski	(Elected) 06/01/20-05/31/21	\$ 6 600	\$ 53	-

* 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, 2021

(Continued)

<u>Names</u>	<u>Date Hired</u>	<u>Fees Paid* and Expense Reimbursements FYE 12/31/21</u>	<u>Title at Year End</u>
Consultants:			
Coveler & Peeler, P.C.	2000	\$ 55 548	Attorney
Thrower Law, P.C.	2017	\$ 10 325	Attorney
Cokinos Young	2020	\$ 66 184	Attorney
Andrews Myers Coulter & Hayes, P.C.	2021	\$ 1 716	Attorney
URE Consulting Group, LLC	2017	\$ 1 010	Exam Testing
TRL Consulting	2021	\$ 15 720	Management
Ann Harris Bennett	2003	\$ 104 187	Tax Collector
McLennan & Associates, LP	2003	\$ 25 040	Bookkeeper
Breedlove & Co., P.C.	2009	\$ 18 256	Auditor
Harris County Appraisal District	2003	\$ 105 313	Appraisal Distri
South Texas Surveying Associates, Inc.	2021	\$ 10 728	Land Surveyor

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