
HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2020

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

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CERTIFIED PUBLIC ACCOUNTANTS

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President

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CEO

INDEPENDENT AUDITORS' REPORT

November 18, 2021

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 7, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Harris County Emergency Services District No. 7, as of December 31, 2020, and the respective changes in financial position for the year then ended in conformity 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 management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 21 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harris County Emergency Service District No. 7's financial statements. The Supplementary Information on pages 25 to 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Bredlove & Co., P.C.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2020

Our discussion and analysis of the financial performance of Harris County Emergency Services District No. 7 (the "District") provides an overview of the District's financial activities for the year ended December 31, 2020. Please read it in conjunction with the District's financial statements, included in this annual report.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$75,246,455 as of December 31, 2020.

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2020 (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 37 079 620	\$ 33 471 036
Capital assets, net of accumulated depreciation	<u>60 694 324</u>	<u>59 458 214</u>
Total assets	<u>\$ 97 773 944</u>	<u>\$ 92 929 250</u>
Deferred outflows of resources	<u>\$ 161 514</u>	<u>\$ -</u>
Current liabilities	\$ 3 310 655	\$ 3 222 606
Long term liabilities	<u>19 378 348</u>	<u>26 221 619</u>
Total liabilities	<u>\$ 22 689 003</u>	<u>\$ 29 444 225</u>
Net position:		
Net investment in capital assets	\$ 38 944 193	\$ 30 519 876
Unrestricted	<u>36 302 262</u>	<u>32 965 149</u>
Total net position	<u>\$ 75 246 455</u>	<u>\$ 63 485 025</u>

The following table provides a summary of the District's operations for the years ended December 31, 2020 and 2019. The District increased its net position by \$9,662,162.

Summary of Changes in Net Position

	<u>2020</u>	<u>2019</u>
Revenues:		
Property taxes	\$ 14 179 372	\$ 13 490 459
Other revenues	<u>14 561 626</u>	<u>14 382 273</u>
Total Revenues	<u>28 740 998</u>	<u>27 872 732</u>
Expenses for services	3 286 134	16 367 169
Operating expenses	12 872 565	1 748 213
Interest expense	969 569	794 766
Loss on disposal of capital assets	165 732	-
Depreciation	<u>1 784 836</u>	<u>1 504 086</u>
Total Expenses	<u>19 078 836</u>	<u>20 414 234</u>
Change in net position	<u>9 662 162</u>	<u>7 458 498</u>
Net position, beginning of year	63 485 025	56 026 527
Adjustment to correct conveyance of capital assets	<u>2 099 268</u>	<u>-</u>
Net position, beginning of year, as restated	<u>65 584 293</u>	<u>56 026 527</u>
Net position, end of year	<u>\$ 75 246 455</u>	<u>\$ 63 485 025</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2020

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2020 was \$25,311,818.

The General Fund balance decreased by \$402,718.

FUND FINANCIAL STATEMENTS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

Effective April 1, 2020, the District became the direct employer of fire suppression and administrative personnel and acquired the assets of Spring Volunteer Fire Association. The merged entity continues to provide fire suppression and prevention and first aid services.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the fiscal year. The change in fund balance was \$2,703,387 greater than budgeted due operating expenses being less than anticipated, offset by less than expected property tax revenue.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

MANAGEMENT'S DISCUSSION & ANALYSIS DECEMBER 31, 2020 (Continued)

CAPITAL ASSETS AND RELATED DEBT

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2020</u>	<u>2019</u>
Land	\$ 17 028 038	\$ 15 867 861
Construction in progress	87 827	77 827
Capital assets, net of depreciation	<u>43 578 459</u>	<u>43 512 526</u>
Total capital assets	<u>\$ 60 694 324</u>	<u>\$ 59 458 214</u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2020 are summarized as follows:

Long term debt, beginning of year	\$ 28 938 338
Note proceeds	-
Retirements of principal	<u>(7 188 207)</u>
Long term debt, end of year	<u>\$ 21 750 131</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to John Peeler, Coveler & Peeler, P.C., *Attorneys at Law*, Two Memorial City Plaza, 820 Gessner, Suite 1710, Houston, Texas 77024-8261.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 23 563 400	\$ -	\$ 23 563 400
Property taxes receivable	11 507 025	-	11 507 025
Due from tax assessor	1 654 888	-	1 654 888
Other receivables	228 328	-	228 328
Prepaid expenses	125 979	-	125 979
Capital Assets			
Land	-	17 028 038	17 028 038
Construction in progress	-	87 827	87 827
Property and equipment, net of accumulated depreciation of \$11,495,290	-	43 578 459	43 578 459
Total Assets	<u>37 079 620</u>	<u>60 694 324</u>	<u>97 773 944</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources	<u>161 514</u>	-	<u>161 514</u>
Total Deferred Outflows of Resources	<u>161 514</u>	-	<u>161 514</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 37 241 134</u>	<u>\$ 60 694 324</u>	<u>\$ 97 935 458</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 243 871	\$ 516 581	\$ 760 452
Net pension liability	178 420	-	178 420
Long term liabilities			
Due within one year	-	2 371 783	2 371 783
Due after one year	-	19 378 348	19 378 348
Total Liabilities	<u>422 291</u>	<u>22 266 712</u>	<u>22 689 003</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Tax Revenue	<u>11 507 025</u>	<u>(11 507 025)</u>	-
Total Deferred Inflows of Resources	<u>11 507 025</u>	<u>(11 507 025)</u>	-
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance			
Unassigned fund balance	<u>25 311 818</u>	<u>(25 311 818)</u>	-
Total Fund Balance	<u>25 311 818</u>	<u>(25 311 818)</u>	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 37 241 134</u>		
Net Position			
Net investment in capital assets		38 944 193	38 944 193
Unrestricted		<u>36 302 262</u>	<u>36 302 262</u>
Total Net Position		<u>75 246 455</u>	<u>75 246 455</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 60 694 324</u>	<u>\$ 97 935 458</u>

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 10 043 768	\$ 4 135 604	\$ 14 179 372
Sales taxes	14 167 148	-	14 167 148
Penalty and interest on property taxes	187 948	-	187 948
Interest earned on temporary investments	179 422	-	179 422
Miscellaneous	27 108	-	27 108
Total Revenues	<u>24 605 394</u>	<u>4 135 604</u>	<u>28 740 998</u>
Expenditures/Expenses			
Service Operations			
Fire Association- operating funds	3 286 134	-	3 286 134
Accounting	26 207	-	26 207
Appraisal district fees	100 587	-	100 587
Collection fees	64 336	-	64 336
Communications	91 357	-	91 357
District administration	122 062	-	122 062
Election expenses	2 325	-	2 325
Employee benefits	1 049 908	-	1 049 908
Fire prevention and outreach	137 964	-	137 964
Information technology	150 519	-	150 519
Insurance	137 227	-	137 227
Legal fees	175 860	-	175 860
Notice, publication, and filing fees	3 166	-	3 166
Payroll taxes	527 023	-	527 023
Professional services	181 989	-	181 989
Retirement plan contribution	657 226	-	657 226
Salaries and benefits	6 992 985	-	6 992 985
Sales tax monitoring	67 683	-	67 683
Station expenses	1 487 180	-	1 487 180
Supplies and small equipment	362 090	-	362 090
Training	167 720	-	167 720
Vehicles, fuel and maintenance	367 151	-	367 151
Capital Outlay	921 678	(921 678)	-
Loss on Sale of Capital Assets	165 732	-	165 732
Debt Service			
Principal	7 188 207	(7 188 207)	-
Interest	573 796	395 773	969 569
Depreciation	-	1 784 836	1 784 836
Total Expenditures/Expenses	<u>25 008 112</u>	<u>(5 929 276)</u>	<u>19 078 836</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(402 718)</u>	<u>10 064 880</u>	
Change in Net Position			<u>9 662 162</u>
Fund Balance/Net Position			
Beginning of Year, as Previously Reported	25 714 536	37 770 489	63 485 025
Adjustment to correct conveyance of capital assets	<u>-</u>	<u>2 099 268</u>	<u>2 099 268</u>
Beginning of Year, as Restated	<u>25 714 536</u>	<u>39 869 757</u>	<u>65 584 293</u>
End of Year	<u>\$ 25 311 818</u>	<u>\$ 49 934 637</u>	<u>\$ 75 246 455</u>

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE (1) CREATION OF DISTRICT

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

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

B. BASIS OF PRESENTATION

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

The District uses the following fund types:

a. Governmental Funds

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

b. Fund Balances

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

b. Fund Balances

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

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

The District uses the following classifications for net position:

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

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

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

C. BASIS OF ACCOUNTING

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

The District has adopted GASB 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2020. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGET

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

E. CASH EQUIVALENTS

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

F. CAPITAL ASSETS

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

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

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

G. USE OF ESTIMATES

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

H. RECEIVABLES

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

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total Fund Balance at December 31, 2020	<u>\$ 25 311 818</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	60 694 324
Conversion of property tax assessments to full accrual basis	11 507 025
Interest paid on long term debt is adjusted to accrual basis	(516 581)
Notes payable obligations are not due and payable in the current period and are not reported in the funds	<u>(21 750 131)</u>
Adjustment to fund balance to arrive at net position	<u>49 934 637</u>
Total Net Position at December 31, 2020	<u><u>\$ 75 246 455</u></u>

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

Change in fund balance	\$ (402 718)
Governmental funds report capital outlays as expenditures. However, for government-wide financials statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and conveyance of capital assets exceeded depreciation in the current period.	#REF!
Interest paid on long term debt is adjusted to accrual basis	(395 773)
Principal payments on debt are reported as expenditures in the funds. However, they do not affect net position.	7 188 207
Conversion of property tax assessments to full accrual basis	<u>4 135 604</u>
Change in net position of governmental activities	<u><u>#REF!</u></u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (3) CONTRACTS FOR FIRE PROTECTION AND RESCUE SERVICES

Effective April 1, 1987, the District entered into an agreement with the Association to provide fire protection and rescue services. The current contract is for a period of five years beginning January 1, 2015. Under the terms of the contract, the Association agrees to provide services to protect life and property from fire and conserve natural and human resources to the residents and commercial interests within the geographic area of the District on a 24-hour per day basis seven days a week. The contract terminated effective April 1, 2020 when the District became the direct employer of fire suppression and administrative personnel and acquired most of the assets of the Association.

The Association agreed to submit a budget indicating proposed operating, capital and debt expenditures; all sources of funding to the Association, all carried forward funds, and such other information as may be reasonably requested by the District and/or supplied by the Association at the District's October meeting each year for the District's review and approval. The District agreed to provide quarterly payments to the Association based on the approved budgets. According to the contract, in the event of dissolution of the Association or termination of the contract due to breach by the Association, title to and ownership of all items of personal property all land purchased wholly with District appropriated funds shall revert to the District; and ownership and possession of all non-disposable assets purchased partly with District appropriated funds shall revert to the District, subject to calculated ratio. In the event of a proposed sale of an asset purchased wholly or partly with funds advanced to the Association by the District, the sale proceeds shall be reinvested in replacement equipment or shall be deposit in the District's account subject to future disbursement for budgeted item.

Prior to the contract termination, during the year ended December 31, 2020, the net amount of \$3,286,134 was paid to the Association. Separate financial statements of the Association are available as of December 31, 2020.

NOTE (4) AD VALOREM TAX

During the year ended December 31, 2020, the District levied an ad valorem tax at the rate of \$0.09970 per \$100 of assessed valuation, which resulted in a tax levy of \$14,337,982 for 2020, on the taxable valuation of \$14,381,124,911 for the 2020 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. The levy date of the tax was the later of September 30 of the prior year or the 60th day after the receipt of the certified tax roll. The lien date was January 1 of the subsequent year.

Property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended December 31, 2020, include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

NOTE (5) DEPOSITS AND INVESTMENTS

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

The contracted depository bank used by the District was BBVA Compass Bank. The largest cash balance during the year for BBVA Compass Bank was \$8,678,527, which occurred in January 2020. These funds were adequately secured by \$250,000 FDIC coverage and pledged securities.

In addition, the District opened an account at Amegy Bank during the year ended December 31, 2020. The highest cash balance at Amegy Bank was \$4,444,111 and occurred in December 2020. These funds were adequately secured by \$250,000 FDIC coverage and pledged securities.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (5) DEPOSITS AND INVESTMENTS (Continued)

The District holds investments at December 31, 2020, in accordance with the Board approved investment policy, in TexPool State Treasury ("TexPool"). In following the Public Funds Collateral Act, TexPool invests the District's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with TexPool plus any accrued interest. A separate financial report for TexPool is prepared in accordance with GASB Statement No. 31, *Accounting and financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from TexPool Participant Services, c/o Federated Investors, 1001 Texas Ave., 14th Floor, Houston, Texas 77002. The District held investments in TexPool at December 31, 2020 with a total carrying value and market value of \$15,225.

The District holds investments at December 31, 2020, in accordance with the Board approved investment policy, in Texas CLASS. In following the Public Funds Collateral Act, Texas CLASS invests the District's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with Texas CLASS plus any accrued interest. A separate financial report for Texas CLASS is prepared in accordance with GASB Statement No. 31, *Accounting and financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from Texas CLASS Client Services, 717 17th St., Suite 1850, Denver, Colorado 80202. The District held investments in Texas CLASS at December 31, 2020 with a total carrying value and market value of \$18,219,171.

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

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has substantially complied with the Act's provisions during the year ended December 31, 2020.

NOTE (6) CHANGES IN CAPITAL ASSETS

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

	Beginning of Year	Acquisitions (Disposals), net	Depreciation Expense	End of Year
Land	\$ 15 867 861	\$ 1 160 177	\$ -	\$ 17 028 038
Buildings	40 381 457	-	-	40 381 457
Vehicles	10 179 598	3 909 381	-	14 088 979
Equipment	44 945	87 855	-	132 800
Fences	470 513	-	-	470 513
Less: Accumulated Depreciation	(7 563 987)	(2 146 467)	(1 784 836)	(11 495 290)
Capital Assets	43 512 526	1 850 769	(1 784 836)	43 578 459
Construction in Progress	77 827	10 000	-	87 827
Totals	\$ 59 458 214	\$ 3 020 946	\$ (1 784 836)	\$ 60 694 324

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (7) LONG-TERM DEBT

On April 28, 2016, the District entered into a construction loan agreement with JP Morgan Chase Bank at an interest rate of 1.71%. The total agreed loan amount is \$10,000,000. One interest payment was due on October 15, 2016, and 29 semi-annual payments including interest and various principal amounts are due beginning April 15, 2017. At January 1, 2020, the balance due on the note was \$8,201,000. During the year ended December 31, 2020, the District made principal and interest payments of \$621,000 and \$134,928, respectively. At December 31, 2020, the balance due on the note was \$7,580,000. The loan was used for the construction of fire station No. 75 and No. 76. Sales tax revenue collected acts as collateral for the note.

On August 5, 2016, the District entered into a loan agreement (Sales Tax Revenue Note, Series 2016B) with JP Morgan Chase Bank at an interest rate of 1.49% to refinance prior construction loans with Trustmark National Bank and Wells Fargo Bank. The total agreed loan amount is \$8,052,005. A total of 16 semi-annual payments including interest and various principal amounts are due beginning February 1, 2017. At January 1, 2020 the balance due on the note was \$4,587,338. During the year ended December 31, 2020, the District made principal and interest payments of \$1,188,140 and \$63,949, respectively. At December 31, 2020, the balance due on the note was \$3,399,198. The loan was used for construction of new fire station No. 78 and No. 79. Sales tax revenue collected acts as collateral for the note.

On August 25, 2016, the District entered into a loan agreement (Sales Tax Refunding Note, Series 2016C) with JP Morgan Chase Bank at an interest rate of 1.68% to refinance a prior construction loan with Independent Bank. The total agreed loan amount is \$2,684,846. A total of 11 semi-annual payments including interest and various principal amounts are due beginning February 1, 2017. At January 1, 2020 the balance due on the note was \$2,081,680. During the year ended December 31, 2020, the District made principal and interest payments of \$190,910 and \$34,175, respectively. At December 31, 2020, the balance due on the note was \$1,890,770. The loan was used for construction of new fire station No. 77. Sales tax revenue collected acts as collateral for the note.

On December 28, 2017 the District entered into a construction loan agreement (Sales Tax Revenue note, Series 2017) with Government Capital Corporation at an interest rate of 3.35%. The total agreed loan amount is \$10,000,000. A total of 20 annual payments including interest and various principal amounts are due beginning on December 15, 2018. At January 1, 2020 the balance due on the note was \$9,263,271. During the year ended December 31, 2020, the District made principal and interest payments of \$383,108 and \$310,174, respectively. At December 31, 2020, the balance due on the note was \$8,880,163. The loan was used for the construction of station No. 74 and No. 75 and a maintenance facility. Sales tax revenue collected acts as collateral for the note.

On July 2, 2018 the District entered into a loan agreement with DAC Ltd. at an interest rate of 3.5% in connection with the purchase of 51.277 acres of land from DAC Ltd. The total agreed loan amount is \$6,546,097 and because no cash was received by the District, that amount was capitalized with the other cash amounts paid for the land to gross the land up to its fair market value. The land acts as collateral for the note. A total of 60 quarterly payments including interest and various principal amounts are due beginning August 1, 2018. In addition, 14 annual principal payments of \$150,000 are due beginning August 1, 2020. At January 1, 2020, the balance due on the note was \$4,805,049. During the year ended December 31, 2020, the District made principal and interest payments of \$4,805,049 and \$30,570, respectively. At December 31, 2020, the balance was paid in full.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (7) LONG-TERM DEBT (Continued)

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2021	\$ 2 371 783
December 31, 2022	3 612 250
December 31, 2023	1 764 894
December 31, 2024	1 800 187
December 31, 2025	1 127 725
December 31, 2026-2030	6 057 013
December 31, 2031-2035	3 692 062
Thereafter	<u>1 324 217</u>
Total Amount	<u><u>\$21 750 131</u></u>

NOTE (8) SALES TAX REVENUE

On May 14, 2011, the residents of the District authorized the District to impose a 1% sales tax where eligible within the District. During the year ended December 31, 2020, the District received \$14,167,148 in sales tax revenue.

NOTE (9) BROKERAGE FEE AGREEMENT

On July 2, 2018, the District entered into an agreement with JT Lynch Company, LLC for the payment of brokerage fees in association with the purchase of land. The fee is to be paid in over 24-month period in quarterly installments of \$56,517. The District made the final payment on the agreement totaling \$56,520 during the year ended December 31, 2020. This amount is included under professional services on the statement of activities and governmental revenues, expenditures and changes in fund balance.

NOTE (10) PRIOR PERIOD ADJUSTMENT

In reviewing the capital assets for the District, it was determined that several assets that changed title from the Association to the District in 2019 were not recorded on the District's books. The net effect is a conveyance of capital assets, net of depreciation of \$2,099,268 as shown on the statement of activities and governmental revenues, expenditures and changes in fund balance.

NOTE (11) RETIREMENT PLAN

Plan Description

During the year ended December 31, 2020 the District began contributing to the Texas County & District Retirement System (the "Plan") which is a statewide, agent multiple-employer, public employee retirement system. All full- and part-time non-temporary employees participate in the Plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Employee membership data related to the Plan, as of December 31, 2020 was as follows:

Inactive employees entitled to but not yet receiving benefits	2
Active plan members	<u>143</u>
	<u>145</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (11) RETIREMENT PLAN (Continued)

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

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

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

For the year ended December 31, 2020, the District's total payroll for all employees was \$6,992,985. Total covered payroll was \$6,855,670. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan and was calculated by the actuary based on contributions as reported to the Plan from when the Plan began in 2020.

Contributions

Employees of the District are required to contribute 7% of covered compensation to the Plan. The contributions are deducted from the employee's wages or salary and remitted by the District to the Plan on a monthly basis. The District's contractually required contribution rate for the year ended December 31, 2020, was 9.34% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contributions to the Plan for the year ended December 31, 2020 were \$640,320.

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

At December 31, 2020, the District reported a liability of \$178,420 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2020, the District's proportion was 9.34%.

For the year ended December 31, 2020, the District recognized pension expense of \$657,226. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual results	\$ -	\$ 1 536
Changes of assumptions	-	125 219
Net difference between projected and actual earnings	-	34 759
Contributions subsequent to the measurement date	N/A	Employer determined
Total	\$ -	\$ 161 514

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (11) RETIREMENT PLAN (Continued)

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

<u>Year ending December 31,</u>	
2021	\$ 19 253
2022	19 253
2023	19 253
2024	19 252
2025	10 563
Thereafter	73 940

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	7.50%, net of investment expenses, including inflation

In the 2020 actuarial valuation, assumed life expectancies were 130% of the RP-2014 Healthy Annuitant Mortality Table of males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments was determined by adding expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by the Plan's investment consultant, Cliffwater, LLC. The numbers shown are based on January 2020 information for a 10 year time horizon.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (11) RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	11.50%	4.25%
Global Equities	2.50%	4.55%
International Equities - Developed	5.00%	4.25%
International Equities - Emerging	6.00%	4.75%
Investment - Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Private Equity	25.00%	7.25%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%
	<u>100.00%</u>	

Discount Rate

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (Continued)

NOTE (11) RETIREMENT PLAN (Continued)

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

Changes in the District's net pension liability/(asset) for the year ended December 31, 2020 was as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	1 106 307	-	1 106 307
Interest on total pension liability	89 580	-	89 580
Effect of Plan changes	-	-	-
Effect of economic/demographic gains or losses	1 664	-	1 664
Effect of assumptions changes or inputs	135 654	-	135 654
Refund of contributions	(775)	(775)	-
Benefit payments	-	-	-
Administrative expenses	-	(844)	844
Member contributions	-	479 897	(479 897)
Net investment income	-	2 287	(2 287)
Employer contributions	-	640 320	(640 320)
Other	-	33 125	(33 125)
Balances as of December 31, 2020	<u>\$ 1 332 430</u>	<u>\$ 1 154 010</u>	<u>\$ 178 420</u>

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

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

Plan Fiduciary Net Position

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

Payable to the Plan

At December 31, 2020, the District did not report a payable for the outstanding amount of contributions due to the Plan for the year.

NOTE (12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 18, 2021, (the date the financial statements were available to be issued) and noted no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 13 440 690	\$13 440 690	\$ 10 043 768	\$ (3 396 922)
Sales tax revenue	12 500 000	12 500 000	14 167 148	1 667 148
Penalty and interest on property taxes	-	-	187 948	187 948
Interest earned on temporary investments	75 000	75 000	179 422	104 422
Miscellaneous	-	-	27 108	27 108
Total Revenues	<u>26 015 690</u>	<u>26 015 690</u>	<u>24 605 394</u>	<u>(1 410 296)</u>
Expenditures/Expenses				
Service Operations				
Fire Association- operating funds	18 000 000	18 000 000	3 286 134	14 713 866
Accounting	25 000	25 000	26 207	(1 207)
Appraisal district fees	65 000	65 000	100 587	(35 587)
Collection fees	1 000	-	64 336	(64 336)
Communications	-	-	91 357	(91 357)
District administration	62 000	46 133	122 062	(75 929)
Election expenses	100 000	2 325	2 325	-
Employee benefits	-	-	1 049 908	(1 049 908)
Fire prevention and outreach	35 000	-	137 964	(137 964)
Information technology	7 500	-	150 519	(150 519)
Insurance	15 000	15 000	137 227	(122 227)
Legal fees	150 000	150 000	175 860	(25 860)
Notice, publication, and filing fees	5 000	5 000	3 166	1 834
Payroll taxes	-	-	527 023	(527 023)
Professional services	687 000	437 000	181 989	255 011
Retirement plan contribution	-	-	657 226	(657 226)
Salaries and benefits	-	-	6 992 985	(6 992 985)
Sales tax monitoring	8 000	8 000	67 683	(59 683)
Station expenses	500 000	750 000	1 487 180	(737 180)
Supplies and small equipment	-	-	362 090	(362 090)
Training	-	-	167 720	(167 720)
Vehicles, fuel and maintenance	-	-	367 151	(367 151)
Capital Outlay	1 400 000	1 400 000	921 678	478 322
Loss on Sale of Capital Assets	-	-	165 732	(165 732)
Debt Service				
Note principal	4 313 200	7 631 337	7 188 207	443 130
Note interest	-	587 000	573 796	13 204
Total Expenditures/Expenses	<u>25 373 700</u>	<u>29 121 795</u>	<u>25 008 112</u>	<u>4 113 683</u>
Change in Fund Balance	641 990	(3 106 105)	(402 718)	2 703 387
Fund Balance				
Beginning of the Year	<u>25 714 536</u>	<u>25 714 536</u>	<u>25 714 536</u>	<u>-</u>
End of the Year	<u>\$ 26 356 526</u>	<u>\$22 608 431</u>	<u>\$ 25 311 818</u>	<u>\$ 2 703 387</u>

See Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

REQUIRED SUPPLEMENTARY INFORMATION

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

		<u>Year Ended December 31</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 1 106 307	N/A	N/A	N/A
Interest on total pension liability	89 580	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A
Effect of assumption changes or inputs	135 654	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	1 664	N/A	N/A	N/A
Benefit payments/refunds of contributions	(775)	N/A	N/A	N/A
Net change in total pension liability	\$ 1 332 430	N/A	N/A	N/A
Total pension liability, beginning	-	N/A	N/A	N/A
Total pension liability, ending	<u>1 332 430</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position				
Employer contributions	640 320	N/A	N/A	N/A
Member contributions	479 897	N/A	N/A	N/A
Investment income net of investment expenses	2 287	N/A	N/A	N/A
Benefit payments/refunds of contributions	(775)	N/A	N/A	N/A
Administrative expenses	(844)	N/A	N/A	N/A
Other	33 125	N/A	N/A	N/A
Net change in fiduciary net position	1 154 010	N/A	N/A	N/A
Fiduciary net position, beginning	-	N/A	N/A	N/A
Fiduciary net position, ending	<u>1 154 010</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability/(asset), ending	<u>\$ 178 420</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability/(asset)	86.61%	N/A	N/A	N/A
Pensionable covered payroll	\$ 6 855 670	N/A	N/A	N/A
Net pension liability/(asset) as a % of covered payroll	2.60%	N/A	N/A	N/A

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020	\$ 640 320	\$ 640 320	\$ -	\$ 6 855 670	9.34%

NOTE (1) VALUATION DATE

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

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20.0 years (based on contribution rate calculated in 12/31/20 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.5%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table of males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2015 - 2020: No changes in plan provisions were reflected.

See Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

SUPPLEMENTARY INFORMATION

SCHEDULE OF TEMPORARY INVESTMENTS (CASH EQUIVALENTS) DECEMBER 31, 2020

Bank	Maturity	Interest	Amount
		Rate	
BBVA Compass Bank MM Account	-	0.000%	\$ 137
BBVA Compass Bank MM Account	-	0.000%	19 763
TexPool	-	0.085%	15 225
Texas CLASS - General Operating Fund	-	0.140%	1 607 819
Texas CLASS - Sales Tax		0.140%	<u>16 611 352</u>
		TOTAL	<u><u>\$ 18 254 296</u></u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

SUPPLEMENTARY INFORMATION

ANALYSIS OF TAXES RECEIVABLE DECEMBER 31, 2020

Taxes Receivable - Beginning of Year	\$ 7 371 421
2020 Tax Roll	14 337 982
Adjustments	<u>(158 610)</u>
Total to be Accounted for	21 550 793
Tax Collections Received from Tax Collector	<u>(10 043 768)</u>
Taxes Receivable - End of Year	<u>\$ 11 507 025</u>
Taxes Receivable - By Years	
2020	\$ 11 274 969
2019	100 881
2018	32 636
2017	22 852
2016 and prior	<u>75 687</u>
Taxes Receivable - End of Year	<u>\$ 11 507 025</u>

Assessed Valuation Summary

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations					
Total Property Valuations	<u>\$14 381 124 911</u>	<u>\$13 727 782 358</u>	<u>\$12 660 798 169</u>	<u>\$12 133 912 537</u>	<u>\$11 136 025 114</u>
Tax Rate per \$100 Valuations	<u>\$ 0.09970</u>	<u>\$ 0.09939</u>	<u>\$ 0.09606</u>	<u>\$ 0.09606</u>	<u>\$ 0.10000</u>
Tax Rolls	<u>\$ 14 337 982</u>	<u>\$ 13 644 043</u>	<u>\$ 12 161 963</u>	<u>\$ 11 655 836</u>	<u>\$ 11 136 025</u>
Percent of Taxes Collected to Taxes Levied	<u>21.4%</u>	<u>99.3%</u>	<u>99.7%</u>	<u>99.8%</u>	<u>99.9%</u>

See Independent Auditors' Report

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

SUPPLEMENTARY INFORMATION

BOARD MEMBERS AND CONSULTANTS DECEMBER 31, 2020

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

District Telephone Number: (281) 355-1266

<u>Names</u>	<u>Term of office or Date Hired</u>	<u>Fees Paid* FYE 12/31/20</u>	<u>Expense Reimburse- ments FYE 12/31/20</u>	<u>Title at Year End</u>
Board Members:				
Bob Schmanski	(Elected) 06/01/16-05/31/20 06/01/20-05/31/24	\$ 4 650	\$ 116	President
Gayle Fuller	(Elected) 06/01/18-05/31/22	\$ 3 300	\$ 87	Vice President
Todd Anderson	(Elected) 06/01/20-05/31/24 (Appointed) 08/16/16-05/31/20	\$ 1 950	\$ 98	Treasurer
Keith Willingham	(Elected) 06/01/18-05/31/22	\$ 4 350	\$ 85	Secretary
Melanie Gander	(Elected) 06/01/20-05/31/24 (Appointed) 09/21/17-05/31/20	\$ 1 650	\$ 96	Assistant Treasurer

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7

SUPPLEMENTARY INFORMATION

BOARD MEMBERS AND CONSULTANTS

DECEMBER 31, 2020

(Continued)

<u>Names</u>	<u>Date Hired</u>	<u>Fees Paid* FYE 12/31/20</u>	<u>Expense Reimburse- ments FYE 12/31/20</u>	<u>Title at Year End</u>
Consultants:				
Coveler & Peeler, P.C.	2000	\$ 147 479	\$ 4 491	Attorney
Thrower Law, P.C.	2017	\$ 11 082	\$ -	Attorney
Cokinos Young	2020	\$ 126 488	\$ -	Attorney
BRW Architects, Inc.	2017	\$ 13 351	\$ -	Architect
Moody Engineering	2017	\$ 10 698	\$ -	Engineer
JT Lynch Co., LLC	2017	\$ 104 520	\$ -	Real Estate Consultant
Ann Harris Bennett	2003	\$ 35 478	\$ -	Tax Collector
McLennan & Associates, LP	2003	\$ 28 215	\$ 1 157	Bookkeeper
Breedlove & Co., P.C.	2009	\$ 11 133	\$ -	Auditor
Harris County Appraisal District	2003	\$ 102 688	\$ -	Appraisal District
Sales Tax Assurance LLC	2013	\$ 67 683	\$ -	Sales Tax Monitor

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