

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Harris County Emergency
Services District No. 14
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 14 (the "District") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of Error

As discussed in Note 9 to the financial statements, as of September 30, 2021, the District made a correction to cash and penalty and interest receivable on property taxes. Our Opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by Harris County is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 18, 2022

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Management's discussion and analysis of Harris County Emergency Services District No. 14's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,600,922 as of September 30, 2021.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 1,708,061	\$ 1,584,452	\$ 123,609
Total Assets	\$ 1,708,061	\$ 1,584,452	\$ 123,609
Long -Term Liabilities	\$	\$ 237,007	\$ 237,007
Current and Other Liabilities	107,139	3,026	(104,113)
Total Liabilities	\$ 107,139	\$ 240,033	\$ 132,894
Net Position:			
Unrestricted	\$ 1,600,922	\$ 1,344,419	\$ 256,503

*

The following table provides a summary of the District's operations for the years ended September 30, 2021, and September 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 401,708	\$ 370,377	\$ 31,331
Sales Tax Receipts	1,921,286	1,959,478	(38,192)
Other Revenues	18,368	12,718	5,650
Total Revenues	\$ 2,341,362	\$ 2,342,573	\$ (1,211)
Expenses for Services	2,084,859	1,607,490	(477,369)
Change in Net Position	\$ 256,503	\$ 735,083	\$ (478,580)
Net Position, Beginning of Year	1,344,419	609,336	735,083
Net Position, End of Year	\$ 1,600,922	\$ 1,344,419	\$ 256,503

*

* As Adjusted, See Note 9

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of the fiscal year ended September 30, 2021, was \$1,537,125, an increase of \$10,902 from the prior year. This increase was primarily due to property taxes exceeding service operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the fiscal year. Actual revenues were \$94,904 more than budgeted revenues. Actual expenditures were \$261,302 more than budgeted expenditures primarily due to paying off the loan for the new fire station.

CAPITAL ASSETS

The District did not own any capital assets as of September 30, 2021.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 14, P.O. Box 96, Highland, Texas 77562.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 1,644,264	\$	\$ 1,644,264
Receivables:			
Property Taxes	44,511		44,511
Penalty and Interest on Delinquent Taxes		19,286	19,286
TOTAL ASSETS	<u>\$ 1,688,775</u>	<u>\$ 19,286</u>	<u>\$ 1,708,061</u>
LIABILITIES			
Accounts Payable	\$ 107,139	\$ - 0 -	\$ 107,139
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 44,511	\$ (44,511)	\$ - 0 -
FUND BALANCE			
Unassigned	\$ 1,537,125	\$ (1,537,125)	\$ - 0 -
TOTAL FUND BALANCE	<u>\$ 1,537,125</u>	<u>\$ (1,537,125)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,688,775</u>		
NET POSITION			
Unrestricted		<u>\$ 1,600,922</u>	<u>\$ 1,600,922</u>

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total Fund Balance - Governmental Fund	\$ 1,537,125
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenues in the governmental activities of the District.

63,797

Total Net Position - Governmental Activities	<u>\$ 1,600,922</u>
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The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 396,655	\$ 5,053	\$ 401,708
Sales Tax Receipts	1,921,286		1,921,286
Penalty and Interest	14,235	515	14,750
Investment Revenues	905		905
Miscellaneous Revenues	2,713		2,713
TOTAL REVENUES	\$ 2,335,794	\$ 5,568	\$ 2,341,362
EXPENDITURES/EXPENSES			
Service Operations:			
District Services - Highland			
Volunteer Fire Department			
General Operations	\$ 180,000	\$	\$ 180,000
Emergency Services	1,535,268		1,535,268
Insurance	157,832		157,832
Other Equipment	68,391		68,391
Accounting and Auditing	2,100		2,100
Appraisal District Fees	2,868		2,868
Dispatch	71,004		71,004
Dues and Fees	550		550
Insurance	6,616		6,616
Legal Fees - General	4,800		4,800
Legal Fees - Delinquent Tax Collections	4,541		4,541
Sales Tax Consultant	6,000		6,000
Tax Assessor/Collector Fees	7,675		7,675
Other	1,783		1,783
Debt Service:			
Note Principal	237,007	(237,007)	
Note Interest	38,457	(3,026)	35,431
TOTAL EXPENDITURES/EXPENSES	\$ 2,324,892	\$ (240,033)	\$ 2,084,859
NET CHANGE IN FUND BALANCE	\$ 10,902	\$ (10,902)	\$
CHANGE IN NET POSITION		256,503	256,503
FUND BALANCE/NET POSITION -			
 OCTOBER 1, 2020, AS ADJUSTED	1,526,223	(181,804)	1,344,419
FUND BALANCE/NET POSITION -			
 SEPTEMBER 30, 2021	\$ 1,537,125	\$ 63,797	\$ 1,600,922

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net Change in Fund Balance - Governmental Fund	\$	10,902
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		5,053
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Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.		515
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Governmental funds report note principal payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected.		237,007
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Governmental funds report interest expenditures on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term liabilities through fiscal year-end.		3,026
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Change in Net Position - Governmental Activities	\$	256,503
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The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1. CREATION OF DISTRICT

Harris County Emergency Services District No. 14 (the "District") was created by a special election held August 14, 1999, with the results submitted to the Harris County Commissioners Court on August 18, 1999. Until September 22, 2003, the District was known as Harris County Rural Fire Prevention District #14. The purpose of the District is to provide the residents of Highlands, Texas, and the surrounding area with fire protection and emergency services. The District has entered into a contract with the Highlands Volunteer Fire Department (the "Department") to provide these services. The District first collected tax revenues in November, 2000, and made the initial disbursement to the Department in January, 2001. The management of the District is entrusted to an elected Board of Commissioners consisting of five members.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Fund

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3. TAX LEVY

During the year ended September 30, 2021, the District levied an ad valorem tax at the rate of \$0.05 per \$100 of assessed valuation, which resulted in a tax levy of \$397,544 on the adjusted taxable valuation of \$794,479,143 for the 2020 tax year.

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$1,644,264 and the bank balance was \$1,652,447. The District was not exposed to custodial credit risk at year-end.

Investments

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of September 30, 2021, the District did not own any investments.

NOTE 5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 6. SERVICE PROVIDER AGREEMENT

The District has entered into a contract with Highland Volunteer Fire Department (the "Department") to provide fire suppression and emergency services.

NOTE 7 CONSTRUCTION OF NEW FIRE STATION

During the year ended September 30, 2016, construction commenced on a new fire station to be located at 2500 E. Wallisville Road in Highlands, Texas. Estimated cost of the new station is approximately \$2,300,000. The District does not intend to manage the affairs of the new station. As a result, amounts paid by the District toward construction of the new station were expensed as additional contributions to the volunteer fire department as paid. All construction on the new fire station was completed in the fiscal year ended September 30, 2018.

In connection with the construction of the new station, the District obtained a loan from Government Capital Corporation in the amount of \$1,600,000. The loan bears interest at the rate of 2.796%, and is due in annual installments of \$185,621, which includes principal and accrued interest. The first payment on the loan was due on May 18, 2017. At that time, the District made an additional principal installment of \$185,621 on the loan. The District also made additional principal payments during the years ended September 30, 2018, and 2019. The stated final maturity date of the loan is May 18, 2026. The loan is secured by any and all gross revenues of the District. For purposes of the loan agreement, the term gross revenues excludes sales tax revenue.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 CONSTRUCTION OF NEW FIRE STATION (Continued)

In May, 2019 the District made the required payments due on May 18, 2019 and also made the payment due on May 18, 2024. In May, 2020, the District made a payment of \$371,243. Finally, the District made the final payment of principal and interest on the loan in May, 2021. Resulting in the loan having been paid in full.

NOTE 8 DISPATCH SERVICE FEE AGREEMENT

On June 24, 2019, effective August 5, 2019 the District entered into an agreement with East Harris County Emergency Services (ECOM) to receive dispatch and communication services. The term of the agreement is 2-years and will renew for additional one-year periods unless otherwise terminated by either party. Under the agreement, the District will pay an annual base fee of \$35,000 and annual dispatch service fee of \$36,000, all payable in monthly installments.

NOTE 9. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, prior year balances were adjusted to accurately reflect deferred property revenues and to record estimated penalty and interest receivable. The effect of this adjustment are as follows:

Net Position - October 1, 2020	\$ 1,337,472
Effect of Adjustments	<u>6,947</u>
Net Position - October 1, 2020, As Adjusted	<u>\$ 1,344,419</u>

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 340,890	\$ 396,655	\$ 55,765
Sales Tax Receipts	1,900,000	1,921,286	21,286
Penalty and Interest		14,235	14,235
Investment Revenues		905	905
Miscellaneous Revenues		2,713	2,713
TOTAL REVENUES	<u>\$ 2,240,890</u>	<u>\$ 2,335,794</u>	<u>\$ 94,904</u>
EXPENDITURES			
Service Operations:			
District Services - Highland			
Volunteer Fire Department	\$ 1,920,000	\$ 1,941,491	\$ (21,491)
Accounting and Auditing	15,600	2,100	13,500
Appraisal District Fees	3,000	2,868	132
Dispatch	75,000	71,004	3,996
Dues and Fees	550	550	
Insurance	9,000	6,616	2,384
Legal Fees - General	7,300	4,800	2,500
Legal Fees - Delinquent Tax Collections		4,541	(4,541)
Sales Tax Consultant	6,000	6,000	
Tax Assessor/Collector Fees		7,675	(7,675)
Other	27,140	1,783	25,357
Debt Service:			
Note Principal		237,007	(237,007)
Note Interest		38,457	(38,457)
TOTAL EXPENDITURES	<u>\$ 2,063,590</u>	<u>\$ 2,324,892</u>	<u>\$ (261,302)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 177,300</u>	<u>\$ 10,902</u>	<u>\$ (166,398)</u>
FUND BALANCE - OCTOBER 1, 2020	<u>1,526,223</u>	<u>1,526,223</u>	
FUND BALANCE - SEPTEMBER 30, 2021	<u>\$ 1,703,523</u>	<u>\$ 1,537,125</u>	<u>\$ (166,398)</u>

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

SEPTEMBER 30, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
LISTING OF THE NUMBER OF EMERGENCY
RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(UNAUDITED)

Number of emergency responses made within the District	2,347
Number of emergency responses made outside of the District	<u>241</u>
Total emergency responses	<u><u>2,588</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
SCHEDULE OF INSURANCE AND BONDING COVERAGE
SEPTEMBER 30, 2021

Type of Coverage	From To	Amount of Coverage	Insurer/Name
GENERAL LIABILITY General Aggregate Per Occurrence	07/11/21 07/11/22	\$ 3,000,000 1,000,000	National Union Fire Insurance Company
MANAGEMENT LIABILITY General Aggregate Per Occurrence	07/11/21 07/11/22	\$ 3,000,000 1,000,000	National Union Fire Insurance Company
EXCESS LIABILITY General Aggregate Per Occurrence	07/11/21 07/11/22	\$ 20,000,000 10,000,000	National Union Fire Insurance Company
PUBLIC OFFICIAL BOND- TREASURER	07/11/21 07/11/22	\$ 200,000	National Union Fire Insurance Company
POSITION SCHEDULE BOND- TREASURER	07/11/21 07/11/22	\$ 500,000	National Union Fire Insurance Company
HIRED AND NON-OWNED AUTOMOBILE LIABILITY Combined Single Limit Per Accident	07/11/21 07/11/22	\$ 1,000,000	National Union Fire Insurance Company

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
STATEMENT OF ACTIVITIES
HIGHLAND VOLUNTEER FIRE DEPARTMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(UNAUDITED)

REVENUES, GAINS AND OTHER SUPPORT

Harris County Emergency Services District No. 14

Property Tax	\$ 180,000
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Sales Tax	<u>1,654,351</u>
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TOTAL REVENUES AND OTHER SUPPORT	<u>\$ 1,834,351</u>
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EXPENSES

PROGRAM COSTS

Administration Dues and Salaries	\$ 924,515
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Education and Training	11,739
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Fire Fighter Incentives	184,290
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Insurance	129,858
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Medical Supplies and Maintenance	78,955
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Uniforms	252
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Utilities	44,345
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Contingency	101,108
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Capital Purchases	242,360
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Vehicle Fuel	17,148
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Repair and Maintenance	<u>38,751</u>
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TOTAL EXPENSES	<u>\$ 1,773,321</u>
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CHANGE IN NET ASSETS	<u>\$ 61,030</u>
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See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE - OCTOBER 1, 2020	\$ 43,842	
Adjustments to Beginning Balance	<u>(220)</u>	\$ 43,622
Original 2020 Tax Levy	\$ 381,509	
Adjustment to 2020 Tax Levy	<u>16,035</u>	<u>397,544</u>
TOTAL TO BE ACCOUNTED FOR		\$ 441,166
TAX COLLECTIONS:		
Prior Years	\$ 15,146	
Current Year	<u>381,509</u>	<u>396,655</u>
TAXES RECEIVABLE - SEPTEMBER 30, 2021		<u>\$ 44,511</u>
TAXES RECEIVABLE BY YEAR:		
2020		\$ 16,035
2019		7,814
2018		4,227
2017		2,915
2016		2,063
2015		1,706
2014		1,451
2013		1,344
2012		1,109
2011		1,835
2010		810
2009		947
2008 and prior		<u>2,255</u>
TOTAL		<u>\$ 44,511</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>2020</u>	<u>2019</u>
PROPERTY		
VALUATIONS	\$ <u>794,479,143</u>	\$ <u>793,648,012</u>
TAX RATES PER \$100		
VALUATION	\$ <u>0.0500</u>	\$ <u>0.0500</u>
ADJUSTED TAX LEVY*	\$ <u>397,544</u>	\$ <u>382,273</u>
PERCENTAGE OF TAXES		
COLLECTED TO		
TAXES LEVIED	<u>95.97 %</u>	<u>97.96 %</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS

	Amounts		Percentage of Total Revenues	
	2021	2020*	2021	2020*
REVENUES				
Property Taxes	\$ 396,655	\$ 370,377	17.0 %	15.8 %
Sales Tax Receipts	1,921,286	1,959,478	82.3	83.6
Penalty and Interest	14,235	8,290	0.6	0.4
Investment Revenues	905	735		
Miscellaneous Revenues	2,713	3,693	0.1	0.2
TOTAL REVENUES	\$ 2,335,794	\$ 2,342,573	100.0 %	100.0 %
EXPENDITURES				
District Services - Highland				
Highlands VFD	\$ 1,941,491	\$ 1,591,386	83.1 %	67.9 %
Accounting, Auditing and Legal	11,441	11,717	0.5	0.5
Appraisal District Fees	2,868	2,817	0.1	0.1
Dispatch	71,004		3.0	
Dues and Fees	550	1,865		0.1
Insurance	6,616		0.3	
Sales Tax Consultant	6,000	6,000	0.3	0.3
Tax Assessor/Collector Fees	7,675	6,674	0.3	0.3
Other	1,783	(9)	0.1	
Debt Service:				
Note Principal	237,007	371,243	10.1	15.8
Note Interest	38,457		1.6	
TOTAL EXPENDITURES	\$ 2,324,892	\$ 1,991,693	99.4 %	85.0 %
NET CHANGE IN FUND BALANCE	\$ 10,902	\$ 350,880	0.6 %	15.0 %
BEGINNING FUND BALANCE	1,526,223	1,175,343		
ENDING FUND BALANCE	\$ 1,537,125	\$ 1,526,223		

* Information provided by prior auditor

See accompanying independent auditor's report.

District Mailing Address - P.O. Box 96
Highland, Texas 77562

District Telephone Number - (281) 843-2466

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

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14
BOARD OF COMMISSIONERS AND CONSULTANTS
SEPTEMBER 30, 2021

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2021*</u>	<u>Title</u>
Weston Cotton		\$ 4,800	Attorney
McCall Gibson Swedlund Barfoot PLLC	11/22/21	\$ -0-	Auditor
Ken Skrabanek, CPA		\$ 1,500	Prior Auditor
Dawn Muth – San Jacinto Tax Service Co		\$ 600	Bookkeeper
		\$ 4,541	Delinquent Tax Attorney
HdL Companies		\$ 6,000	Sales Tax Consultant
Harris County Tax Assessor/Collector	Legislative Action	\$ 7,675	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.