

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2017

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Harris County Emergency
Services District No. 29
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 29 (the "District"), as of and for the year ended December 31, 2017, 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, 2017, 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 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.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Management's discussion and analysis of Harris County Emergency Services District No. 29's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 exceeded liabilities and deferred inflows of resources by \$7,153,012 as of December 31, 2017.

A portion of the District's net position reflects its net investment in capital assets (land, buildings, emergency vehicles, trucks, furniture 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. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2017</u>	<u>2016</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 6,685,114	\$ 5,732,452	\$ 952,662
Capital Assets (Net of Accumulated Depreciation)	<u>6,934,517</u>	<u>6,009,238</u>	<u>925,279</u>
Total Assets	<u>\$ 13,619,631</u>	<u>\$ 11,741,690</u>	<u>\$ 1,877,941</u>
Long-Term Liabilities	\$ 3,009,487	\$ 2,934,601	\$ (74,886)
Other Liabilities	<u>614,642</u>	<u>498,113</u>	<u>(116,529)</u>
Total Liabilities	<u>\$ 3,624,129</u>	<u>\$ 3,432,714</u>	<u>\$ (191,415)</u>
Deferred Inflows of Resources	<u>\$ 2,842,490</u>	<u>\$ 2,543,597</u>	<u>\$ (298,893)</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,861,353	\$ 3,112,845	\$ 748,508
Unrestricted	<u>3,291,659</u>	<u>2,652,534</u>	<u>639,125</u>
Total Net Position	<u>\$ 7,153,012</u>	<u>\$ 5,765,379</u>	<u>\$ 1,387,633</u>

The following table provides a summary of the District's operations for the years ended December 31, 2017, and December 31, 2016.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,521,418	\$ 2,430,182	\$ 91,236
Sales Tax Receipts	1,789,884	1,394,587	395,297
Other Revenues	<u>41,588</u>	<u>57,816</u>	<u>(16,228)</u>
Total Revenues	<u>\$ 4,352,890</u>	<u>\$ 3,882,585</u>	<u>\$ 470,305</u>
Expenses for Services	<u>(2,965,257)</u>	<u>(2,609,249)</u>	<u>(356,008)</u>
Change in Net Position	\$ 1,387,633	\$ 1,273,336	\$ 114,297
Net Position, Beginning of Year	<u>5,765,379</u>	<u>4,492,043</u>	<u>1,273,336</u>
Net Position, End of Year	<u>\$ 7,153,012</u>	<u>\$ 5,765,379</u>	<u>\$ 1,387,633</u>

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2017, was \$3,231,490, an increase of \$622,221 from the prior year. This increase was primarily due to capital lease proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the current year. Actual revenues were \$519,281 more than budgeted revenues due to higher than expected sales tax receipts and penalty and interest revenues. Actual expenditures were \$546,140 less than budgeted expenditures due to lower costs for fire operations and capital outlay.

CAPITAL ASSETS

Capital assets as of December 31, 2017, total \$6,934,517 (net of accumulated depreciation) and include land, buildings, emergency vehicles, trucks, furniture and equipment. Capital asset events in the current year included the purchase a Pierce Freightliner Tanker truck, six overhead bay doors and a thermal imaging camera. Construction in progress includes costs related to the extension of utilities to serve the new station on Cutten Road and a Pierce Dash CF PUC 100' Platform truck.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,299,906	\$ 1,299,906	\$
Construction in Progress	1,057,013	66,034	990,979
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	3,071,893	3,319,920	(248,027)
Vehicles and Trucks	1,406,277	1,220,064	186,213
Furniture and Equipment	99,428	103,314	(3,886)
Total Net Capital Assets	\$ 6,934,517	\$ 6,009,238	\$ 925,279

Additional information on the District's capital assets can be found in Note 5 of this report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had long-term total debt payable of \$3,434,601. The changes in the debt position of the District during the fiscal year ended December 31, 2017, are summarized as follows:

Capital Leases Payable, January 1, 2017	\$ 879,895
Add: Capital Lease Proceeds	500,000
Less: Principal Paid	<u>97,018</u>
Capital Leases Payable, December 31, 2017	<u>\$ 1,282,877</u>
Notes Payable, January 1, 2017	\$ 2,423,675
Less: Principal Paid	<u>271,951</u>
Notes Payable, December 31, 2017	<u>\$ 2,151,724</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. 29, 12730 Champion Forest Drive, Houston, Texas 77066.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2017

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash in Banks	\$ 3,719,045	\$	\$ 3,719,045
Petty Cash	494		494
Investments	123,044		123,044
Cash with Harris County	278,775		278,775
Receivables:			
Property Taxes	1,785,335		1,785,335
Sales Tax Receipts	345,415		345,415
Penalty and Interest on Delinquent Taxes		45,152	45,152
ESD No. 11		366,016	366,016
Prepaid Costs	21,838		21,838
Land		1,299,906	1,299,906
Construction in Progress		1,057,013	1,057,013
Capital Assets (Net of Accumulated Depreciation)		4,577,598	4,577,598
TOTAL ASSETS	<u>\$ 6,273,946</u>	<u>\$ 7,345,685</u>	<u>\$ 13,619,631</u>

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2017

	General Fund	Adjustments	Statement of Net Position
LIABILITIES			
Accounts Payable	\$ 125,114	\$	\$ 125,114
Accrued Interest Payable		64,414	64,414
Capital Leases Payable:			
Due Within One Year		144,714	144,714
Due After One Year		1,138,163	1,138,163
Notes Payable:			
Due Within One Year		280,400	280,400
Due After One Year		1,871,324	1,871,324
TOTAL LIABILITIES	<u>\$ 125,114</u>	<u>\$ 3,499,015</u>	<u>\$ 3,624,129</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 2,917,342	\$ (74,852)	\$ 2,842,490
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 21,838	\$ (21,838)	\$
Unassigned	3,209,652	(3,209,652)	
TOTAL FUND BALANCE	<u>\$ 3,231,490</u>	<u>\$ (3,231,490)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,273,946</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 3,861,353	\$ 3,861,353
Unrestricted		3,291,659	3,291,659
TOTAL NET POSITION		<u>\$ 7,153,012</u>	<u>\$ 7,153,012</u>

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total Fund Balance - Governmental Funds \$ 3,231,490

Amounts reported for governmental activities in the Statement of Net Position are different because:

Principal and accrued interest on long-term receivables are not due in the current period and, therefore, are not reported as an asset in the governmental funds. 366,016

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 6,934,517

Deferred inflows of resources related to property tax revenues and penalty and interest revenues on delinquent taxes for the 2016 and prior tax levies became part of recognized revenues in the governmental activities of the District. 120,004

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	\$ (64,414)	
Capital Leases Payable Within One Year	(144,714)	
Capital Leases Payable After One Year	(1,138,163)	
Notes Payable Within One Year	(280,400)	
Notes Payable After One Year	(1,871,324)	<u>(3,499,015)</u>

Total Net Position - Governmental Activities \$ 7,153,012

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 2,507,147	\$ 14,271	\$ 2,521,418
Sales Tax Receipts	1,789,884		1,789,884
Penalty and Interest	30,414	7,740	38,154
Investment Revenues	1,276		1,276
Miscellaneous Revenues	60,260	(58,102)	2,158
TOTAL REVENUES	\$ 4,388,981	\$ (36,091)	\$ 4,352,890
EXPENDITURES/EXPENSES			
Service Operations:			
District Fire Operations	\$ 2,210,416	\$	\$ 2,210,416
Administrative, Accounting and Auditing	47,871		47,871
Appraisal District Fees	18,793		18,793
Fire Marshall Services	4,025		4,025
Legal - General	34,171		34,171
Legal - Delinquent Tax Collections	6,703		6,703
Other Consulting Fees	29,250		29,250
Sales Tax Consultant	48,064		48,064
Tax Assessor/Collector Fees	15,007		15,007
Depreciation		449,264	449,264
Other	3,747		3,747
Capital Outlay	1,374,543	(1,374,543)	
Debt Service:			
Capital Lease Principal	97,018	(97,018)	
Capital Lease Interest	31,304	7,975	39,279
Note Principal	271,951	(271,951)	
Note Interest	73,897	(15,230)	58,667
TOTAL EXPENDITURES/EXPENSES	\$ 4,266,760	\$ (1,301,503)	\$ 2,965,257
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 122,221	\$ (122,221)	\$ -0-
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 500,000	\$ (500,000)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 622,221	\$ (622,221)	\$
CHANGE IN NET POSITION		1,387,633	1,387,633
FUND BALANCE/NET POSITION - JANUARY 1, 2017	2,609,269	3,156,110	5,765,379
FUND BALANCE/NET POSITION - DECEMBER 31, 2017	\$ 3,231,490	\$ 3,921,522	\$ 7,153,012

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
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, 2017**

Net Change in Fund Balance - Governmental Funds \$ 622,221

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. 14,271

Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed. 7,740

Governmental funds report other participant's share of District debt as miscellaneous revenues. However, in the government-wide financial statements, the principal portion received reduces the receivable and the interest portion reduces interest expense in the Statement of Activities. (58,102)

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. (449,264)

Governmental funds report capital 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 assets purchases are expensed in the Statement of Activities. 1,374,543

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. 368,969

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. 7,255

Governmental funds report capital lease proceeds as other financing sources. However, in the government-wide financial statements, the issuance of debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (500,000)

Change in Net Position - Governmental Activities \$ 1,387,633

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 29, 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 2351a-6 of The Revised Civil Statutes of the State of Texas. The District was created by order of the Harris County Court of Commissioners and held its first meeting on October 1, 1984. 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. 29 (the "District"). The District is responsible for the protection of life and property from fire and for the conservation of natural resources within its boundaries.

Chapter 775 of the Health and Safety Code provides that an emergency services district may provide all or any one of the emergency services included in the code, including fire prevention and firefighting, but is not required to perform all emergency services.

The District is governed by a Board of Commissioners consisting of five individuals residing within the District who are elected by voters within the District. The Board of Commissioners sets the policies of the District.

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").

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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.
- 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. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 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 2016 tax levy collections during the period October 1, 2016, to December 31, 2017, and taxes collected from January 1, 2017, to December 31, 2017, for all prior tax levies. The 2017 tax levy has been fully deferred to fund 2018 costs.

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 an expenditure 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. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are capitalized if they have an individual cost of \$5,000 or more (including installation costs and professional fees) and an estimated useful life of two years or more. Bunker/turnout gear, hoses, connections and fittings are expensed in the year purchased. Depreciation on trucks and vehicles is calculated using 20 percent to 30 percent salvage value and the declining balance method of depreciation. Depreciation on all other depreciable capital assets is calculated using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Improvements	30
Furniture and Equipment	2-15
Vehicles	7-15

Budgeting

In compliance with governmental accounting principles, the Board of Commissioners annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District makes payments into the social security system for its employees. See Note 11 for the District’s pension plan. The Internal Revenue Service has determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 has not adopted a formal policy regarding the assignment of fund balances and 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. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. TAX LEVY

On May 10, 2008, voters of the District approved to increase the maximum tax rate from \$0.05 to \$0.10 per \$100 of assessed valuation on all taxable property within the District. During the year ended December 31, 2017, 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 \$2,842,490 on the adjusted taxable valuation of \$2,842,357,704 for the 2017 tax year.

The District's tax calendar is as follows:

Levy Date - Before the later of September 30 or the 60th day after receipt of the certified tax roll.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

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 \$3,842,089 and the bank balance was \$3,864,953. Of the bank balance, \$386,446 was covered by federal depository insurance and the balance was covered by collateral pledged in the name of the District and held in a third-party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2017, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 3,719,045	\$ 123,044	\$ 3,842,089

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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.

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.

All investments are recorded at cost, which the District considers to be fair value. As of December 31, 2017, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
Certificates of Deposit	<u>\$ 123,044</u>	<u>\$ 123,044</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District 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 manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. CAPITAL ASSETS

	January 1, 2017	Increases	Decreases	December 31, 2017
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,299,906	\$	\$	\$ 1,299,906
Construction in Progress	<u>66,034</u>	<u>1,374,543</u>	<u>383,564</u>	<u>1,057,013</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,365,940</u>	<u>\$ 1,374,543</u>	<u>\$ 383,564</u>	<u>\$ 2,356,919</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 4,490,985	\$ 54,894	\$	\$ 4,545,879
Vehicles and Trucks	1,837,013	319,770	12,528	2,144,255
Furniture and Equipment	<u>257,982</u>	<u>8,900</u>	<u></u>	<u>266,882</u>
Total Capital Assets Subject to Depreciation	<u>\$ 6,585,980</u>	<u>\$ 383,564</u>	<u>\$ 12,528</u>	<u>\$ 6,957,016</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 1,171,065	\$ 302,921	\$	\$ 1,473,986
Vehicles and Trucks	616,949	133,557	12,528	737,978
Furniture and Equipment	<u>154,668</u>	<u>12,786</u>	<u></u>	<u>167,454</u>
Total Accumulated Depreciation	<u>\$ 1,942,682</u>	<u>\$ 449,264</u>	<u>\$ 12,528</u>	<u>\$ 2,379,418</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,643,298</u>	<u>\$ (65,700)</u>	<u>\$ - 0 -</u>	<u>\$ 4,577,598</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,009,238</u>	<u>\$ 1,308,843</u>	<u>\$ 383,564</u>	<u>\$ 6,934,517</u>

NOTE 6. CAPITAL LEASES

On September 25, 2013, the District entered into a lease-purchase agreement with Oshkosh Capital for the purchase of two 2013 Pierce Velocity Pumper trucks in the amount of \$1,088,904. The trucks were delivered in July of 2014. Assets under this lease total \$1,130,548. Accumulated amortization/depreciation through December 31, 2017, totaled \$ 337,802. A lease payment of interest only was due on September 25, 2014. Lease payments and related interest of \$128,322.00 are due annually beginning January 25, 2015 and ending January 25, 2024. The incremental borrowing rate is 3.56%.

On March 1, 2017, the District entered into a lease-purchase agreement with Wells Fargo Bank for \$500,000 toward the purchase a Pierce Dash CF PUC 100' Platform Fire Truck, in the amount of \$963,349. The truck is under construction as of year-end. Lease payments and related interest of \$57,662.03 are due annually beginning March 1, 2018 and ending March 1, 2027. The incremental borrowing rate is 2.68%.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6. CAPITAL LEASES (Continued)

The following is a summary of transactions regarding capital leases payable for the year ended December 31, 2017:

Capital Leases Payable, January 1, 2017	\$	879,895
Add: Capital Lease Proceeds		500,000
Less: Principal Paid		<u>97,018</u>
Capital Leases Payable, December 31, 2017	\$	<u><u>1,282,877</u></u>
Capital Leases Payable:		
Due Within One Year	\$	144,714
Due After One Year		<u>1,138,163</u>
Capital Leases Payable, December 31, 2017	\$	<u><u>1,282,877</u></u>

The following is a schedule of future minimum lease payments under the capital leases as of December 31, 2017.

Fiscal Year	Principal	Interest	Total
2018	\$ 144,714	\$ 41,270	\$ 185,984
2019	149,476	36,508	185,984
2020	154,397	31,587	185,984
2021	159,483	26,501	185,984
2022	164,739	21,245	185,984
2023-2027	<u>510,068</u>	<u>34,886</u>	<u>544,954</u>
	<u><u>\$ 1,282,877</u></u>	<u><u>\$ 191,997</u></u>	<u><u>\$ 1,474,874</u></u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7. NOTES PAYABLE

On February 25, 2008, the District entered in to a real estate lien note agreement with Wells Fargo Brokerage Services, LLC, in the amount of \$4,000,000 for the construction of the station at 12730 Champions Forest Drive. Construction of the station was completed in June 2009. On August 29, 2013, the District refinanced the balance of \$3,200,000 with Wells Fargo Bank, N.A at an interest rate of 3.0%, until August 1, 2020 (the “Reset Date”), at which time the interest rate shall be adjusted to the Five-Year Treasury Constant Maturity Index, in effect as of the Reset Date, plus 300 basis points (3.00%) and that number shall be multiplied by .652. Payments are due and payable in annual installments of \$345,848 beginning on August 1, 2014, and continuing through to and including August 1, 2020, the Reset Date. After the Reset Date, the four remaining annual payments due August 1, 2021 through August 1, 2024, will be adjusted to reflect the new interest rate. See Note 8 for additional information.

The following is a summary of transactions regarding notes payable for the year ended December 31, 2017:

Notes Payable, January 1, 2017	\$	2,423,675
Less: Principal Paid		<u>271,951</u>
Notes Payable, December 31, 2017	\$	<u><u>2,151,724</u></u>
Notes Payable:		
Due Within One Year	\$	280,400
Due After One Year		<u>1,871,324</u>
Notes Payable, December 31, 2017	\$	<u><u>2,151,724</u></u>

As of December 31, 2017, the debt service requirements on the note are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 280,400	\$ 65,448	\$ 345,848
2019	288,928	56,920	345,848
2020	297,585	48,263	345,848
2021	306,768	39,080	345,848
2022	316,099	29,749	345,848
2023-2024	661,944	30,389	692,333
	<u>\$ 2,151,724</u>	<u>\$ 269,849</u>	<u>\$ 2,421,573</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8. CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES

Construction, Financing and Cost-Sharing Agreement

On December 19, 2007, the District entered into a Construction, Financing, and Cost Sharing Agreement with Harris County Emergency Services District No. 11 (“ESD No. 11”) for ESD No. 11 to obtain a fractional ownership interest (16.8%) of the facility located at 12730 Champion Forest Drive.

ESD No. 11 will house emergency service equipment and personnel in the station. ESD No. 11 agrees to reimburse the District for 16.8% of the construction costs and interest on the construction loan. The District shall hold legal title to the facilities and the site, subject to the ESD No. 11’s 16.8% interest. ESD No. 11 will reimburse the District for monthly operating and maintenance fees for an amount equal to 16.8% of the total monthly operating costs incurred. Unless terminated by mutual agreement of the parties, this agreement shall continue in force and effect for 40 years from the date executed. As of December 31, 2017, \$361,437 was receivable from ESD No. 11 for note principal and \$4,579 for accrued interest. The District bills ESD No. 11 prior to the payments becoming due. See Note 7.

Maintenance and Operating Agreement for Traffic Preemption Equipment

During 2007, the District entered into an agreement with ESD No. 11 regarding installation and maintenance of traffic signal preemption equipment. Under this agreement, the District is required to pay half (½) of the costs for the installation and maintenance of traffic preemption equipment at specified intersections. The District spent \$38,292 to install the equipment at six intersections. The District does not intend to bill ESD No. 11 for any of these costs; however, District No. 11 is expected to pay for the installation of the equipment at the remaining intersections. The term of the initial contract is through December 31, 2008 and is automatically renewable on a year-to-year basis unless terminated in writing.

Radio Channel Communications Dispatch System

Effective February 1, 2016, the District entered into an Interlocal Agreement for a Combined Radio Channel Communications Dispatch System. Harris County Emergency Services District Nos. 7, 13, 16, 17 and 28 (the “ESD Members”), Ponderosa Volunteer Fire Association, Spring Volunteer Fire Department, Cypress Creek Volunteer Fire Department, Klein Volunteer Fire Department, and Little York Volunteer Fire Department (the “VFD Members”), are parties to the agreement, collectively referred to as Radio Communications Consortium Members. The agreement sets out the understanding regarding the purchase, acquisition and maintenance of the radio channel communications dispatch system for the use and benefit of the Members and the related cost-sharing. The term of the agreement is through December 31, 2017 and will automatically renew every year for one-year terms unless agreed upon otherwise by the Members. The agreement may be terminated by a two-thirds vote by the Members. Any party to this agreement may exit and terminate its obligation under this agreement and remove itself from any further obligations by giving 90 days written notice to the other Members prior to the renewal date.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8. CONTRACTS WITH OTHER GOVERNMENTAL ENTITIES (Continued)

Radio Channel Communications Dispatch System (Continued)

The combined fire department dispatch channels will be used to dispatch fire, first responder and emergency medical services to the Members. Initially three sites will maintain the three analog channels. The channels will be monitored for integrity in accordance with Insurance Services Organization (“ISO”) requirements. Each host department will: allow any and all of their facilities to be used for the term of this agreement; promptly pay for any and all utility costs related to operation of the channels and will not seek reimbursements from other Members for these costs; maintain insurance coverage sufficient to replace, at full replacement value, any and all equipment owned or maintained by the host department, name other parties to this agreement as additional insured on such policies; and maintain adequate backup power to the equipment.

The Members agree the initial equipment and installation costs will be shared equally between the six ESD Members and their respective Department’s. The estimated cost is \$271,456.38, each ESD or corresponding department will pay to Northwest Communications, Inc. (“NWC”) one-sixth of the total cost of the equipment, \$45,242.73. There will be initial as well as reoccurring costs paid as follows: 1) Spring VFD will invoice the six ESD Members their pro-rata share of the rental cost for the Plum Creek Tower, \$9,816 per year; 2) NWC will invoice the six ESD Members their pro-rata share of the rental cost for the NWC Tower and the Greenspoint No. 4 site, \$8,400 each site per year. Maintenance, repair, replacement and upgrade costs, recurring costs, and Cypress Creek VFD administrator and project manager costs for the system operations will be shared equally between the six ESD Members or their corresponding department. Initially, it is not anticipated that there would be any cost to the Members for the administrative work.

During the current year, the District paid \$21,281 to NWC, for a total cost of \$41,897 paid for the District’s share of the equipment and installation.

NOTE 9. 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. The District participates in the Texas Political Subdivisions Joint Self-Insurance Fund (“TPS”) to provide workers compensation insurance coverage. The District, along with other participating entities, contribute annual amounts determined by TPS’ management. As claims arise they are submitted and paid by TPS. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three years.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10. SALES AND USE TAX ELECTION

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

On May 11, 2013, 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 22, 2013, the Board set a local sales and use tax of one percent on all applicable sales and uses within the boundaries of the District, excluding any territory in the District where sales and use tax is currently two percent (2.0%) effective October 1, 2013. During the current year, the District recorded \$1,789,884 in sales tax receipts, of which \$345,415 was due from the State Comptroller at December 31, 2017.

NOTE 11. PENSION PLAN

The District began participation in the Texas County & District Retirement System (TCDRS) as of January 1, 2017, and therefore did not have any participating employees as of the TCERS measurement date, December 31, 2016. A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. The District participates in TCERS, which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the District plan, 5% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest per year on beginning of year balances. At retirement, the account is matched at an employer set percentage(s) (current match is 100%) and is then converted to a lifetime annuity.
 - 4) There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. As of the measurement date, December 31, 2016, the District had no employees covered in TCERS.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11. PENSION PLAN (Continued)

- d. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 5%. The actuarially determined employer contribution rate for 2017 was 3.23%. Contributions to the pension plan from the District were \$47,090 for the fiscal year ended December 31, 2017.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 2,522,000	\$ 2,507,147	\$ (14,853)
Sales Tax Receipts	1,274,000	1,789,884	515,884
Penalty and Interest	15,000	30,414	15,414
Investment Revenues	600	1,276	676
Miscellaneous Revenues	58,100	60,260	2,160
TOTAL REVENUES	\$ 3,869,700	\$ 4,388,981	\$ 519,281
EXPENDITURES			
Service Operations:			
District Fire Operations	\$ 2,301,500	\$ 2,210,416	\$ 91,084
Administrative, Accounting and Auditing	35,000	47,871	(12,871)
Appraisal District Fees	20,000	18,793	1,207
Fire Marshall Services	69,000	4,025	64,975
Legal - General	25,000	34,171	(9,171)
Legal - Delinquent Tax Collections		6,703	(6,703)
Other Consulting Fees	5,000	29,250	(24,250)
Sales Tax Consultant	15,000	48,064	(33,064)
Tax Assessor/Collector Fees	14,000	15,007	(1,007)
Other	4,100	3,747	353
Capital Outlay	1,850,000	1,374,543	475,457
Debt Service:			
Capital Lease Principal	97,018	97,018	
Capital Lease Interest	31,282	31,304	(22)
Note Principal	271,951	271,951	
Note Interest	74,049	73,897	152
TOTAL EXPENDITURES	\$ 4,812,900	\$ 4,266,760	\$ 546,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (943,200)	\$ 122,221	\$ 1,065,421
OTHER FINANCING SOURCES(USES)			
Capital Lease Proceeds	\$ 1,150,000	\$ 500,000	\$ (650,000)
NET CHANGE IN FUND BALANCE	\$ 206,800	\$ 622,221	\$ 415,421
FUND BALANCE - JANUARY 1, 2017	2,609,269	2,609,269	
FUND BALANCE - DECEMBER 31, 2017	\$ 2,816,069	\$ 3,231,490	\$ 415,421

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2017

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2017
(UNAUDITED)

Long-Term Debt at December 31, 2017	\$ 3,434,601
Less: Amount in Debt Service Fund	_____
Net Long-Term Debt at December 31, 2017	<u>\$ 3,434,601</u>
Estimated District Population*	<u>31,915</u>
Net Long-Term Debt Per Capita at December 31, 2017	<u>\$ 107.62</u>

* Per 2017 update to comprehensive review

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
LISTING OF THE NUMBER OF EMERGENCY RESPONSES
MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Number of Emergency Responses made Within the District	774
Number of Emergency Responses made Outside of the District	<u>197</u>
Total Emergency Responses	<u><u>971</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2017

Type of Coverage	From To	Amount of Coverage	Insurer/Name
POSITION SCHEDULE COVERAGE Treasurer	05/17/17 05/17/18	\$ 100,000	Arch Insurance Company
UMBRELLA LIABILITY General Aggregate Each Occurrence	05/17/17 05/17/18	\$ 4,000,000 2,000,000	Arch Insurance Company
AUTOMOBILE Liability - Combined Single Limit Deductible Property Damage – Per Accident	05/17/17 05/17/18	\$ 1,000,000 1,000 Scheduled Vehicles	Arch Insurance Company
INLAND MARINE Deductible	05/17/17 05/17/18	Blanket Unlimited Coverage \$ 250	Arch Insurance Company
PROPERTY Buildings Contents Building and Content Deductible	05/17/17 05/17/18	\$ 5,743,268 382,885 2,500	Arch Insurance Company
ACCIDENT AND SICKNESS Accidental Death and Dismemberment Group Life Accident and Health/Death Benefit	08/07/17 08/07/18	\$ 100,000 50,000 100,000	Provident Insurance
WORKERS COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	09/05/17 09/05/18	\$ 1,000,000 1,000,000 1,000,000	Texas Political Subdivisions
GENERAL LIABILITY, INCLUDING MANAGEMENT, FIREFIGHTER AND EMS LIABILITY/CRIME General Aggregate Each Occurrence	05/17/17 05/17/18	\$ 10,000,000 1,000,000	Arch Insurance Company

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

		Maintenance Taxes
TAXES RECEIVABLE - JANUARY 1, 2017	\$ 1,657,654	
Adjustments to Beginning Balance	(22,180)	\$ 1,635,474
Original 2017 Tax Levy	\$ 2,750,679	
Adjustment to 2017 Tax Levy	91,811	2,842,490
TOTAL TO BE ACCOUNTED FOR		\$ 4,477,964
TAX COLLECTIONS:		
Prior Years	\$ 1,560,622	
Current Year	1,132,007	2,692,629
TAXES RECEIVABLE - DECEMBER 31, 2017		\$ 1,785,335
TAXES RECEIVABLE BY YEAR:		
2017		\$ 1,710,483
2016		21,958
2015		10,342
2014		7,507
2013		6,680
2012		6,114
2011		6,559
2010		4,118
2009		3,823
2008		2,764
2007		1,824
2006		1,091
2005		512
2004		371
2003		415
2002		156
2001		24
2000		23
1999		168
1998		20
1997		20
1996		363
TOTAL		\$ 1,785,335

See accompanying independent auditor's report.

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**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS	<u>\$ 2,842,357,704</u>	<u>\$ 2,850,155,882</u>	<u>\$ 2,734,212,342</u>	<u>\$ 2,436,659,059</u>
TAX RATES PER \$100 VALUATION	<u>\$ 0.10000</u>	<u>\$ 0.08923</u>	<u>\$ 0.09032</u>	<u>\$ 0.09630</u>
ADJUSTED TAX LEVY*	<u>\$ 2,842,490</u>	<u>\$ 2,543,598</u>	<u>\$ 2,469,904</u>	<u>\$ 2,346,504</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>39.82 %</u>	<u>99.14 %</u>	<u>99.58 %</u>	<u>99.68 %</u>

* Based upon the adjusted 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. 29
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2017	2016	2015
REVENUES			
Property Taxes	\$ 2,507,147	\$ 2,439,294	\$ 2,340,548
Sales Tax Receipts	1,789,884	1,394,587	1,261,500
Penalty and Interest	30,414	39,685	22,102
Investment Revenues	1,276	731	543
Miscellaneous Revenues	60,260	88,125	69,570
TOTAL REVENUES	\$ 4,388,981	\$ 3,962,422	\$ 3,694,263
EXPENDITURES			
District Fire Operations	\$ 2,210,416	\$ 2,052,439	\$ 1,832,356
Administrative, Accounting and Auditing	47,871	26,109	24,347
Appraisal District Fees	18,793	18,447	18,710
Fire Marshall Services	4,025		
Legal - General	34,171	37,234	27,693
Legal - Delinquent Tax Collections	6,703	12,248	5,791
Other Consulting Fees	29,250		
Sales Tax Consultant	48,064	13,430	21,948
Tax Assessor/Collector Fees	15,007	12,356	14,633
Other	3,747	20,471	24,069
Capital Outlay	1,374,543	1,408,956	30,324
Debt Service:			
Capital Lease Principal	97,018	93,644	186,955
Capital Lease Interest	31,304	34,658	17,019
Note Principal	271,951	263,863	256,481
Note Interest	73,897	81,984	89,367
Debt Issuance Costs			
TOTAL EXPENDITURES	\$ 4,266,760	\$ 4,075,839	\$ 2,549,693
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 122,221	\$ (113,417)	\$ 1,144,570
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 500,000	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 622,221	\$ (113,417)	\$ 1,144,570
BEGINNING FUND BALANCE	2,609,269	2,722,686	1,578,116
ENDING FUND BALANCE	\$ 3,231,490	\$ 2,609,269	\$ 2,722,686

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2014	2013	2017	2016	2015	2014	2013
\$ 2,287,431	\$ 2,197,186	57.1 %	61.6 %	63.4 %	66.4 %	87.7 %
1,070,625	203,284	40.8	35.2	34.1	31.0	8.1
23,674	22,765	0.7	1.0	0.6	0.7	0.9
406	280					
66,424	80,970	1.4	2.2	1.9	1.9	3.3
<u>\$ 3,448,560</u>	<u>\$ 2,504,485</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,771,836	\$ 1,476,335	50.4 %	51.8 %	49.6 %	51.4 %	58.9 %
23,056	21,345	1.1	0.7	0.7	0.7	0.9
17,975	17,394	0.4	0.5	0.5	0.5	0.7
		0.1				
9,313	40,417	0.8	0.9	0.7	0.3	1.6
7,094	7,526	0.1	0.3	0.2	0.2	0.3
		0.7				
		1.1	0.3	0.6		
14,276	11,380	0.3	0.3	0.4	0.4	0.5
17,870	23,210	0.1	0.5	0.7	0.5	0.9
333,709	1,101,199	31.3	35.5	0.8	9.7	44.0
157,652	150,142	2.2	2.4	5.1	4.6	6.0
70,762	39,507	0.7	0.9	0.5	2.1	1.6
255,981	200,000	6.2	6.7	6.9	7.4	8.0
89,867	221,531	1.7	2.1	2.4	2.6	8.8
	3,328					0.1
<u>\$ 2,769,391</u>	<u>\$ 3,313,314</u>	<u>97.2 %</u>	<u>102.9 %</u>	<u>69.1 %</u>	<u>80.4 %</u>	<u>132.3 %</u>
\$ 679,169	\$ (808,829)	<u>2.8 %</u>	<u>(2.9) %</u>	<u>30.9 %</u>	<u>19.6 %</u>	<u>(32.3) %</u>
\$ - 0 -	\$ 1,088,904					
\$ 679,169	\$ 280,075					
898,947	618,872					
<u>\$ 1,578,116</u>	<u>\$ 898,947</u>					

See accompanying independent auditor's report.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2017**

District Mailing Address - Harris County Emergency Services District No. 29
12730 Champion Forest Drive
Houston, TX 77066

District Telephone Number - (281) 444-2014

<u>Commissioners</u>	<u>Term of Office (Appointed or Elected)</u>	<u>Fees of Office for the year ended December 31, 2017</u>	<u>Expense Reimbursements for the year ended December 31, 2017</u>	<u>Title</u>
Scott Morgan	06/01/14 05/31/18 (Elected)	\$ -0-	\$ 1,769	President
Richard Escott	06/01/14 05/31/18 (Elected)	\$ -0-	\$ 128	Vice President
William Hogue, III	01/05/17 05/31/20 (Appointed)	\$ -0-	\$ -0-	Secretary
Kenneth Latimer	06/01/16 05/31/20 (Elected)	\$ -0-	\$ -0-	Treasurer/ Investment Officer
David J. Parker	06/01/16 05/31/20 (Elected)	\$ -0-	\$ 3,115	Assistant Secretary/ Assistant Treasurer

The limit on fees of office that a Commissioner may receive during a year was \$3,000 as 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.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 29
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2017

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2017*</u>	<u>Title</u>
Coveler & Peeler, P.C.		\$ 34,171	General Counsel
McCall Gibson Swedlund Barfoot PLLC	01/22/09	\$ 16,200	Auditor
Coenen Business Services International, Inc.		\$ 15,174	Bookkeeper/ Administration
Myrtle Cruz, Inc.	05/01/17	\$ 14,754	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP		\$ 6,703	Delinquent Tax Attorney
Sales Tax Assurance LLC	02/26/15	\$ 48,064	Sales Tax Consultant
Harris County Tax Assessor/Collector	Legislative Action	\$ 15,007	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.

