

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Harris County Emergency
Services District No. 10
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 10 (the "District"), as of and for the year ended December 31, 2019, 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.

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 major fund of the District as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of District Contributions 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by Harris County and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 28, 2020

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Management's discussion and analysis of Harris County Emergency Services District No. 10's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,952,499 as of December 31, 2019.

A portion of the District’s net position reflects its net investment in capital assets (land, buildings, trucks and equipment less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide firefighting and fire prevention services within the District.

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 13,598,177	\$ 15,333,187	\$ (1,735,010)
Capital Assets (Net of Accumulated Depreciation)	23,497,350	21,752,390	1,744,960
Total Assets	\$ 37,095,527	\$ 37,085,577	\$ 9,950
Deferred Outflows of Resources	\$ 464,215	\$ 252,287	\$ 211,928
Long-Term Liabilities	\$ 9,499,488	\$ 10,563,483	\$ 1,063,995
Other Liabilities	1,527,242	3,210,516	1,683,274
Total Liabilities	\$ 11,026,730	\$ 13,773,999	\$ 2,747,269
Deferred Inflows of Resources	\$ 4,580,513	\$ 4,011,393	\$ (569,120)
Net Position:			
Net Investment in Capital Assets	\$ 12,866,978	\$ 9,646,619	\$ 3,220,359
Unrestricted	9,085,521	9,905,853	(820,332)
Total Net Position	\$ 21,952,499	\$ 19,552,472	\$ 2,400,027

The following table provides a summary of the District's operations for the year ended December 31, 2019, and year ended December 31, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,491,926	\$ 3,973,848	\$ 518,078
Sales Tax Receipts	5,573,879	5,273,871	300,008
Charges for Services	754,706	57,670	(57,670)
Other Revenues	916,764	162,058	(162,058)
Total Revenues	\$ 10,820,511	\$ 10,222,153	\$ 598,358
Expenses for Services	8,420,484	7,085,493	(1,334,991)
Change in Net Position	\$ 2,400,027	\$ 3,136,660	\$ (736,633)
Net Position, Beginning of Year	19,552,472	16,415,812	3,136,660
Net Position, End of Year	\$ 21,952,499	\$ 19,552,472	\$ 2,400,027

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2019, was \$6,988,783, a decrease of \$1,175,546 from the prior year. This decrease was primarily due to capital outlay costs which were paid from note proceeds received in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the current fiscal. Actual revenues exceeded budgeted revenues by \$723,685, primarily due to higher than anticipated property and sales tax collections, as well as grant and investment revenues. Actual expenditures exceeded budgeted expenditures by \$1,278,711, primarily due to higher than anticipated capital outlay costs, which were paid from note proceeds received in the prior year.

CAPITAL ASSETS

Capital assets as of December 31, 2019, total \$23,497,350 (net of accumulated depreciation) and include land, buildings, trucks and equipment. Capital asset events during the current period included station improvements, new radios and the purchase of vehicles. Construction in progress related to the construction of Stations No. 16 and 36.

Capital Assets At Period-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,483,652	\$ 1,483,652	\$
Construction in Progress	14,110,856	13,435,512	675,344
Capital Assets, Net of Accumulated Depreciation:			
Buildings	3,224,664	3,296,970	(72,306)
Trucks and Equipment	4,481,854	3,352,462	1,129,392
Other	196,324	183,794	12,530
Total Net Capital Assets	<u>\$ 23,497,350</u>	<u>\$ 21,752,390</u>	<u>\$ 1,744,960</u>

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

LONG-TERM DEBT ACTIVITY

At the end of the current year, the District had total long-term debt payable of \$10,307,290. The changes in the debt position of the District during the year ended December 31, 2019, are summarized as follows:

Capital Leases Payable, January 1, 2019	\$ 684,513
Less: Principal Paid	<u>211,461</u>
Capital Leases Payable, December 31, 2019	<u><u>\$ 473,052</u></u>
Notes Payable, January 1, 2019	\$ 10,465,686
Less: Principal Paid	<u>631,448</u>
Notes Payable, December 31, 2019	<u><u>\$ 9,834,238</u></u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 10, c/o Coveler & Peeler, P.C., Two Memorial City Plaza, 820 Gessner, Suite 1710, Houston, TX 77024-8261.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 2,711,421	\$	\$ 2,711,421
Investments	4,630,324		4,630,324
Cash with Harris County	1,435,514		1,435,514
Receivables:			
Property Taxes	2,997,418		2,997,418
Penalty and Interest on Delinquent Taxes		424,612	424,612
Sales Tax Receipts	1,094,448		1,094,448
Accrued Interest	5,109		5,109
Other	1,591		1,591
Prepaid Costs	193,774		193,774
Net Pension Asset		103,966	103,966
Land		1,483,652	1,483,652
Construction in Progress		14,110,856	14,110,856
Capital Assets (Net of Accumulated Depreciation)		7,902,842	7,902,842
TOTAL ASSETS	<u>\$ 13,069,599</u>	<u>\$ 24,025,928</u>	<u>\$ 37,095,527</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	<u>\$ -0-</u>	<u>\$ 464,215</u>	<u>\$ 464,215</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,069,599</u>	<u>\$ 24,490,143</u>	<u>\$ 37,559,742</u>

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Net Position
LIABILITIES			
Accounts Payable	\$ 689,932	\$	\$ 689,932
Accrued Interest Payable		29,508	29,508
Capital Leases Payables:			
Due Within One Year		158,348	158,348
Due After One Year		314,704	314,704
Notes Payable:			
Due Within One Year		649,454	649,454
Due After One Year		9,184,784	9,184,784
TOTAL LIABILITIES	\$ 689,932	\$ 10,336,798	\$ 11,026,730
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 5,390,884	\$ (812,286)	\$ 4,578,598
Deferred Inflows - Pension		1,915	1,915
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,390,884	\$ (810,371)	\$ 4,580,513
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 193,774	\$ (193,774)	\$
Assigned to 2020 Budget	154,021	(154,021)	
Unassigned	6,640,988	(6,640,988)	
TOTAL FUND BALANCE	\$ 6,988,783	\$ (6,988,783)	\$ -0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 13,069,599		
NET POSITION			
Net Investment in Capital Assets		\$ 12,866,978	\$ 12,866,978
Unrestricted		9,085,521	9,085,521
TOTAL NET POSITION		\$ 21,952,499	\$ 21,952,499

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balance - Governmental Funds	\$ 6,988,783
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	23,497,350
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenues in the governmental activities of the District.	1,236,898
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Portions of the change in net pension liability/(asset) that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.	566,266
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$ (29,508)	
Capital Leases Payable Within One Year	(158,348)	
Capital Leases Payable After One Year	(314,704)	
Notes Payable Within One Year	(649,454)	
Notes Payable After One Year	<u>(9,184,784)</u>	<u>(10,336,798)</u>

Total Net Position - Governmental Activities	<u>\$ 21,952,499</u>
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The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 4,033,009	\$ 458,917	\$ 4,491,926
Sales Tax Receipts	5,573,879		5,573,879
Penalty and Interest	49,248	277,909	327,157
Investment Revenues	135,677		135,677
Miscellaneous Revenues	291,872		291,872
TOTAL REVENUES	<u>\$ 10,083,685</u>	<u>\$ 736,826</u>	<u>\$ 10,820,511</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Apparatus Maintenance	\$ 171,545	\$	\$ 171,545
Accounting and Auditing	56,025		56,025
Commissioner Fees of Office	20,550		20,550
Communications	107,758	(18,759)	88,999
Depreciation		620,702	620,702
Fire Fighter Support	365,669	(48,473)	317,196
Fuel	64,128		64,128
Insurance	130,524		130,524
Legal Fees	74,956		74,956
Office Supplies and Equipment	6,723		6,723
Salaries and Benefits	5,918,387	(15,614)	5,902,773
Station Supplies and Equipment	118,666		118,666
Tax Collections:			
Appraisal District Fees	30,627		30,627
Delinquent Tax Attorney Fees	12,046		12,046
Tax Assessor/Collector Fees	27,256		27,256
Training	171,172		171,172
Utilities and Maintenance	278,111	(49,144)	228,967
Other	162,586		162,586
Capital Outlay	2,326,749	(2,249,286)	77,463

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES (Continued)			
Debt Service:			
Capital Lease Principal	\$ 211,461	\$ (211,461)	\$
Capital Lease Interest	17,316	(135)	17,181
Note Principal	631,448	(631,448)	
Note Interest	355,528	(235,129)	120,399
TOTAL EXPENDITURES/EXPENSES	<u>\$ 11,259,231</u>	<u>\$ (2,838,747)</u>	<u>\$ 8,420,484</u>
NET CHANGE IN FUND BALANCE	\$ (1,175,546)	\$ 1,175,546	\$
CHANGE IN NET POSITION		2,400,027	2,400,027
FUND BALANCE/NET POSITION - JANUARY 1, 2019	<u>8,164,329</u>	<u>11,388,143</u>	<u>19,552,472</u>
FUND BALANCE/NET POSITION - DECEMBER 31, 2019	<u>\$ 6,988,783</u>	<u>\$ 14,963,716</u>	<u>\$ 21,952,499</u>

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balance - Governmental Funds	\$ (1,175,546)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.	458,917
Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.	277,909
Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(620,702)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	2,365,662
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	842,909
The changes in deferred outflows and inflows of resources for pensions are recorded as pension expense in the government-wide financial statements.	15,614
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.	<u>235,264</u>
Change in Net Position - Governmental Activities	<u>\$ 2,400,027</u>

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

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 10, located in Harris County, Texas was created as a political subdivision of the State of Texas under the provision of Section 48-d of Article III of the State Constitution in accordance with Title 44, Article 3351a-6 of The Revised Civil Statutes of the State of Texas. Effective September 1, 2003, Texas Legislature Senate Bill 1021 converted all rural fire prevention districts to emergency services districts and mandated a name change to Harris County Emergency Services District No. 10 (the “District”). In accordance with Senate Bill 1021, the District now operates under Chapter 775 of the Health and Safety Code. The District is responsible for the protection of life and property from fire and for the conservation of natural resources within its boundaries. The District was created by an order of the Harris County Court of Commissioners.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2018 tax levy collections during the period October 1, 2018, to December 31, 2019, and taxes collected from January 1, 2019, to December 31, 2019, for all prior tax levies. The 2019 tax levy has been fully deferred to meet the District's planned expenditures in the 2020 fiscal year.

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 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 after completion.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

All personal tangible assets (computers, office machines, office furniture, etc.) are capitalized if they have a total cost of \$5,000 or more (including installation costs and professional fees) and a useful life of more than one year. All other capital assets are capitalized if they have a total cost of \$5,000 or more (including installation costs and professional fees) and a useful life of more than one year. Bunker gear is expensed in the year purchased. 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:

	Years
Buildings	40
Trucks	5-15
Equipment	3-15

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary and Actual – General Fund presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District had 85 full time employees at year-end. The District makes payments into the social security system for its employees. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only. See Note 10 for more information on the full-time employee’s retirement plan.

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and has assigned \$154,021 of its General Fund fund balance to cover a portion of the 2020 budget.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. TAX LEVY

On May 13, 2006, voters of the District approved to increase the maximum tax rate of the District from \$0.05 to \$0.10 per \$100 of assessed valuation on all taxable property within the District. During the year ended December 31, 2019, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$4,578,598 on the adjusted taxable valuation of \$4,578,211,016 for the 2019 tax year. The District's tax calendar is as follows:

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$2,938,149 and the bank balance was \$2,805,552. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 2,711,421	\$ 226,728	\$ 2,938,149

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth;

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Commissioners.

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Certificates of deposit are valued at acquisition cost at the date of purchase.

As of December 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 4,403,596	\$ 4,403,596
Certificates of Deposit	226,728	226,728
TOTAL INVESTMENTS	\$ 4,630,324	\$ 4,630,324

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the District’s investment in TexPool was rated AAAM by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one-year due to the fact the share position can usually be redeemed each day at the discretion of the District unless there has been a significant change in value. The District also manages interest risk by investing in certificates of deposit with maturities of approximately one year or less.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5. CAPITAL ASSETS

	January 1, 2019	Increases	Decreases	December 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,483,652	\$	\$	\$ 1,483,652
Construction in Progress	<u>13,435,512</u>	<u>2,365,662</u>	<u>1,690,318</u>	<u>14,110,856</u>
Total Capital Assets Not Being Depreciated	<u>\$ 14,919,164</u>	<u>\$ 2,365,662</u>	<u>\$ 1,690,318</u>	<u>\$ 15,594,508</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 4,515,831	\$ 49,144	\$	\$ 4,564,975
Trucks and Equipment	5,861,640	1,573,942		7,435,582
Computer Equipment	43,542			43,542
Other	<u>602,847</u>	<u>67,232</u>		<u>670,079</u>
Total Capital Assets Subject to Depreciation	<u>\$ 11,023,860</u>	<u>\$ 1,690,318</u>	<u>\$ - 0 -</u>	<u>\$ 12,714,178</u>
Less Accumulated Depreciation				
Buildings	\$ 1,218,861	\$ 121,450	\$	\$ 1,340,311
Trucks and Equipment	2,509,178	444,550		2,953,728
Computer Equipment	43,542			43,542
Other	<u>419,053</u>	<u>54,702</u>		<u>473,755</u>
Total Accumulated Depreciation	<u>\$ 4,190,634</u>	<u>\$ 620,702</u>	<u>\$ - 0 -</u>	<u>\$ 4,811,336</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,833,226</u>	<u>\$ 1,069,616</u>	<u>\$ - 0 -</u>	<u>\$ 7,902,842</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,752,390</u>	<u>\$ 3,435,278</u>	<u>\$ 1,690,318</u>	<u>\$ 23,497,350</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. NOTES PAYABLE

On October 27, 2015, the District entered into a \$1,807,989 Promissory Note with Trustmark Bank for the purchase of 3 Pierce Fire Trucks. Annual installments of \$280,767 are due each September 1, beginning September 1, 2016, and ending September 1, 2022. The interest rate is 2.1%.

On November 30, 2017, the District entered into a \$10,000,000 Promissory Note with Trustmark Bank for the construction of Fire Stations No. 16 and 36. The District made draws against the note, as needed, during construction. Annual installments of \$706,208 are due each November 30, beginning November 30, 2018, and ending November 30, 2037. The interest rate is 3.49%.

The following is a summary of transactions regarding the note payable for the year ended December 31, 2019:

Notes Payable, January 1, 2019		\$	10,465,686
Less: Principal Paid			631,448
Notes Payable, December 31, 2019			<u>9,834,238</u>
Notes Payable:			
Due Within One Year		\$	649,454
Due After One Year			<u>9,184,784</u>
Notes Payable, December 31, 2019		\$	<u>9,834,238</u>

As of December 31, 2019, debt service requirements on the note are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 649,454	\$ 337,522	\$ 986,976
2021	669,642	317,333	986,975
2022	689,544	297,431	986,975
2023	429,302	276,907	706,209
2024	443,775	262,433	706,208
2025-2029	2,469,124	1,061,916	3,531,040
2030-2034	2,938,205	592,837	3,531,042
2035-2037	<u>1,545,192</u>	<u>94,140</u>	<u>1,639,332</u>
	<u>\$ 9,834,238</u>	<u>\$ 3,240,519</u>	<u>\$ 13,074,757</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. CAPITAL LEASES

On June 28, 2010, the District entered into a lease-purchase agreement with Municipal Services Group, Inc. for the purchase of a 2010 Pierce 100' Aerial Platform Truck in the amount of \$998,569. Assets under this lease total \$1,072,030 at December 31, 2019. Accumulated amortization/depreciation through December 31, 2019, totaled \$679,726. Lease payments and related interest of \$59,606 are due each June 28 and December 28, beginning December 28, 2010, and ending June 28, 2020. The District's incremental borrowing rate is 3.50%.

On December 16, 2013, the District entered into a lease-purchase agreement with Leasing 2, Inc. for the purchase of a 2013 Pierce Velocity 100' PUC Ladder Truck in the amount of \$963,444. Assets under this lease total \$1,042,908 at December 31, 2019. Accumulated amortization/depreciation through December 31, 2019, totaled \$448,712. Lease payments and related interest of \$54,783 are due each June 16 and December 16, beginning June 16, 2014, and ending December 16, 2023. The District's incremental borrowing rate is 2.515%.

The following is a summary of transactions regarding capital leases payable for the fiscal year ended December 31, 2019:

Capital Leases Payable, January 1, 2019	\$	684,513
Less: Principal Paid		<u>211,461</u>
Capital Leases Payable, December 31, 2019	\$	<u><u>473,052</u></u>
Capital Leases Payable:		
Due Within One Year	\$	158,348
Due After One Year		<u>314,704</u>
Capital Leases Payable, December 31, 2019	\$	<u><u>473,052</u></u>

The following is a schedule of future minimum lease payments under the capital leases as of December 31, 2019. These obligations of the District contain a non-appropriation provision.

Fiscal Year	Principal	Interest	Total
2020	\$ 158,348	\$ 10,824	\$ 169,172
2021	102,291	7,275	109,566
2022	104,880	4,686	109,566
2023	<u>107,533</u>	<u>2,032</u>	<u>109,565</u>
	<u>\$ 473,052</u>	<u>\$ 24,817</u>	<u>\$ 497,869</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8. SALES AND USE TAX

In accordance with Chapter 775 of the Health and Safety Code, the District is authorized to adopt and impose a sales and use tax if authorized by a majority of the qualified voters of the District. The election to adopt a sales and use tax is governed by the provisions of Subchapter E, Chapter 323 of the Tax Code.

On May 10, 2008, the voters of the District approved the establishment and adoption of a sales and use tax of up to a maximum of one percent. On May 20, 2008, the Board set a local sales and use tax of one percent on all applicable sales and uses within the boundaries of the District, effective October 1, 2008. During the current period, the District recorded \$5,573,879 in sales tax receipts, of which \$1,094,448 was due from the State Comptroller at December 31, 2019.

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. There have been no significant reductions in coverage from the prior period and settlements have not exceeded coverage in the past three years.

NOTE 10. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 760 non-traditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) which includes financial statements, notes and required supplementary information which can be obtained at TCDRS, Finance Division, Barton Oaks Plaza IV Suite 500, 901 S. MoPac Expressway, Austin, Texas 78746 or at www.TCDRS.org.

Benefits Provided

Benefit provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. PENSION PLAN (Continued)

Benefits Provided (Continued)

Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled but not yet receiving benefits	-0-
Active employees	91

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 6.72% for the months of the 2019 accounting year. The deposit rate payable by the employee members for calendar year 2019 is 7% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District’s accounting year ended December 31, 2019, the annual pension cost for the TCDRS plan for its employees was \$297,986; the actual contributions were \$297,986. The employees contributed \$300,844 to the plan for the 2019 fiscal year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumption:

Actuarial Valuation Date	12/31/18
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.4 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Return ¹	8.00%
Projected Salary Increases ¹	4.90%
Inflation	2.75%
Cost-of-living Adjustments	0.00%

¹ Includes inflation at the stated rate

The actuarial assumptions that determined the total pension liability as of December 31, 2017 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.

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and the RP-2014 Active Employee Mortality Table for females projected with 110% of the MP-2014 ultimate scale after 2014.

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for 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.

Disabled retirees - 130% of the RP-2014 Disability Annuitant Mortality Table for males and 115% of the RP-2014 Disability Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. PENSION PLAN (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013- December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities-Developed Markets	10.00%	5.40%
International Equities-Emerging Markets	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2018 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2017	\$ 167,300	\$ 467,772	\$ (300,472)
Changes for the year:			
Service Cost	411,299		411,299
Interest on the Total Pension Liability	46,792		46,792
Effect of Plan Changes	130,304		130,304
Effect of Economic/Demographic gains or losses	119,616		119,616
Refund of Contributions	(1,867)	(1,867)	
Benefit Payments			
Administrative Expenses		(785)	785
Member Contributions		257,145	(257,145)
Net Investment Income		(3,145)	3,145
Employer Contributions		243,386	(243,386)
Other		14,904	(14,904)
Balances of December 31, 2018	<u>\$ 873,444</u>	<u>\$ 977,410</u>	<u>\$ (103,966)</u>

Sensitivity Analysis

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1%	Current	1%
	Decrease	Discount Rate	Increase
	7.10%	8.10%	9.10%
Total Pension Liability	\$ 1,103,969	\$ 873,444	\$ 695,453
Fiduciary Net Position	<u>977,409</u>	<u>977,410</u>	<u>977,409</u>
Net Pension Liability/(Asset)	<u>\$ 126,560</u>	<u>\$ (103,966)</u>	<u>\$ (281,956)</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10. PENSION PLAN (Continued)

Deferred Inflows/Outflows of Resources

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -0-	\$ 110,527
Changes in assumptions	1,915	
Net difference between projected and actual earnings		55,702
Contributions paid to TCDRS subsequent to the measurement date		<u>297,986</u>
Total	<u>\$ 1,915</u>	<u>\$ 464,215</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:

2019	\$ 23,494
2020	23,494
2021	23,496
2022	21,298
2023	9,020
Thereafter	63,512

NOTE 11. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 3,900,000	\$ 3,900,000	\$ 4,033,009	\$ 133,009
Sales Tax Receipts	5,200,000	5,200,000	5,573,879	373,879
Contract Payments	60,000	60,000		(60,000)
Penalty and Interest			49,248	49,248
Investment Revenues	40,000	40,000	135,677	95,677
Miscellaneous Revenues	160,000	160,000	291,872	131,872
TOTAL REVENUES	\$ 9,360,000	\$ 9,360,000	\$ 10,083,685	\$ 723,685
EXPENDITURES				
Service Operations:				
Apparatus Maintenance	\$ 266,350	\$ 303,850	\$ 171,545	\$ 132,305
Accounting and Auditing	31,800	31,800	56,025	(24,225)
Commissioner Fees of Office	36,000	36,000	20,550	15,450
Communications	131,000	131,000	107,758	23,242
Fire Fighter Support	462,374	462,374	365,669	96,705
Fuel	75,000	75,000	64,128	10,872
Insurance	90,000	90,000	130,524	(40,524)
Legal Fees	75,000	75,000	74,956	44
Office Supplies and Equipment	20,200	20,200	6,723	13,477
Salaries and Benefits	5,692,775	5,692,775	5,918,387	(225,612)
Station Supplies and Equipment	123,650	123,650	118,666	4,984
Tax Collections:				
Appraisal District Fees	30,000	30,000	30,627	(627)
Delinquent Tax Attorney Fees			12,046	(12,046)
Tax Assessor/Collector Fees			27,256	(27,256)
Training	125,120	125,120	171,172	(46,052)
Utilities and Maintenance	302,900	302,900	278,111	24,789
Other	236,000	236,000	162,586	73,414
Capital Outlay	2,053,000	3,584,095	2,326,749	1,257,346

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Amended Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)				
Debt Service:				
Capital Lease Principal	\$ 213,886	\$ 213,886	\$ 211,461	\$ 2,425
Capital Lease Interest	17,316	17,316	17,316	
Note Principal	631,448	631,448	631,448	
Note Interest	<u>355,528</u>	<u>355,528</u>	<u>355,528</u>	
TOTAL EXPENDITURES	<u>\$ 10,969,347</u>	<u>\$ 12,537,942</u>	<u>\$ 11,259,231</u>	<u>\$ 1,278,711</u>
NET CHANGE IN FUND BALANCE	\$ (1,609,347)	\$ (3,177,942)	\$ (1,175,546)	\$ 2,002,396
FUND BALANCE - JANUARY 1, 2019	<u>8,164,329</u>	<u>8,164,329</u>	<u>8,164,329</u>	
FUND BALANCE - DECEMBER 31, 2019	<u>\$ 6,554,982</u>	<u>\$ 4,986,387</u>	<u>\$ 6,988,783</u>	<u>\$ 2,002,396</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2019

	Year Ended December 31, 2018	Year Ended December 31, 2017
Total Pension Liability		
Service cost	\$ 411,299	\$ 156,765
Interest on total pension liability	46,792	12,698
Effect of plan changes	130,304	
Effect of economic/demographic (gains) or losses	119,616	135
Effect of assumptions changes or inputs		(2,298)
Benefit payments/refunds of contributions	(1,867)	
Net change in total pension liability	\$ 706,144	\$ 167,300
Total pension liability, beginning	167,300	
Total pension liability, ending (a)	\$ 873,444	\$ 167,300
Fiduciary Net Position		
Employer contributions	\$ 243,386	\$ 382,891
Member contributions	257,145	71,788
Investment income net of investment expenses	(3,145)	7,313
Benefit payments/refunds of contributions	(1,867)	0
Administrative expenses	(785)	(311)
Other	14,904	6,091
Net change in plan fiduciary net position	\$ 509,638	\$ 467,772
Fiduciary net position, beginning	467,772	
Fiduciary net position, ending (b)	\$ 977,410	\$ 467,772
Net Pension Liability/(Asset), Ending = (a) - (b)	\$ (103,966)	\$ (300,472)
Fiduciary net position as a percentage of the total pension liability	111.90%	279.60%
Pensionable covered payroll	\$ 3,673,497	\$ 1,025,543
Net pension liability as a percentage of covered employee payroll	-2.83%	-29.30%

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
DECEMBER 31, 2019

<u>Fiscal Year Ending December 31</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (2)</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2017	\$ 382,891	\$ 382,891	\$ -0-	\$ 1,025,543	37.3%
2018	\$ 243,386	\$ 243,386	\$ -0-	\$ 3,673,497	6.6%
2019	\$ 297,986	\$ 297,986	\$ -0-	\$ 4,426,340	6.7%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis.

(2) Payroll is calculated based on contributions as reported by TCDRS

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.4 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, 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 MP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP -2014 Healthy Annuitant Mortality Table for females, both projected with 110% of MP-2014 Ultimate scale after 2014.
Change in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New Inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No Changes in plan provisions were reflected in the Schedule.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2019

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2019
(UNAUDITED)

Long-Term Debt at December 31, 2019	\$ 10,307,290
Less: Amount in Debt Service Fund	<u>-0-</u>
Net Long-Term Debt at December 31, 2019	<u>\$ 10,397,290</u>
Estimated District Population*	<u>72,139</u>
Net Long-Term Debt Per Capita at December 31, 2019	<u>\$ 143</u>

* Per 2010 census

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
LISTING OF THE NUMBER OF EMERGENCY RESPONSES
MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Number of Emergency Responses Made Within the District	3,017
Number of Emergency Responses Made Outside the District (Including District 19)	<u>844</u>
Total Emergency Responses	<u><u>3,861</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2019

Type of Coverage	From To	Amount of Coverage	Insurer/Name
CRIME AND FIDELITY Employee Theft Forgery or Alteration	11/01/19 11/01/20	\$ 1,000,000 100,000	Arch Insurance Company
GENERAL LIABILITY General Aggregate Products/Completed Operations Personal and Advertising Injury Per Occurrence	11/01/19 11/01/20	\$ 10,000,000 10,000,000 1,000,000 1,000,000	Arch Insurance Company
UMBRELLA LIABILITY General Aggregate Personal and Advertising Injury Each Occurrence	11/01/19 11/01/20	\$ 1,000,000 1,000,000 1,000,000	Arch Insurance Company
AUTOMOBILE LIABILITY Each Accident	11/01/19 11/01/20	\$ 1,000,000	Arch Insurance Company
POLLUTION Corrective Action Costs	11/01/19 11/01/20	\$ 1,000,000	Arch Insurance Company
PROPERTY Buildings (Property and Contents Included) Deductible	11/01/19 11/01/20	\$ 20,279,965 1,000	Arch Insurance Company
PUBLIC OFFICIALS BOND Treasurer	12/14/19 12/14/22	\$ 100,000	Western Surety Company
WORKERS COMPENSATION Each Accident Each Employee Disease Policy Limit Disease	01/01/19 01/01/20	\$ 1,000,000 1,000,000 1,000,000	Texas Mutual Insurance Company
POSITION SCHEDULE BOND Treasurer	11/01/19 11/01/20	\$ 100,000	Arch Insurance Company
EMERGENCY SERVICES LIABILITY Annual Aggregate Each Wrongful Act	11/01/19 11/01/20	\$ 10,000,000 1,000,000	Arch Insurance Company
FAITHFUL PERFORMANCE BOND Employee Theft-Per Loss	11/01/19 11/01/20	\$ 1,000,000	Arch Insurance Company
PORTABLE EQUIPMENT	11/01/19 11/01/20	Guaranteed Replacement Cost	Arch Insurance Company
NETWORK SECURITY AND DATA BREACH Aggregate Per Event Private Event Mitigation Expense (Each) Private Event Mitigation (Aggregate)	11/01/19 11/01/20	\$ 10,000,000 1,000,000 50,000 50,000	Arch Insurance Company
FLOOD COVERAGE Limit of Insurance Annual Aggregate Limit Deductible	11/01/19 11/01/20	\$ 1,000,000 1,000,000 1,000	Arch Insurance Company

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Property Taxes	
TAXES RECEIVABLE - JANUARY 1, 2019	\$ 2,639,012	
Adjustments to Beginning Balance	482,640	\$ 3,121,652
Original 2019 Tax Levy	\$ 4,171,425	
Adjustment to 2019 Tax Levy	407,173	4,578,598
TOTAL TO BE ACCOUNTED FOR		\$ 7,700,250
TAX COLLECTIONS:		
Prior Years	\$ 2,309,367	
Current Year	2,393,465	4,702,832
TAXES RECEIVABLE - DECEMBER 31, 2019		\$ 2,997,418
TAXES RECEIVABLE BY YEAR:		
2019		\$ 2,185,133
2018		150,976
2017		126,697
2016		121,214
2015		186,035
2014		191,775
2013		6,349
2012		5,260
2011		4,877
2010		4,240
2009 and prior		14,862
TOTAL		\$ 2,997,418

See accompanying independent auditor's report.

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**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS	\$ <u>4,578,211,016</u>	\$ <u>4,009,111,391</u>	\$ <u>3,756,654,866</u>	\$ <u>3,417,415,008</u>
TAX RATES PER \$100 VALUATION	\$ <u>0.10</u>	\$ <u>0.10</u>	\$ <u>0.10</u>	\$ <u>0.10</u>
ADJUSTED TAX LEVY*	\$ <u>4,578,598</u>	\$ <u>4,009,286</u>	\$ <u>3,756,650</u>	\$ <u>3,417,511</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>52.28 %</u>	<u>96.23 %</u>	<u>96.63 %</u>	<u>96.45 %</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2019	2018	2017**
REVENUES			
Property Taxes	\$ 4,033,009	\$ 3,747,469	\$ 3,425,874
Payments in Lieu of Taxes		2,670	8,900
Sales Tax Receipts	5,573,879	5,273,871	4,932,495
Contract Payments		55,000	53,000
Penalty and Interest	49,248	43,268	47,399
Investment Revenues	135,677	125,677	20,609
Miscellaneous Revenues	291,872	416,996	7,071
Sale of Assets		875,886	
TOTAL REVENUES	\$ 10,083,685	\$ 10,540,837	\$ 8,495,348
EXPENDITURES			
Service Operations:			
Apparatus Maintenance	\$ 171,545	\$ 157,625	\$ 158,781
Accounting and Auditing	56,025	84,247	70,226
Commissioner Fees of Office	20,550	20,100	21,150
Communications	107,758	139,214	120,545
Contracted Services:			
Eastex Freeway Volunteer Fire Department			
Northeast Fire and Rescue			
Fire Fighter Support	365,669	289,826	150,619
Fuel	64,128	65,502	55,385
Insurance	130,524	98,494	91,417
Legal Fees	74,956	67,074	85,801
Office Supplies and Equipment	6,723	69,761	34,441
Personnel - Health and Safety		4,471	4,059
Salaries and Benefits	5,918,387	4,856,688	4,461,122
Station Supplies and Equipment	118,666	57,294	29,162
Tax Collections:			
Appraisal District Fees	30,627	36,926	19,004
Delinquent Tax Attorney Fees	12,046	12,722	12,430
Tax Assessor/Collector Fees	27,256	26,350	24,075
Training	171,172	120,361	99,388
Utilities and Maintenance	278,111	164,049	154,644
Other	162,586	6,868	9,588

** Effective July 1, 2017, the District and Eastex merged operations, and the District became the direct service provider within the District Territory.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017**	2016	2015
\$ 3,536,994	\$ 3,092,394	40.0 %	35.6 %	40.3 %	45.4 %	43.3 %
	4,450			0.1		0.1
4,088,962	3,916,006	55.3	50.0	58.1	52.5	54.9
53,000	52,000		0.5	0.6	0.7	0.7
52,962	49,838	0.5	0.4	0.6	0.7	0.7
13,368	11,828	1.3	1.2	0.2	0.2	0.2
39,383	10,622	2.9	4.0	0.1	0.5	0.1
			8.3			
<u>\$ 7,784,669</u>	<u>\$ 7,137,138</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 161,871	\$ 117,724	1.7 %	1.5 %	1.9 %	2.1 %	1.6 %
35,211	31,550	0.6	0.8	0.8	0.5	0.4
12,500	11,750	0.2	0.2	0.2	0.2	0.2
133,508	154,850	1.1	1.3	1.4	1.7	2.2
2,955,174	2,318,886				38.0	32.5
168,364	1,448,963				2.2	20.3
511,087	220,175	3.6	2.7	1.8	6.6	3.1
45,745	59,960	0.6	0.6	0.7	0.6	0.8
99,424	92,638	1.3	0.9	1.1	1.3	1.3
94,728	47,288	0.7	0.6	1.0	1.2	0.7
50,594	37,917	0.1	0.7	0.4	0.6	0.5
4,590	4,582				0.1	0.1
96,820	102,669	58.7	46.1	52.5	1.2	1.4
		1.2	0.5	0.3		
26,371	25,775	0.3	0.4	0.2	0.3	0.4
14,148	13,850	0.1	0.1	0.1	0.2	0.2
30,904	19,665	0.3	0.2	0.3	0.4	0.3
69,261	43,000	1.7	1.1	1.2	0.9	0.6
244,016	153,462	2.8	1.6	1.8	3.1	2.1
40,342	22,564	1.6	0.1	0.1	0.5	0.3

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2019	2018	2017**
EXPENDITURES (Continued)			
Capital Outlay	\$ 2,326,749	\$ 12,584,263	\$ 1,593,218
Debt Service:			
Capital Lease Principal	211,461	205,167	199,064
Capital Lease Interest	17,316	23,611	30,334
Note Principal	631,448	605,057	247,428
Note Interest	355,528	381,918	33,339
TOTAL EXPENDITURES	<u>\$ 11,259,231</u>	<u>\$ 20,077,588</u>	<u>\$ 7,705,220</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,175,546)</u>	<u>\$ (9,536,751)</u>	<u>\$ 790,128</u>
OTHER FINANCING SOURCES (USES)			
Note Proceeds	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 10,000,000</u>
NET CHANGE IN FUND BALANCE	\$ (1,175,546)	\$ (9,536,751)	\$ 10,790,128
BEGINNING FUND BALANCE	<u>8,164,329</u>	<u>17,701,080</u>	<u>6,910,952</u>
ENDING FUND BALANCE	<u>\$ 6,988,783</u>	<u>\$ 8,164,329</u>	<u>\$ 17,701,080</u>

** Effective July 1, 2017, the District and Eastex merged operations, and the District became the direct service provider within the District Territory.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017**</u>	<u>2016</u>	<u>2015</u>
\$ 1,750,333	\$ 1,821,013	23.1 %	119.4 %	18.8 %	22.5 %	25.5 %
193,148	187,412	2.1	1.9	2.3	2.5	2.6
36,250	41,365	0.2	0.2	0.4	0.5	0.6
242,167	2,433,968	6.3	5.7	2.9	3.1	34.1
<u>41,061</u>	<u>124,384</u>	<u>3.5</u>	<u>3.6</u>	<u>0.4</u>	<u>0.5</u>	<u>1.7</u>
\$ <u>7,057,617</u>	\$ <u>9,535,410</u>	<u>111.8 %</u>	<u>190.2 %</u>	<u>90.6 %</u>	<u>90.8 %</u>	<u>133.5 %</u>
<u>\$ 727,052</u>	<u>\$ (2,398,272)</u>	<u>(11.8) %</u>	<u>(90.2) %</u>	<u>9.4 %</u>	<u>9.2 %</u>	<u>(33.5) %</u>
\$ - 0 -	\$ 1,807,989					
\$ 727,052	\$ (590,283)					
<u>6,183,900</u>	<u>6,774,183</u>					
\$ <u>6,910,952</u>	\$ <u>6,183,900</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2019**

District Mailing Address - Harris County Emergency Services District No. 10
c/o Coveler & Peeler, P.C.
Two Memorial City Plaza
820 Gessner, Suite 1710
Houston, TX 77024-8261

District Telephone Number - (713) 984-8222

Commissioners	Term of Office (Appointed or Elected)	Fees of Office for the year ended December 31, 2019	Expense Reimbursements for the year ended December 31, 2019	Title
Mike Tucker	06/01/18 05/31/22 (Elected)	\$ 7,200	\$ 369	President
Paul Lessor	06/01/16 05/31/20 (Elected)	\$ 3,000	\$ 299	Vice President
Rick Givens	06/01/18 05/31/22 (Elected)	\$ 2,700	\$ 299	Secretary
Robyn Hoekstra	06/01/18 05/31/22 (Elected)	\$ 5,250	\$ -0-	Treasurer/ Investment Officer
Rebecca Todd	02/27/18 05/31/20 (Appointed)	\$ 2,400	\$ 233	Assistant Secretary

The limit on fees of office that a Commissioner may receive during a year is set by the Health and Safety Code-Chapter 775. Effective September 1, 2017, a Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently \$7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts paid to a Commissioner during the District's current fiscal year. One commissioner was overpaid due to an accounting error and will forgo fees in fiscal year 2019 to correct the error.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 10
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2019

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees of Office for the year ended December 31, 2019*</u>	<u>Title</u>
Coveler & Peeler, P.C.	02/09/99	\$ 94,317	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/26/96	\$ 36,125	Auditor
Myrtle Cruz, Inc.	10/23/07	\$ 3,240	Prior Bookkeeper
Ubernosky & Majeres, PLLC	02/26/19	\$ 17,100	Bookkeeper
Harris County Tax Assessor/Collector	Legislative Action	\$ 27,256	Tax Assessor/ Collector
Linebarger Goggan Blair & Sampson, LLP	04/11/00	\$ 12,046	Delinquent Tax Attorney

* Accrual basis

See accompanying independent auditor's report.

