

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2021

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ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Harris County Emergency
Services District No. 75
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 75 (the "District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 6, 2022

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Management’s discussion and analysis of Harris County Emergency Services District No. 75’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$676,271 as of December 31, 2021.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 1,708,843	\$ 1,541,047	\$ 167,796
Current and Other Liabilities	\$ 250	\$ 950	\$ 700
Deferred Inflows of Resources	\$ 1,032,322	\$ 969,058	\$ (63,264)
Net Position:			
Unrestricted	<u>\$ 676,271</u>	<u>\$ 571,039</u>	<u>\$ 105,232</u>

*

The following table provides a summary of the District's operations for the years ended December 31, 2021, and December 31, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 966,302	\$ 905,836	\$ 60,466
Other Revenues	21,154	17,926	3,228
Total Revenues	\$ 987,456	\$ 923,762	\$ 63,694
Expenses for Services	<u>882,224</u>	<u>820,235</u>	<u>(61,989)</u>
Change in Net Position	\$ 105,232	\$ 103,527	\$ 1,705
Net Position, Beginning of Year	<u>571,039</u>	<u>467,512</u>	<u>103,527</u>
Net Position, End of Year	<u>\$ 676,271</u>	<u>\$ 571,039</u>	<u>\$ 105,232</u>

*

* As Adjusted, See Note 7

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of the fiscal year ended December 31, 2021, was \$611,716, an increase of \$98,594 from the prior year. This increase was primarily due to property taxes exceeding service operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the fiscal year. Actual revenues were \$8,784 less than budgeted revenues. Actual expenditures were \$59,899 less than budgeted expenditures.

CAPITAL ASSETS

The District did not own any capital assets as of December 31, 2021.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 75, c/o Coveler & Peeler, P.C., Two Memorial City Plaza, 820 Gessner, Suite 1710, Houston, Texas 77024.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 1,163,132	\$	\$ 1,163,132
Receivables:			
Property Taxes	524,726		524,726
Penalty and Interest on Delinquent Taxes		19,374	19,374
Prepaid Costs	<u>1,611</u>		<u>1,611</u>
TOTAL ASSETS	<u>\$ 1,689,469</u>	<u>\$ 19,374</u>	<u>\$ 1,708,843</u>
LIABILITIES			
Accounts Payable	<u>\$ 250</u>	<u>\$ - 0 -</u>	<u>\$ 250</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>\$ 1,077,503</u>	<u>\$ (45,181)</u>	<u>\$ 1,032,322</u>
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 1,611	\$ (1,611)	\$
Unassigned	<u>610,105</u>	<u>(610,105)</u>	<u></u>
TOTAL FUND BALANCE	<u>\$ 611,716</u>	<u>\$ (611,716)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,689,469</u>		
NET POSITION			
Unrestricted		<u>\$ 676,271</u>	<u>\$ 676,271</u>

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total Fund Balance - Governmental Fund	\$ 611,716
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

64,555

Total Net Position - Governmental Activities

\$ 676,271

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 962,687	\$ 3,615	\$ 966,302
Penalty and Interest	16,913	3,023	19,936
Investment Revenues	997		997
Miscellaneous Revenues	221		221
TOTAL REVENUES	<u>\$ 980,818</u>	<u>\$ 6,638</u>	<u>\$ 987,456</u>
EXPENDITURES/EXPENSES			
Service Operations:			
District Services -			
City of Baytown	\$ 818,886	\$	\$ 818,886
Accounting and Auditing	14,475		14,475
Appraisal District Fees	7,191		7,191
Commissioner Fees	7,050		7,050
Insurance	2,241		2,241
Legal Fees - General	9,946		9,946
Legal Fees - Delinquent Tax Collections	5,119		5,119
Office Equipment and Supplies	367		367
Tax Assessor/Collector Fees	9,983		9,983
Training	4,588		4,588
Other	2,378		2,378
TOTAL EXPENDITURES/EXPENSES	<u>\$ 882,224</u>	<u>\$ - 0 -</u>	<u>\$ 882,224</u>
NET CHANGE IN FUND BALANCE	\$ 98,594	\$ (98,594)	\$
CHANGE IN NET POSITION		105,232	105,232
FUND BALANCE/NET POSITION - JANUARY 1, 2021, AS ADJUSTED	<u>513,122</u>	<u>57,917</u>	<u>571,039</u>
FUND BALANCE/NET POSITION - DECEMBER 31, 2021	<u>\$ 611,716</u>	<u>\$ 64,555</u>	<u>\$ 676,271</u>

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
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, 2021**

Net Change in Fund Balance - Governmental Fund	\$	98,594
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		3,615
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Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.		3,023
		<hr style="width: 100%;"/>

Change in Net Position - Governmental Activities	\$	<u>105,232</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. 75
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. CREATION OF DISTRICT

Harris County Emergency Services District No. 75 (the “District”) was created by a special election held November 8, 2011. On May 12, 2012, as part of the county wide election, the initial five Commissioners were elected to manage the affairs of the District. The purpose of the District is to provide residents of the unincorporated areas surrounding Baytown, Texas with fire protection and emergency medical services. In fiscal year 2013, the District entered into a contract with the City of Baytown, Texas (the “Department”) to provide these services (see Note 6). The District first collected tax revenues in November, 2012. The management of the District is entrusted to an elected Board of Commissioners consisting of five members.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

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

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, 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 2020 tax levy collections during the period October 1, 2020, to December 31, 2021, and taxes collected from January 1, 2021, to December 31, 2021, for all prior tax levies. The 2021 tax levy has been fully deferred to meet the District’s planned expenditures in the 2022 fiscal year.

Budgeting

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

Pensions

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

Measurement Focus

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 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 does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. TAX LEVY

Voters of the District have approved a maximum tax rate of \$0.10 per \$100 of assessed valuation. During the year ended December 31, 2021, 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 \$1,032,322 on the adjusted taxable valuation of \$1,032,319,009 for the 2021 tax year.

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$1,163,132 and the bank balance was \$1,109,934. The District was not exposed to custodial credit risk at year-end.

Investments

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of December 31, 2021, the District did not own any investments.

NOTE 5. RISK MANAGEMENT

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

NOTE 6. INTERLOCAL AGREEMENT WITH CITY OF BAYTOWN

Effective February 1, 2013, the District entered into an Interlocal Agreement (the "Agreement") with the City of Baytown, Texas (the "City"). Under the Agreement, the City agrees to provide emergency services and fire fighting and rescue services for the District. The original agreement was for a term of three years, and called for adjustments in the amount to be paid to the City based on changes in the consumer price index. Effective February 1, 2019, the agreement was renewed for an additional three year period. The consumer price index adjustment was eliminated from the renewed agreement. Under the agreement, the City is to receive an amount of \$747,000 for the first year of the Agreement. For years two and three of the Agreement, the City is to receive an amount equal to 84.2% of the maximum ad valorem taxes to be assessed.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7. PRIOR PERIOD ADJUSTMENT

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

Fund Balance - January 1, 2021	\$ 454,653
Effect of Adjustment	<u>58,469</u>
Fund Balance - January 1, 2021, As Adjusted	<u><u>\$ 513,122</u></u>
Net Position - January 1, 2021	\$ 454,653
Effect of Adjustments	<u>116,386</u>
Net Position - January 1, 2021, As Adjusted	<u><u>\$ 571,039</u></u>

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 75
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 989,102	\$ 962,687	\$ (26,415)
Penalty and Interest		16,913	16,913
Investment Revenues	500	997	497
Miscellaneous Revenues		221	221
TOTAL REVENUES	<u>\$ 989,602</u>	<u>\$ 980,818</u>	<u>\$ (8,784)</u>
EXPENDITURES			
Service Operations:			
District Services -			
City of Baytown	\$ 877,073	\$ 818,886	\$ 58,187
Accounting and Auditing	14,300	14,475	(175)
Appraisal District Fees	7,000	7,191	(191)
Commissioner Fees	9,000	7,050	1,950
Insurance	2,500	2,241	259
Legal Fees - General	10,000	9,946	54
Legal Fees - Delinquent Tax Collections		5,119	(5,119)
Office Equipment and Supplies	350	367	(17)
Tax Assessor/Collector Fees	10,000	9,983	17
Training	7,000	4,588	2,412
Other	4,900	2,378	2,522
TOTAL EXPENDITURES	<u>\$ 942,123</u>	<u>\$ 882,224</u>	<u>\$ 59,899</u>
NET CHANGE IN FUND BALANCE	\$ 47,479	\$ 98,594	\$ 51,115
FUND BALANCE - JANUARY 1, 2021	<u>513,122</u>	<u>513,122</u>	
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 560,601</u>	<u>\$ 611,716</u>	<u>\$ 51,115</u>

See accompanying independent auditor's report.

