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August 16, 2021

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

***Re: Harris County Emergency Services District No. 60;  
Submission of Annual Report for 2020***

Dear Mr. Hastings:

This office is counsel to the Harris County Emergency Services District No. 60, and acting pursuant to their instructions, we are filing herewith the 2020 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 Ira A. Coveler

/dw

Enclosure

# **Harris County Emergency Services District No. 60**

Harris County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2020



**Harris County Emergency Services District No. 60**  
**December 31, 2020**

**Contents**

|  |          |
|--|----------|
| <b>Independent Auditor's Report.....</b> | <b>1</b> |
|--|----------|

**Basic Financial Statements**

|   |   |
|---|---|
| Statement of Net Position and Governmental Fund Balance Sheet .....                                       | 3 |
| Statement of Activities and Governmental Fund Revenues,<br>Expenditures and Changes in Fund Balance ..... | 5 |
| Notes to Financial Statements.....  | 6 |

**Required Supplementary Information**

|  |    |
|--|----|
| Budgetary Comparison Schedule – General Fund ..... | 16 |
| Notes to Required Supplementary Information .....  | 17 |

**Other Information**

|   |    |
|---|----|
| Other Schedules Included Within This Report ..... | 18 |
| Schedule of Emergency Responses.....              | 19 |

## **Independent Auditor's Report**

Board of Commissioners  
Harris County Emergency Services District No. 60  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and the general fund of Harris County Emergency Services District No. 60 (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### ***Management's Responsibility 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of December 31, 2020, 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.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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. The District has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

#### *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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BKD, LLP*

Houston, Texas  
August 13, 2021

**Harris County Emergency Services District No. 60**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**December 31, 2020**

|   | General<br>Fund | Adjustments   | Statement<br>of Net<br>Position |
|---|-----------------|---------------|---------------------------------|
| <b>Assets</b>                                     |                 |               |                                 |
| Cash  | \$ 1,438        | \$ -          | \$ 1,438                        |
| Certificates of deposit                           | 128,807         | -             | 128,807                         |
| Short-term investments                            | 11,122,604      | -             | 11,122,604                      |
| Receivables:                                      |                 |               |                                 |
| Property taxes                                    | 2,226,329       | -             | 2,226,329                       |
| Harris County                                     | 193,407         | -             | 193,407                         |
| Sales tax   | 352,144         | -             | 352,144                         |
| Accrued penalty and interest                      | -               | 60,591        | 60,591                          |
| Accrued interest                                  | 524             | -             | 524                             |
| Due from other districts                          | -               | 394,104       | 394,104                         |
| Due from others                                   | -               | 56,377        | 56,377                          |
| Prepaid expenditures                              | 41,413          | -             | 41,413                          |
| Capital assets (net of accumulated depreciation): |                 |               |                                 |
| Land and improvements                             | -               | 1,429,757     | 1,429,757                       |
| Buildings   | -               | 12,348,516    | 12,348,516                      |
| Construction in progress                          | -               | 124,182       | 124,182                         |
|   | <hr/>           | <hr/>         | <hr/>                           |
| Total assets                                      | \$ 14,066,666   | \$ 14,413,527 | \$ 28,480,193                   |
|   | <hr/>           | <hr/>         | <hr/>                           |

**Harris County Emergency Services District No. 60**  
**Statement of Net Position and Governmental Fund Balance Sheet (Continued)**  
**December 31, 2020**

|  | General<br>Fund             | Adjustments                 | Statement<br>of Net<br>Position |
|--|-----------------------------|-----------------------------|---------------------------------|
| <b>Liabilities</b>   |                             |                             |                                 |
| Accounts payable   | \$ 327,976                  | \$ -                        | \$ 327,976                      |
| Bank overdraft   | 2,337                       | -                           | 2,337                           |
| Due to other districts   | 22,000                      | -                           | 22,000                          |
| Long-term liabilities:   |                             |                             |                                 |
| Due within one year  | -                           | 857,143                     | 857,143                         |
| Due after one year   | -                           | 1,700,785                   | 1,700,785                       |
|  | <u>352,313</u>              | <u>2,557,928</u>            | <u>2,910,241</u>                |
| Total liabilities  |                             |                             |                                 |
| <b>Deferred Inflows of Resources</b>                                 |                             |                             |                                 |
| Deferred property tax revenues                                       | <u>2,586,348</u>            | <u>(105,964)</u>            | <u>2,480,384</u>                |
| <b>Fund Balance/Net Position</b>                                     |                             |                             |                                 |
| Fund balance:  |                             |                             |                                 |
| Nonspendable, prepaid expenditures                                   | 41,413                      | (41,413)                    | -                               |
| Restricted for Station 2 construction                                | 1,436                       | (1,436)                     | -                               |
| Unassigned   | 11,085,156                  | (11,085,156)                | -                               |
|  | <u>11,128,005</u>           | <u>(11,128,005)</u>         | <u>0</u>                        |
| Total fund balance   |                             |                             |                                 |
| Total liabilities, deferred inflows<br>of resources and fund balance | <u><u>\$ 14,066,666</u></u> |                             |                                 |
| Net position:  |                             |                             |                                 |
| Net investment in capital assets                                     |                             | 11,345,963                  | 11,345,963                      |
| Unrestricted   |                             | <u>11,743,605</u>           | <u>11,743,605</u>               |
| Total net position   |                             | <u><u>\$ 23,089,568</u></u> | <u><u>\$ 23,089,568</u></u>     |

# Harris County Emergency Services District No. 60

## Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

Year Ended December 31, 2020

|   | General<br>Fund      | Adjustments      | Statement<br>of<br>Activities |
|---|----------------------|------------------|-------------------------------|
| <b>Revenues</b>                             |                      |                  |                               |
| Property taxes                              | \$ 2,381,371         | \$ 27,883        | \$ 2,409,254                  |
| Sales taxes                                 | 5,145,640            | -                | 5,145,640                     |
| Services to other districts                 | 422,145              | (6,041)          | 416,104                       |
| Investment income                           | 56,828               | -                | 56,828                        |
| Total revenues                              | <u>8,005,984</u>     | <u>21,842</u>    | <u>8,027,826</u>              |
| <b>Expenditures/Expenses</b>                |                      |                  |                               |
| Service operations:                         |                      |                  |                               |
| Professional fees                           | 110,607              | 18,249           | 128,856                       |
| Contracted services                         | 19,500               | -                | 19,500                        |
| Emergency services:                         |                      |                  |                               |
| Fire protection                             | 4,423,412            | -                | 4,423,412                     |
| Communication center                        | 203,944              | -                | 203,944                       |
| Insurance                                   | 41,045               | -                | 41,045                        |
| Bookkeeping                                 | 5,458                | -                | 5,458                         |
| Central appraisal district fees             | 17,885               | -                | 17,885                        |
| Repairs and maintenance                     | 13,608               | -                | 13,608                        |
| Other expenditures                          | 41,088               | -                | 41,088                        |
| Capital outlay                              | 142,431              | (142,431)        | -                             |
| Depreciation                                | -                    | 463,869          | 463,869                       |
| Loan payment:                               |                      |                  |                               |
| Principal retirement                        | 857,143              | (857,143)        | -                             |
| Interest and fees                           | 67,590               | -                | 67,590                        |
| Total expenditures/expenses                 | <u>5,943,711</u>     | <u>(517,456)</u> | <u>5,426,255</u>              |
| <b>Excess of Revenues Over Expenditures</b> | 2,062,273            | (2,062,273)      |                               |
| <b>Change in Net Position</b>               |                      | 2,601,571        | 2,601,571                     |
| <b>Fund Balance/Net Position</b>            |                      |                  |                               |
| Beginning of year                           | 9,065,732            | -                | 20,487,997                    |
| End of year                                 | <u>\$ 11,128,005</u> | <u>\$ 0</u>      | <u>\$ 23,089,568</u>          |



# **Harris County Emergency Services District No. 60**

## **Notes to Financial Statements**

**December 31, 2020**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

Harris County Emergency Services District No. 60 (the District), formerly Harris County Rural Fire Prevention District No. 6, was created by an order of the Commissioners Court of Harris County, Texas, on November 12, 1991, confirmed by an election on May 2, 1992, and began activity in 1992. The District is empowered to provide fire protection and rescue services to the persons residing within its boundaries, which will be conducive to their public safety, health, welfare and convenience.

The District is governed by a Board of Commissioners (the Board) consisting of five individuals residing within the District who are elected by residents of the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

#### ***Government-wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of fire protection and rescue services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

# Harris County Emergency Services District No. 60

## Notes to Financial Statements

December 31, 2020

The District presents the following major governmental fund:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, sales taxes and interest income.

### ***Fund Balance – Governmental Fund***

The fund balance for the District's governmental fund can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

# **Harris County Emergency Services District No. 60**

## **Notes to Financial Statements**

**December 31, 2020**

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

### **Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual are taxes and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred.

### ***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

### ***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

### ***Use of 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 amounts of assets, liabilities, and deferred inflows and outflows or resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

# **Harris County Emergency Services District No. 60**

## **Notes to Financial Statements**

**December 31, 2020**

### ***Investments and Investment Income***

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

### ***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Any collections on the current year tax levy are deferred and recognized in the subsequent fiscal year. Current year revenues recognized are those taxes collected during the fiscal year for prior years' tax levies, plus any collections received during fiscal 2019 on the 2019 levy.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended December 31, 2020, the tax levied in October 2020 is recorded as receivable and deferred inflows of resources and will be considered earned during the fiscal year ended December 31, 2021. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

### ***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

# Harris County Emergency Services District No. 60

## Notes to Financial Statements

December 31, 2020

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

|                            | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 40           |

### ***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

### ***Net Position/Fund Balance***

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

### ***Reconciliation of Government-wide and Fund Financial Statements***

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

|  |                      |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds.  | \$ 13,902,455        |
| Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements. | 105,964              |
| Amounts due from other districts are not receivable in the current period and are not reported in the funds.   | 394,104              |
| Amounts due from others are not receivable in the current period and are not reported in the funds.  | 56,377               |
| Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.   | 60,591               |
| Long-term debt obligations are not due and payable in the current period and are not reported in the funds.  | <u>(2,557,928)</u>   |
| Adjustment to fund balance to arrive at net position.  | <u>\$ 11,961,563</u> |

# Harris County Emergency Services District No. 60

## Notes to Financial Statements

December 31, 2020

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balance in the governmental fund statement of revenues, expenditures and changes in fund balance because:

|   |                     |
|---|---------------------|
| Change in fund balance.   | \$ 2,062,273        |
| Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current year. | (339,687)           |
| Governmental funds report principal payments on debt as expenditures. These transactions, however, do not have any effect on net position.  | 857,143             |
| Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statements of activities.   | <u>21,842</u>       |
| Change in net position of governmental activities.  | <u>\$ 2,601,571</u> |

## Note 2: Deposits, Investments and Investment Income

### *Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At December 31, 2020, none of the District's deposits were exposed to custodial risk.

### *Investments*

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or

# Harris County Emergency Services District No. 60

## Notes to Financial Statements

December 31, 2020

their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At December 31, 2020, the District had the following investments and maturities:

| Type    | Maturities in Years |               |      |      |                 |
|---------|---------------------|---------------|------|------|-----------------|
|         | Amortized<br>Cost   | Less Than 1   | 1-5  | 6-10 | More Than<br>10 |
| TexPool | \$ 11,122,604       | \$ 11,122,604 | \$ 0 | \$ 0 | \$ 0            |

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2020, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

### Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheet at December 31, 2020:

|                 |                      |
|-----------------|----------------------|
| Carrying value: |                      |
| Deposits        | \$ 130,245           |
| Investments     | <u>11,122,604</u>    |
| Total           | <u>\$ 11,252,849</u> |

# Harris County Emergency Services District No. 60

## Notes to Financial Statements

December 31, 2020

Included in the following statement of net position captions:

|                         |                      |
|-------------------------|----------------------|
| Cash                    | \$ 1,438             |
| Certificates of deposit | 128,807              |
| Short-term investments  | <u>11,122,604</u>    |
| Total                   | <u>\$ 11,252,849</u> |

### Investment Income

Investment income of \$56,828 for the year ended December 31, 2020, consisted of interest income.

### Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2020, is presented below:

| Governmental Activities               | Balances,<br>Beginning<br>of Year | Additions           | Reclassi-<br>fications | Balances,<br>End<br>of Year |
|---------------------------------------|-----------------------------------|---------------------|------------------------|-----------------------------|
| Capital assets, non-depreciable:      |                                   |                     |                        |                             |
| Land and improvements                 | \$ 1,429,757                      | \$ -                | \$ -                   | \$ 1,429,757                |
| Construction in progress              | <u>215,147</u>                    | <u>124,182</u>      | <u>(215,147)</u>       | <u>124,182</u>              |
| Total capital assets, non-depreciable | 1,644,904                         | 124,182             | (215,147)              | 1,553,939                   |
| Capital assets, depreciable:          |                                   |                     |                        |                             |
| Buildings and improvements            | 14,016,150                        | -                   | 215,147                | 14,231,297                  |
| Less accumulated depreciation:        |                                   |                     |                        |                             |
| Buildings and improvements            | <u>(1,418,912)</u>                | <u>(463,869)</u>    | <u>-</u>               | <u>(1,882,781)</u>          |
| Total governmental activities, net    | <u>\$ 14,242,142</u>              | <u>\$ (339,687)</u> | <u>\$ 0</u>            | <u>\$ 13,902,455</u>        |

### Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2020, were as follows:

| Governmental Activities | Balances,<br>Beginning<br>of Year | Increases   | Decreases         | Balances,<br>End<br>of Year | Amounts<br>Due in<br>One Year |
|-------------------------|-----------------------------------|-------------|-------------------|-----------------------------|-------------------------------|
| Loan obligation         | <u>\$ 3,415,071</u>               | <u>\$ 0</u> | <u>\$ 857,143</u> | <u>\$ 2,557,928</u>         | <u>\$ 857,143</u>             |



# Harris County Emergency Services District No. 60

## Notes to Financial Statements

December 31, 2020

On December 15, 2016, the District entered into a loan agreement for \$6,000,000 to finance the construction of a new fire station and related equipment. The District is to pay \$857,143 annually beginning December 15, 2017, with the final payment due December 15, 2023. Interest is calculated at 1.97 percent and the loan is secured by a pledge of sales tax revenues to be received by the District. Principal maturities are shown below:

| Year  | Principal           |
|-------|---------------------|
| 2021  | \$ 857,143          |
| 2022  | 857,143             |
| 2023  | <u>843,642</u>      |
| Total | <u>\$ 2,557,928</u> |

### Note 5: Contracts for Emergency Services

The District contracts with Sheldon Community Volunteer Fire and Rescue, Inc. (Sheldon), to provide fire protection and rescue services to the residents and commercial interests within the District. The District agreed to pay to Sheldon a budgeted amount in exchange for fire and rescue services. During the year ended December 31, 2020, the District remitted \$4,423,412 to Sheldon under the provisions of this agreement.

The District is a party to an agreement with Harris County Rural Fire Prevention District No. 19 (RFPD No. 19) for providing fire protection and suppression services and to provide emergency medical first responder and rescue services (all collectively referred to as "emergency services") to a portion of the area and to persons and commercial interests located within the geographic boundaries of RFPD No. 19. The emergency services are provided through Sheldon. Compensation for the emergency services is paid to the District from RFPD No. 19 as follows: a sum equal to 80 percent of the total property taxes collected and received by RFPD No. 19 multiplied by 20 percent. During the year ended December 31, 2020, the District recorded \$22,000 in revenues from RFPD No. 19.

On June 17, 2015, the District entered into an agreement with Generation Park Management District (Generation Park) whereby the District agreed to continue to provide fire protection services to land within the boundaries of Generation Park that had originally been included in the boundaries of the District. The fire protection services are provided through Sheldon. To compensate for such services, Generation Park remits an annual payment to the District equal to the ad valorem taxes that would have been levied on the land had it not been removed from the District's boundaries. During the year ended December 31, 2020, the District recorded \$394,104 in revenues related to this agreement.

# **Harris County Emergency Services District No. 60**

## **Notes to Financial Statements**

**December 31, 2020**

### **Note 6: Contract for Emergency Communication Services Facility**

On August 16, 2015, the District entered into an agreement for the construction and operation of an emergency communication services facility to serve five East Harris County emergency services districts and potentially other emergency service providers. The term of the agreement is 30 years. Construction of the facility was completed in the prior year. Operating expenses are allocated among the districts based on ownership interest for fixed expenses and call volume for variable expenses. During the current year, facility operating expenses incurred by the District totaled \$203,944.

### **Note 7: Property Taxes**

During the year ended December 31, 2020, the District levied an ad valorem tax at the rate of \$0.0500 per \$100 assessed valuation, which resulted in a tax levy of \$2,480,384 on the taxable valuation of \$4,960,877,081.

### **Note 8: Sales Tax**

At an election held November 6, 2007, voters authorized the levy and collection of a sales and use tax at the rate of 1 percent to be used for emergency services purposes or any purpose for which ad valorem tax revenue of the District may be used. During the current year, the District recorded \$5,145,640 in sales tax revenues.

### **Note 9: Risk Management**

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

### **Note 10: Uncertainties**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**

**Harris County Emergency Services District No. 60**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended December 31, 2020**

|   | Original<br>Budget   | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|---|----------------------|----------------------|--|
| <b>Revenues</b>                             |                      |                      |  |
| Property taxes                              | \$ 2,500,000         | \$ 2,381,371         | \$ (118,629)                           |
| Sales taxes                                 | 4,000,000            | 5,145,640            | 1,145,640                              |
| Service to other districts                  | 447,000              | 422,145              | (24,855)                               |
| Investment income                           | 145,000              | 56,828               | (88,172)                               |
| Other income                                | 18,000               | -                    | (18,000)                               |
|   | <u>7,110,000</u>     | <u>8,005,984</u>     | <u>895,984</u>                         |
| <b>Total revenues</b>                       |                      |                      |  |
| <b>Expenditures</b>                         |                      |                      |  |
| Service operations:                         |                      |                      |  |
| Professional fees                           | 148,000              | 110,607              | 37,393                                 |
| Contracted services                         | 19,500               | 19,500               | -                                      |
| Emergency services:                         |                      |                      |  |
| Fire protection                             | 4,400,000            | 4,423,412            | (23,412)                               |
| Communication center                        | 195,000              | 203,944              | (8,944)                                |
| Insurance                                   | 5,000                | 41,045               | (36,045)                               |
| Bookkeeping                                 | 6,000                | 5,458                | 542                                    |
| Central appraisal district fees             | 20,000               | 17,885               | 2,115                                  |
| Repairs and maintenance                     | 50,000               | 13,608               | 36,392                                 |
| Other expenditures                          | 53,200               | 41,088               | 12,112                                 |
| Capital outlay                              | 250,000              | 142,431              | 107,569                                |
| Loan payment:                               |                      |                      |  |
| Principal retirement                        | 857,000              | 857,143              | (143)                                  |
| Interest and fees                           | -                    | 67,590               | (67,590)                               |
|   | <u>6,003,700</u>     | <u>5,943,711</u>     | <u>59,989</u>                          |
| <b>Total expenditures</b>                   |                      |                      |  |
| <b>Excess of Revenues Over Expenditures</b> | 1,106,300            | 2,062,273            | 955,973                                |
| <b>Fund Balance, Beginning of Year</b>      | <u>9,065,732</u>     | <u>9,065,732</u>     | <u>-</u>                               |
| <b>Fund Balance, End of Year</b>            | <u>\$ 10,172,032</u> | <u>\$ 11,128,005</u> | <u>\$ 955,973</u>                      |

# **Harris County Emergency Services District No. 60**

## **Notes to Required Supplementary Information**

**December 31, 2020**

### ***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Commissioners is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during 2020.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

## **Other Information**

**Harris County Emergency Services District No. 60**  
**Other Schedules Included Within This Report**  
**December 31, 2020**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] Schedule of Emergency Responses

**Harris County Emergency Services District No. 60**  
**Schedule of Emergency Responses**  
**December 31, 2020**

|   | <b>Emergency<br/>Responses<br/>Within District</b> | <b>Emergency<br/>Responses<br/>Out-of-District</b> |
|---|--|--|
| Sheldon Community Volunteer Fire and Rescue, Inc. | 1,419  | 111  |