

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**DECEMBER 31, 2025**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Fort Bend County Emergency Services District No. 7 (the "District") as of and for the year ended December 31, 2025, 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, 2025, 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, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, the Schedule of Changes in Net Pension Asset and Related Ratios and the Schedule of District Contributions 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 Ellis PLLC*

McCall Gibson Swedlund Barfoot Ellis PLLC  
Certified Public Accountants  
Houston, Texas

April 14, 2026

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

Management’s discussion and analysis of Fort Bend County Emergency Services District No. 7’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended December 31, 2025. 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 period. All current year revenues and expenses are included regardless of when cash is received or paid.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**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, sales tax receipts, and general expenditures.

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”).

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$6,952,472 as of December 31, 2025. A portion of the District’s net position reflects its net investment in capital assets and right-to-use assets (emergency vehicles and property lease), 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.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

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

	Summary of the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 8,312,175	\$ 7,484,430	\$ 827,745
Capital Assets and Right-of-Use Assets	<u>10,412,148</u>	<u>9,927,902</u>	<u>484,246</u>
Total Assets	<u>\$ 18,724,323</u>	<u>\$ 17,412,332</u>	<u>\$ 1,311,991</u>
Deferred Outflows of Resources	<u>\$ 538,252</u>	<u>\$ 330,132</u>	<u>\$ 208,120</u>
Long-Term Liabilities	\$ 6,291,410	\$ 6,686,688	\$ 395,278
Current and Other Liabilities	<u>1,290,860</u>	<u>1,018,418</u>	<u>(272,442)</u>
Total Liabilities	<u>\$ 7,582,270</u>	<u>\$ 7,705,106</u>	<u>\$ 122,836</u>
Deferred Inflows of Resources	<u>\$ 4,727,833</u>	<u>\$ 4,458,776</u>	<u>\$ (269,057)</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,444,437	\$ 2,684,429	\$ 760,008
Unrestricted	<u>3,508,035</u>	<u>2,894,153</u>	<u>613,882</u>
Total Net Position	<u>\$ 6,952,472</u>	<u>\$ 5,578,582</u>	<u>\$ 1,373,890</u>

The following table provides a summary of the District's operations for the years ended December 31, 2025 and December 31, 2024.

	Summary of the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,333,212	\$ 3,735,058	\$ 598,154
Sales Tax Receipts	3,820,421	2,923,569	896,852
Other Revenues	<u>656,224</u>	<u>335,322</u>	<u>320,902</u>
Total Revenues	<u>\$ 8,809,857</u>	<u>\$ 6,993,949</u>	<u>\$ 1,815,908</u>
Expenses for Services	<u>7,435,967</u>	<u>5,887,812</u>	<u>(1,548,155)</u>
Change in Net Position	\$ 1,373,890	\$ 1,106,137	\$ 267,753
Net Position, Beginning of Year	<u>5,578,582</u>	<u>4,472,445</u>	<u>1,106,137</u>
Net Position, End of Year	<u>\$ 6,952,472</u>	<u>\$ 5,578,582</u>	<u>\$ 1,373,890</u>

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's General Fund fund balance as of December 31, 2025, was \$3,149,510, an increase of \$381,539 from the prior year. The increase was primarily due to property tax and sales tax revenues exceeding service operations and capital expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Commissioners annually adopts an unappropriated budget. Actual revenues were \$2,684,429 more than budgeted revenues and actual expenditures were \$2,552,890 more than budgeted expenditures, which resulted in an overall positive variance compared to the budget of \$131,539.

**CAPITAL ASSETS**

Capital assets as of December 31, 2025, totaled \$9,988,863 (net accumulated depreciation) and include buildings, equipment, emergency vehicles, land and construction in progress. Capital asset events in the current year included a drone purchase and the purchase of two new emergency vehicles. Construction in progress at year-end includes amounts paid for Fire Station No. 52.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 1,503,722	\$ 1,223,795	\$ 279,927
Construction in Progress	392,920	372,589	20,331
Capital Assets, Net of Accumulated Depreciation:			
Buildings	6,530,991	6,702,131	(171,140)
Equipment	62,710	61,599	1,111
Vehicles and Trucks	1,498,520	1,239,169	259,351
Total Net Capital Assets	\$ 9,988,863	\$ 9,599,283	\$ 389,580

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**RIGHT-OF-USE ASSETS**

In accordance with the requirements of GASB Statement No. 87, the District has right-of-use assets consisting of two emergency vehicles and one property lease which totaled \$1,455,649 at December 31, 2025. For the year ended December 31, 2025, the right-of-use assets had amortization expense of \$226,813 and an accumulated amortization balance of \$1,032,364.

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had long-term debt for leases payable of \$404,435. The changes in leases payable of the District during the fiscal year ended December 31, 2025, are summarized as follows:

Leases Payable, January 1, 2025	\$	245,138
Additions		321,479
Retirements		162,182
Leases Payable, December 31, 2025	\$	<u>404,435</u>

At the end of the current fiscal year, the District had long-term debt for notes payable of \$6,563,276. The changes in notes payable of the District during the fiscal year ended December 31, 2025, are summarized as follows:

Loan Payable, January 1, 2025	\$	6,998,335
Less: Principal Paid		<u>435,059</u>
Loan Payable, December 31, 2025	\$	<u>6,563,276</u>

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The adopted budget for fiscal year 2026 projects a net zero change in the General Fund fund balance. Revenues are budgeted to be \$8,110,672 and operating and capital expenditures are budgeted to be \$8,110,672.

**CONTACTING THE DISTRICT'S FINANCIAL 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 Fort Bend County Emergency Services District No. 7, c/o Coveler & Peeler, P.C., 820 Gessner, Suite 1710, Houston, TX 77024.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2025**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 575,770	\$	\$ 575,770
Investments	2,354,919		2,354,919
Due from Fort Bend County Tax Assessor/Collector	226,519		226,519
Receivables:			
Property Taxes	4,059,783		4,059,783
Penalty and Interest on Delinquent Taxes		65,014	65,014
Sales Tax Receipts	736,585		736,585
Prepaid Expenditure	45,000		45,000
Due from TIFMAS	248,585		248,585
Land		1,503,722	1,503,722
Construction in Progress		392,920	392,920
Capital Assets (Net of Accumulated Depreciation)		8,092,221	8,092,221
Right-of-Use Assets (Net of Accumulated Amortization)		423,285	423,285
<b>TOTAL ASSETS</b>	<b>\$ 8,247,161</b>	<b>\$ 10,477,162</b>	<b>\$ 18,724,323</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pensions	\$ - 0 -	\$ 538,252	\$ 538,252
<b>TOTAL ASSETS AND DEFERRED     OUTFLOWS OF RESOURCES</b>	<b>\$ 8,247,161</b>	<b>\$ 11,015,414</b>	<b>\$ 19,262,575</b>

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2025**

	General Fund	Adjustments	Statement of Net Position
<b>LIABILITIES</b>			
Accounts Payable	\$ 330,956	\$	\$ 330,956
Net Pension Liability		111,325	111,325
Accrued Interest Payable		172,278	172,278
Loan Payable:			
Due Within One Year		450,493	450,493
Due After One Year		6,112,783	6,112,783
Leases Payable:			
Due Within One Year		225,808	225,808
Due After One Year		178,627	178,627
<b>TOTAL LIABILITIES</b>	<b>\$ 330,956</b>	<b>\$ 7,251,314</b>	<b>\$ 7,582,270</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 4,766,695	\$ (154,534)	\$ 4,612,161
Deferred Inflows - Pensions		115,672	115,672
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 4,766,695</b>	<b>\$ (38,862)</b>	<b>\$ 4,727,833</b>
<b>FUND BALANCE</b>			
Nonspendable:			
Prepaid Costs	\$ 45,000	\$ (45,000)	\$
Unassigned	3,104,510	(3,104,510)	
<b>TOTAL FUND BALANCE</b>	<b>\$ 3,149,510</b>	<b>\$ (3,149,510)</b>	<b>\$ - 0 -</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 8,247,161</b>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 3,444,437	\$ 3,444,437
Unrestricted		3,508,035	3,508,035
<b>TOTAL NET POSITION</b>		<b>\$ 6,952,472</b>	<b>\$ 6,952,472</b>

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2025**

Total Fund Balance - Governmental Fund \$ 3,149,510

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

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 10,412,148

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenues in the governmental activities of the District. 219,548

Portions of the change in net pension asset/liability are not immediately recognized as pension expense are recorded as deferred outflows or inflows of resources. 422,580

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	\$ (172,278)	
Net Pension Asset (Liability)	(111,325)	
Loan Payable Within One Year	(450,493)	
Loan Payable After One Year	(6,112,783)	
Leases Payable Within One Year	(225,808)	
Leases Payable After One Year	(178,627)	<u>(7,251,314)</u>

Total Net Position - Governmental Activities \$ 6,952,472

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 4,314,541	\$ 18,671	\$ 4,333,212
Sales Tax Receipts	3,820,421		3,820,421
Penalty and Interest	65,697	11,317	77,014
Investment Revenues	160,956		160,956
TIFAMAS and Miscellaneous Revenues	418,254		418,254
<b>TOTAL REVENUES</b>	<u>\$ 8,779,869</u>	<u>\$ 29,988</u>	<u>\$ 8,809,857</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Wages and Benefits	\$ 4,786,771	\$ (188,440)	\$ 4,598,331
Accounting and Auditing	104,581		104,581
Appraisal District Fees	46,199		46,199
Medical Director	18,200		18,200
Commissioner Fees	18,750		18,750
Communications	184,928		184,928
Insurance	227,386		227,386
Legal Fees - General	46,961		46,961
Legal Fees - Delinquent Tax Collections	22,974		22,974
Sales Tax Consultant	58,778		58,778
Tax Assessor/Collector Fees	9,382		9,382
Utilities	87,864		87,864
Fleet Operations	377,789		377,789
Depreciation/Amortization		616,821	616,821
Other	693,305		693,305
Capital Outlay	882,118	(779,588)	102,530
Debt Service:			
Leases Principal	162,182	(162,182)	
Lease Interest	13,124	(6,054)	7,070
Loan Principal	435,059	(435,059)	
Loan Interest	221,979	(7,861)	214,118
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 8,398,330</u>	<u>\$ (962,363)</u>	<u>\$ 7,435,967</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 381,539	\$ (381,539)	
<b>CHANGE IN NET POSITION</b>		1,373,890	1,373,890
<b>FUND BALANCE/NET POSITION - JANUARY 1, 2025</b>	<u>2,767,971</u>	<u>2,810,611</u>	<u>5,578,582</u>
<b>FUND BALANCE/NET POSITION - DECEMBER 31, 2025</b>	<u>\$ 3,149,510</u>	<u>\$ 3,802,962</u>	<u>\$ 6,952,472</u>

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
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, 2025**

Net Change in Fund Balance - Governmental Fund	\$	381,539
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
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.		18,671
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.		11,317
Governmental funds do not account for depreciation or amortization. However, in the government-wide financial statements, capital assets and right-to-use assets are depreciated or amortized and depreciation/amortization expense is recorded in the Statement of Activities.		(616,821)
Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.		779,588
Governmental funds report principal payments on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected.		597,241
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 long-term debt through the fiscal year-end.		13,915
The changes in deferred outflows and inflows of resources are recorded as pension expense in the government-wide financial statements.		<u>188,440</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,373,890</u></u>

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1. CREATION OF DISTRICT**

Fort Bend County Emergency Services District No. 7 (the “District”) was created by the Commissioners’ Court of Fort Bend County on January 5, 2016, in accordance with Article III, Section 48-e, of the Texas Constitution. This action was taken by the Commissioners as a result of voter approval by residents of the District on November 3, 2015. The District operates under Chapter 775 of the Health and Safety Code. The District was established to provide funds for the contracting of emergency services within the boundaries 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 appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

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

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

- 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.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**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 Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has one governmental fund that is considered a major fund.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds (Continued)

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 2024 tax levy collections during the period October 1, 2024 to December 31, 2025, and taxes collected from January 1, 2025, to December 31, 2025, for all prior tax levies. The 2025 tax levy has been fully deferred.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets and Right-to-Use Assets

Capital assets, which include land, construction in progress, buildings, equipment and vehicles, 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 acquisition 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. Installation costs, professional fees and certain other costs are capitalized as part of the asset.

In accordance with GASB Statement No. 87, at December 31, 2025, the District recorded two vehicles and one property lease as right-to-use assets (see Note 9). The right-to-use assets are being amortized over the estimated useful life using the straight-line method of amortization.

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 and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

Payments are made into the social security system for all employees. The Internal Revenue Service has determined that fees of office received by Commissioners are considered wages subject to federal income tax withholding for payroll tax purposes only. See Note 10 for the District's pension plan.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus

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

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**NOTE 3. TAX LEVY**

On November 3, 2015, the voters of the District approved a maximum tax rate of \$0.10 per \$100 of assessed valuation assessed valuation of taxable property within the District. During the year ended December 31, 2025, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation. The tax rate consisted of \$0.013596 for debt service and \$0.084883 for maintenance. This resulted in a tax levy of \$4,612,161 on the adjusted taxable valuation of \$4,681,729,069 for the 2024 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 \$575,770 and the bank balance was \$604,268. Of the bank balance, \$492,799 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third-party depository. The District was not exposed to custodial credit risk at year-end.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**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.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

As of December 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<b>GENERAL FUND</b>				
Texas CLASS	\$2,354,919	\$ 2,354,919	\$ - 0 -	\$ - 0 -

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2025, the District's investment in Texas CLASS was rated "AAAm" by S&P Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

**NOTE 5. CAPITAL ASSETS**

	January 1, 2025	Increases	Decreases	December 31, 2025
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 1,223,795	\$ 279,927	\$	\$ 1,503,722
Construction in Progress	372,589	499,661	479,330	392,920
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 1,596,384</u>	<u>\$ 779,588</u>	<u>\$ 479,330</u>	<u>\$ 1,896,642</u>
<b>Capital Assets Subject to Depreciation to Depreciation</b>				
Buildings	\$ 6,845,607	\$	\$	\$ 6,845,607
Equipment	67,156	14,835		81,991
Vehicles and Trucks	1,619,703	464,495		2,084,198
<b>Total Capital Assets at Historical Cost Subject to Depreciation</b>	<u>\$ 8,532,466</u>	<u>\$ 479,330</u>	<u>\$ - 0 -</u>	<u>\$ 9,011,796</u>
<b>Less Accumulated Depreciation</b>				
Buildings	\$ 143,476	\$ 171,140	\$	\$ 314,616
Equipment	5,557	13,724		19,281
Vehicles and Trucks	380,534	205,144		585,678
<b>Total Accumulated Depreciation</b>	<u>\$ 529,567</u>	<u>\$ 390,008</u>	<u>\$ - 0 -</u>	<u>\$ 919,575</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 8,002,899</u>	<u>\$ 89,322</u>	<u>\$ - 0 -</u>	<u>\$ 8,092,221</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 9,599,283</u>	<u>\$ 868,910</u>	<u>\$ 479,330</u>	<u>\$ 9,988,863</u>

**NOTE 6. 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 has not significantly reduced insurance coverage or had settlements which exceeded coverage in the past three years.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 7. SALES TAX ELECTION**

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

On May 6, 2017, the voters of the District approved the establishment and adoption of a sales and use tax up to a maximum of one-half percent (0.50%). On May 16, 2017, the Board set a local sales and use tax of 0.50% on all applicable sales and uses within the boundaries of the District, excluding the areas where the existing local sales and use tax is already 2% as of the date of the election. The sales tax became effective October 1, 2017. On November 7, 2023, the voters of the District approved and adopted an increase of the sales and use tax. During the current fiscal year, the District recorded sales tax receipts of \$3,820,421, of which \$736,585 was due from the State Comptroller at December 31, 2025.

**NOTE 8. LONG-TERM DEBT**

In February 2022, the District entered into a \$5,500,000 promissory note (loan) with First Security Finance, Inc. to fund the construction of Fire Station No. 52, secured by ad valorem tax funds. Annual installments of \$359,846 are due each February 1, beginning February 1, 2023, and ending February 1, 2042. The interest rate of the note is 2.71%.

On June 1, 2023, the District entered into a \$960,000 promissory note (loan) with Government Capital Corporation, as assigned to Signature Public Funding Corp., to fund the purchase of land for Fire Station No. 53, secured by ad valorem tax funds. Annual installments of \$119,008 are due each June 1, beginning June 1, 2024, and ending June 1, 2033. The interest rate of the note is 4.11%.

On April 2, 2024, the District entered into a promissory note (loan) with Home Bank National Association for the purchase of a 2024 Saber pumper truck in the amount of \$1,045,191. The truck was delivered and fully operational as of April 2, 2024. Annual installments of \$178,183 are due each April 2, beginning April 2, 2025, and ending April 2, 2031. The interest rate of the note is 4.56%.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 8. LONG-TERM DEBT (Continued)**

The following is a summary of transactions regarding the loan payable for the year ended December 31, 2025:

Loan Payable, January 1, 2025	\$ 6,998,335
Less: Principal Paid	<u>435,059</u>
Loan Payable, December 31, 2025	<u>\$ 6,563,276</u>
Loan Payable:	
Due Within One Year	\$ 450,493
Due After One Year	<u>6,112,783</u>
Loan Payable, December 31, 2025	<u>\$ 6,563,276</u>

As of December 31, 2025, the debt service requirements on the loan payable was as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 450,493	\$ 206,545	\$ 657,037
2027	466,508	190,530	657,038
2028	483,045	173,992	657,037
2029	500,370	156,668	657,038
2030	518,268	138,769	657,037
2031-2035	1,877,944	456,493	2,334,437
2036-2040	1,575,190	224,038	1,799,228
2041-2042	<u>691,458</u>	<u>28,232</u>	<u>719,690</u>
	<u>\$ 6,563,276</u>	<u>\$ 1,575,268</u>	<u>\$ 8,138,544</u>

**NOTE 9. LEASES**

On February 15, 2021, the District entered into a lease-purchase agreement with US Bancorp Bank for the purchase of a 2020 Spartan pumper truck in the amount of \$599,997. The truck was delivered and fully operational as of February 11, 2021. Assets under this lease total \$687,714. Accumulated amortization through December 31, 2025 totaled \$535,475. Lease payments and related interest of \$125,306 are due annually beginning February 15, 2022 and ending February 15, 2026. The incremental borrowing rate is 1.46%.

On August 1, 2025, the District entered into a lease agreement with Kerala Plaza, LLC for a commercial lease for property 6209 FM 521 Road in the amount of \$321,479 at an interest rate of 7.50%. Payments of \$10,000 will be due the first day of each month. The payments commenced September 1, 2025. The initial term of the lease is 36 months.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 9. LEASES (Continued)**

In accordance with the requirements of GASB Statement No. 87, the District has recorded right-of-use assets pertaining to the leased pumper trucks. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	<u>January 1, 2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2025</u>
<b>Right-of-use Asset Subject to Amortization</b>				
Vehicles	\$ 1,134,170	\$ - 0 -	\$ - 0 -	\$ 1,134,170
Buildings	<u>                    </u>	<u>321,479</u>	<u>                    </u>	<u>321,479</u>
<b>Total Intangible Assets at Historical Cost Subject to Amortization</b>	<u>\$ 1,134,170</u>	<u>\$ 321,479</u>	<u>\$</u>	<u>\$ 1,455,649</u>
<b>Less Accumulated Amortization</b>				
Vehicles	\$ 805,551	\$ 182,188	\$ - 0 -	\$ 987,739
Buildings	<u>                    </u>	<u>44,625</u>	<u>                    </u>	<u>44,625</u>
<b>Total Accumulated Amortization</b>	<u>\$ 805,551</u>	<u>\$ 226,813</u>	<u>\$ - 0 -</u>	<u>\$ 1,032,364</u>
<b>Right-of-use Asset, Net of Accumulated Amortization</b>	<u>\$ 328,619</u>	<u>\$ 94,666</u>	<u>\$ - 0 -</u>	<u>\$ 423,285</u>

The following is a summary of transactions regarding leases payable for the fiscal year ended December 31, 2025:

Leases Payable, January 1, 2025	\$ 245,138
Additions	321,479
Retirements	<u>162,182</u>
Leases Payable, December 31, 2025	<u>\$ 404,435</u>
Leases Payable:	
Due Within One Year	\$ 225,808
Due After One Year	<u>178,627</u>
Leases Payable, December 31, 2025	<u>\$ 404,435</u>

The following is a schedule of future minimum lease payments under the leases payable as of December 31, 2025. These obligations of the District contain a non-appropriation provision.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 225,808	\$ 19,407	\$ 245,215
2027	110,345	9,655	120,000
2028	<u>68,282</u>	<u>1,718</u>	<u>70,000</u>
	<u>\$ 404,435</u>	<u>\$ 30,780</u>	<u>\$ 435,215</u>

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 10. PENSION PLAN**

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 850 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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

At December 31, 2024 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	<u>0</u>
Inactive employees entitled but not yet receiving benefits	<u>19</u>
Active employees	<u>43</u>

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 10. PENSION PLAN (Continued)**

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.36% for the 2025 accounting year. The deposit rate payable by the employee members for calendar year 2025 is 5.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District’s accounting year ended December 31, 2025, the annual pension cost for the TCDRS plan for its employees was \$298,032; the actual contributions were \$298,032. The employees contributed \$178,870 to the plan for the 2025 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/24
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	17.9 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return <sup>1</sup>	7.50%
Projected salary increases <sup>1</sup>	4.70%
Inflation	2.50%
Cost-of-living adjustments	0.00%

<sup>1</sup> Includes inflation at the stated rate

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2024. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 10. PENSION PLAN (Continued)**

Mortality rates were based on the following:

Depositing members – 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees - 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. The discount rate in the previous year was 7.6%.

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

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

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

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 10. PENSION PLAN (Continued)**

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a long-term time horizon, The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	13.00%	5.35%
Private Equity	25.00%	8.15%
Global Equities	4.00%	5.15%
International Equities-Development	6.00%	4.75%
International Equities-Emerging	0.00%	4.75%
Investment-Grade Bonds	3.00%	2.55%
Strategic Credit	9.00%	3.70%
Direct Lending	16.00%	6.85%
Distressed Debt	4.00%	6.80%
REIT Equities	2.00%	3.95%
Master Limited Partnerships (MLPs)	2.00%	4.95%
Commodities	2.00%	1.00%
Private Real Estate Partnerships	6.00%	5.75%
Hedge Funds	6.00%	3.60%
Cash Equivalents	2.00%	1.10%

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 10. PENSION PLAN (Continued)**

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2024 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2023	\$ 731,825	\$ 656,705	\$ 75,120
Changes for the year:			
Service Costs	223,940		223,940
Interest on the Total Pension Liability	72,591		72,591
Effect of Economic/Demographic			
Gains or Losses	161,181		161,181
Refund of contributions	(1,260)	(1,260)	
Administrative Expenses		(586)	586
Member Contributions		126,208	(126,208)
Net investment income		73,903	(73,903)
Employer Contributions		203,699	(203,699)
Other		18,283	(18,283)
Balances of December 31, 2024	<u>\$ 1,188,277</u>	<u>\$ 1,076,952</u>	<u>\$ 111,325</u>

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

	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.60%	7.60%	8.60%
Total Pension Liability	\$ 1,460,866	\$ 1,188,277	\$ 972,194
Fiduciary Net Position	<u>1,076,952</u>	<u>1,076,952</u>	<u>1,076,952</u>
Net Pension Liability/(Asset)	<u>\$ 383,914</u>	<u>\$ 111,325</u>	<u>\$ (104,758)</u>

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 10. PENSION PLAN (Continued)**

The current year deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 114,471	\$ 228,243
Changes in assumptions	1,201	9,109
Net difference between projected and actual earnings		2,868
Contributions paid to TCDRS subsequent to the measurement date		298,032
	\$ 115,672	\$ 538,252

\$298,032 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e. recognized in the District’s financial statements for the year ending December 31, 2026). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2025	\$	18,782
2026		23,534
2027		13,360
2028		14,652
2029		16,867
Thereafter		37,353

**NOTE 11. DISPATCH SERVICES**

The District has entered into agreements with Harris-Fort Bend County Emergency Service District No. 100 (“ESD 100”) to obtain emergency communication services from ESD 100’s Emergency Communications Center (“WestCom Center”). The WestCom Center will receive emergency and non-emergency communications directed to the District and will dispatch the District’s personnel and equipment by appropriate means, within the District’s geographic area in response to such communications. The District will pay a Dispatch Service Fee of Forty Dollars (\$40.00) for each fire, rescue, EMS and other calls for service which are dispatched by ESD 100 for the District. The initial invoice will include the period September 1, 2021, through December 31, 2025, and will be billed January 1, 2022. Charges for Dispatch Service Fees will be billed quarterly thereafter. In addition to the per call fee above, beginning January 1, 2023, the District will be billed an annual technology base fee. This agreement automatically renews for successive one-year periods. As of December 31, 2025, the District has recorded expenditures of \$86,281 for dispatch services.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 12. INTERLOCAL LEASE AGREEMENT**

On August 1, 2019, the District entered into an agreement with Fort Bend County, Texas (“The County”) to lease office space and the garage/bay areas of a building located in Fresno, Texas. The initial term of the lease was for a period beginning on August 1, 2019 and ending on July 31, 2022, which automatically renews for successive 1-year terms unless terminated by either party. The District will pay The County \$500 per month as rent, as well as their share of monthly utilities and a monthly maintenance fee that will not exceed \$850 per month. For the year ending December 31, 2025, the District did not recognize any expenses in the current year as they are no longer leasing this property.

**NOTE 13. GROUP TERM LIFE INSURANCE**

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for the GTLF. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' ACFR may also be obtained by writing to the Texas County & District Retirement System; P.O. Box 2034, Austin, TX 78768-2034, or by calling 800~823-7782.

*Funding Policy:* Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District’s contribution to the GTLF for the years ending December 31, 2025, 2024 and 2023 were \$2,502, \$1,629 and \$1,050, respectively, which equaled the contractually required contribution.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2025**

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE PERIOD ENDED DECEMBER 31, 2025**

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 3,473,000	\$ 4,314,541	\$ 841,541
Sales Tax Receipts	2,400,000	3,820,421	1,420,421
Penalty and Interest	41,939	65,697	23,758
Investment Revenues	153,500	160,956	7,456
TIFMAS and Miscellaneous Revenues	<u>27,001</u>	<u>418,254</u>	<u>391,253</u>
<b>TOTAL REVENUES</b>	<u>\$ 6,095,440</u>	<u>\$ 8,779,869</u>	<u>\$ 2,684,429</u>
<b>EXPENDITURES</b>			
Service Operations:			
Wages and Benefits	\$ 3,482,250	\$ 4,786,771	\$ (1,304,521)
Accounting and Auditing	83,000	104,581	(21,581)
Appraisal District Fees	31,000	46,199	(15,199)
Medical Director	16,800	18,200	(1,400)
Commissioner Fees	26,000	18,750	7,250
Communications	163,300	184,928	(21,628)
Insurance	251,000	227,386	23,614
Legal Fees - General	55,000	46,961	8,039
Legal Fees - Delinquent Tax Collections		22,974	(22,974)
Sales Tax Consultant	10,000	58,778	(48,778)
Tax Assessor/Collector Fees	9,250	9,382	(132)
Utilities	54,000	87,864	(33,864)
Fleet Operations	234,500	377,789	(143,289)
Other	765,850	693,305	72,545
Capital Outlay	360,000	882,118	(522,118)
Debt Service -			
Principal & Interest on Long-Term Liabilities	<u>303,490</u>	<u>832,344</u>	<u>(528,854)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,845,440</u>	<u>\$ 8,398,330</u>	<u>\$ (2,552,890)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 250,000	\$ 381,539	\$ 131,539
<b>FUND BALANCE - JANUARY 1, 2025</b>	<u>2,767,971</u>	<u>2,767,971</u>	<u></u>
<b>FUND BALANCE - DECEMBER 31, 2025</b>	<u>\$ 3,017,971</u>	<u>\$ 3,149,510</u>	<u>\$ 131,539</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR THE PERIOD ENDED DECEMBER 31, 2025**

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>Total Pension Liability</b>					
Service Cost	\$ 223,940	\$ 158,202	\$ 130,090	\$ 222,988	\$ 127,970
Interest (on the Total Pension Liability)	72,591	44,599	26,580	28,566	10,366
Changes of assumptions			51,570	(1,890)	14,804
Effect of economic/demographic gains or losses	161,181	105,906	8,770	(179,883)	99
Benefit payments, including refunds of employee contributions	(1,260)	(10,810)	(5,360)	(742)	
Net change in total pension liability	\$ 456,452	\$ 297,897	\$ 211,650	\$ 69,039	\$ 153,239
Total pension liability, beginning	731,825	433,928	222,278	153,239	
Total pension liability, ending (a)	\$ 1,188,277	\$ 731,825	\$ 433,928	\$ 222,278	\$ 153,239
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 203,699	\$ 144,312	\$ 93,074	\$ 31,284	\$ 69,855
Contributions - employee	126,208	87,568	67,937	27,156	60,638
Net investment income	73,903	44,030	(26,754)	36,180	267
Benefit payments, including refunds of employee contributions	(1,260)	(10,810)	(5,360)	(742)	
Administrative Expense	(586)	(343)	(223)	(126)	(98)
Other	18,283	11,220	22,107	1,672	3,861
Net Change in plan fiduciary net position	\$ 420,247	\$ 275,977	\$ 150,781	\$ 95,424	\$ 134,523
Plan Fiduciary net position, beginning	656,705	380,728	229,947	134,523	
Plan Fiduciary net position, ending (b)	\$ 1,076,952	\$ 656,705	\$ 380,728	\$ 229,947	\$ 134,523
<b>Net Pension Liability/(Asset), Ending = (a) - (b)</b>	<u>\$ 111,325</u>	<u>\$ 75,120</u>	<u>\$ 53,200</u>	<u>\$ (7,669)</u>	<u>\$ (2,017)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	90.63%	89.74%	87.74%	103.45%	87.79%
<b>Covered-employee payroll</b>	\$ 2,524,157	\$ 1,751,360	\$ 1,358,744	\$ 543,123	\$ 1,212,753
<b>Net pension liability as a percentage of covered employee payroll</b>	4.41%	4.29%	3.92%	-1.41%	(0.17)%

Note : This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See accompanying independent auditor's report.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR THE PERIOD ENDED DECEMBER 31, 2025**

Fiscal Year Ending December 31	Actuarially Determined Contribution <sup>(1)</sup>	Actual Employer Contribution <sup>(1)</sup>	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2020	\$ 69,855	\$ 69,855	\$ -0-	\$ 1,212,753	5.8%
2021	\$ 31,284	\$ 31,284	\$ -0-	\$ 543,123	5.8%
2022	\$ 93,074	\$ 93,074	\$ -0-	\$ 1,358,744	6.8%
2023	\$ 144,312	\$ 144,312	\$ -0-	\$ 1,751,360	8.2%
2024	\$ 203,699	\$ 203,699	\$ -0-	\$ 2,524,157	8.1%
2025	\$ 298,073	\$ 298,073	\$ -0-	\$ 3,577,400	8.3%

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> Payroll is calculated based on contributions as reported to TCDRS.

See accompanying independent auditor's report.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
FOR THE PERIOD ENDED DECEMBER 31, 2025**

**NOTE 1. PENSION PLAN - TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17.9 years (based on contribution rate calculated in 12/31/24 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	4.7%, average over career including inflation, varies by age and service
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Change in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New Inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New Inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015-2019: Not applicable, Prior to TCDRS participation.. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: Employer contributions reflect that the current service matching rate was increased to 250% for future benefits. 2024: No changes in plan provisions were reflected in the Schedule.

See accompanying independent auditor's report.