FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

DECEMBER 31, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 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.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 21, 2020

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 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.

FUND FINANCIAL STATEMENTS

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

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").

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 $1,465,280 as of December 31, 2019.

A portion of the District's net position reflects its net investment in capital assets (emergency vehicles 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.

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		
	2019	2018	Positive (Negative)
Current and Other Assets	$ 3,079,478	$ 2,537,769	$ 541,709
Capital Assets	639,327	444,499	194,828
Total Assets	$ 3,718,805	$ 2,982,268	$ 736,537
Long-Term Liabilities	$ 301,582	$ 301,582	$
Current and Other Liabilities	67,723	412,780	345,057
Total Liabilities	$ 369,305	$ 714,362	$ 345,057
Deferred Inflows of Resources	$ 1,884,220	$ 1,451,695	$ (432,525)
Net Position:			
Net Investment in Capital Assets	$ 292,871	$ 98,043	$ 194,828
Unrestricted	1,172,409	718,168	454,241
Total Net Position	$ 1,465,280	$ 816,211	$ 649,069

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

	Summary of the Statement of Activities		
	2019	2018	Positive (Negative)
Revenues:			
Property Taxes	$ 1,448,425	$ 1,039,869	$ 408,556
Sales Tax Receipts	369,063	310,788	58,275
Other Revenues	254,497	27,712	226,785
Total Revenues	$ 2,071,985	$ 1,378,369	$ 693,616
Expenses for Services	1,422,916	807,914	(615,002)
Change in Net Position	$ 649,069	$ 570,455	$ 78,614
Net Position, Beginning of Year	816,211	245,756	570,455
Net Position, End of Year	$ 1,465,280	$ 816,211	$ 649,069

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2019, was $1,119,573, an increase of $423,747 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 did not amend the budget during the current fiscal year. Actual revenues were $149,777 more than budgeted revenues. Actual expenditures were $210,366 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2019, total $639,327 (net accumulated depreciation) and emergency vehicles. Capital asset events in the current year included the purchase of a pumper truck.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Vehicles and Trucks	$ 639,327	$ 444,499	$ 194,828

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

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had long-term total debt payable of $346,456. The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized as follows:

Capital Leases Payable, January 1, 2019	$ 346,456
Add: Capital Lease Proceeds	
Less: Principal Paid	
Capital Leases Payable, December 31, 2019	$ 346,456

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 FUNDS BALANCE SHEET
DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 316,941	$	$ 316,941
Investments	946,931		946,931
Cash with Fort Bend County	891,423		891,423
Receivables:			
Property Taxes	734,011		734,011
Penalty and Interest on Delinquent Taxes		18,924	18,924
Sales Tax Receipts	66,721		66,721
Prepaid Costs	104,527		104,527
Capital Assets (Net of Accumulated Depreciation)		639,327	639,327
TOTAL ASSETS	$ 3,060,554	$ 658,251	$ 3,718,805
LIABILITIES			
Accounts Payable	$ 12,021	$	$ 12,021
Accrued Interest Payable		10,828	10,828
Capital Leases Payable:			
Due Within One Year		44,874	44,874
Due After One Year		301,582	301,582
TOTAL LIABILITIES	$ 12,021	$ 357,284	$ 369,305
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 1,928,960	$ (44,740)	$ 1,884,220
FUND BALANCE			
Nonspendable:			
Prepaid Costs	$ 104,527	$ (104,527)	$
Unassigned	1,015,046	(1,015,046)	
TOTAL FUND BALANCE	$ 1,119,573	$ (1,119,573)	$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 3,060,554		
NET POSITION			
Net Investment in Capital Assets		$ 292,871	$ 292,871
Unrestricted		1,172,409	1,172,409
TOTAL NET POSITION		$ 1,465,280	$ 1,465,280

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 FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Fund Balance - Governmental Funds		$ 1,119,573
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		639,327
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenues in the governmental activities of the District.		63,664
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	$ (10,828)	
Capital Leases Payable Within One Year	(44,874)	
Capital Leases Payable After One Year	(301,582)	(357,284)
Total Net Position - Governmental Activities		$ 1,465,280

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, 2019

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	$ 1,423,259	$ 25,166	$ 1,448,425
Sales Tax Receipts	369,063		369,063
Penalty and Interest	20,956	13,722	34,678
Investment Revenues	23,668		23,668
Conveyance of Assets by VFD		181,606	181,606
Miscellaneous Revenues	14,545		14,545
TOTAL REVENUES	$ 1,851,491	$ 220,494	$ 2,071,985
EXPENDITURES/EXPENSES			
Service Operations:			
District Services - Fresno Volunteer Fire Department	$ 1,242,000	$	$ 1,242,000
Accounting and Auditing	23,523		23,523
Appraisal District Fees	14,930		14,930
Commissioner Fees	16,050		16,050
Legal Fees - General	38,873		38,873
Legal Fees - Delinquent Tax Collections	5,954		5,954
Tax Assessor/Collector Fees	5,755		5,755
Depreciation		49,379	49,379
Other	18,058		18,058
Capital Outlay	244,207	(244,207)	
Debt Service:			
Capital Lease Interest		8,394	8,394
TOTAL EXPENDITURES/EXPENSES	$ 1,609,350	$ (186,434)	$ 1,422,916
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 242,141	$ 406,928	$ 649,069
OTHER FINANCING SOURCES (USES)			
Conveyance of Assets by VFD	$ 181,606	$ (181,606)	$ -0-
NET CHANGE IN FUND BALANCE	$ 423,747	$ (423,747)	$
CHANGE IN NET POSITION		649,069	649,069
FUND BALANCE/NET POSITION - JANUARY 1, 2019	695,826	120,385	816,211
FUND BALANCE/NET POSITION - DECEMBER 31, 2019	$ 1,119,573	$ 345,707	$ 1,465,280

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, 2019

Net Change in Fund Balance - Governmental Funds	$	423,747
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.		25,166
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.		13,722
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.		(49,379)
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.		244,207
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.		(8,394)
Change in Net Position - Governmental Activities	$	649,069

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

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.

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 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements (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 2018 tax levy collections during the period October 1, 2018 to December 31, 2019, and taxes collected from January 1, 2019, to December 31, 2019, for all prior tax levies. The 2019 tax levy has been fully deferred to meet the District's planned expenditures in the 2020 fiscal year.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as 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.

Capital assets are capitalized if they have an original cost of $5,000 or more and a useful life of two years or more. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Trucks and Vehicles	10

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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 – Budgetary 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

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

Measurement Focus

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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, 2019, the District levied an ad valorem tax at the rate of $0.10 per $100 of assessed valuation, which resulted in a tax levy of $1,884,220 the on the adjusted taxable valuation of $1,883,746,393 for the 2019 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 $316,941 and the bank balance was $320,908. The District was not exposed to custodial credit risk at year-end.

Investments

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

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. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years: Less Than 1	1-5	6-10
GENERAL FUND				
Texas CLASS	$ 697,447	$ 697,447	$	$
Texas CLASS	249,484	249,484		
TOTAL INVESTMENTS	$ 946,931	$ 946,931	$ - 0 -	$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the District's investment in Texas CLASS was rated "AAAm" by Standard and Poor's.

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, 2019	Increases	Decreases	December 31, 2019
Capital Assets at Historical Cost Subject to Depreciation				
Vehicles and Trucks	$ 446,456	$ 244,207	$ - 0 -	$ 690,663
Less Accumulated Depreciation				
Vehicles and Trucks	$ 1,957	$ 49,379	$ - 0 -	$ 51,336
Total Capital Assets, Net of Accumulated Depreciation	$ 444,499	$ 194,828	$ - 0 -	$ 639,327

NOTE 6. CONTRACT FOR PROVIDING EMERGENCY SERVICES

The District entered into an agreement with the Fresno, Texas Volunteer Fire Department, Inc. ("Department") for a period beginning January 1, 2017, and ending December 31, 2018, for fire protection, fire suppression and rescue services to persons and commercial interests within boundaries of a portion of the District. This contract may be renewed for subsequent annual periods upon mutual agreement in writing by the District and the Department. This contract may be terminated by either party upon 90 days written notice. On December 5, 2018, the District renewed the agreement for a period beginning January 1, 2019 and ending December 31, 2019. On December 19, 2019, the District extended the agreement through January 31, 2020, and again through February 29, 2020. Effective March 1, 2020, the District became the direct provider of fire protection services and direct employer of the Department.

Title to and ownership of all assets of Department acquired by Department prior to the effective date of this Contract shall remain with Department during the term of this Contract. Following the effective date of this Contract, title to all assets, capital and otherwise, (specifically including vehicles, apparatus and all equipment used therein) and all land, buildings and substantial renovations made/purchased with District appropriated funds shall be taken in the name of the District and be owned by the District. The District agrees to make such assets fully available and to be placed in the possession of Department to be used by Department. Regarding Department assets acquired subsequent to the effective date of this Contract, in the event of dissolution of Department or upon termination of this Contract for any reason, the ownership and possession of all such non-disposable assets purchased in whole by District appropriated funds shall revert to the District; and ownership and possession of all non-disposable assets purchased partly with District appropriated funds shall revert to the District, subject to reimbursement to Department of Department's pro rata share of the fair market value of such asset based upon the ratio of the purchase price paid for with non-District appropriated funds or trade-in on apparatus originally purchased with non-District appropriated funds. All capital assets of the District and Department, to the extent available, shall be insured for its full replacement costs. Department's insurance policies or endorsements shall reflect the District as "loss payee" as its interest may appear.

All funds received by the Department during the term of this contract from private insurance carriers or directly from a customer in payment for emergency services shall be retained by the Department.

The District shall make monthly payments to the Department based upon the current year operating budget. The Department shall prepare a financial report each month setting forth the Department's receipts (from all sources, including District funding) and all expenditures. Under no circumstance does this contract create any obligation to pay the Department any fiscal year's expenses from the District's subsequent fiscal year budget.

Per the contract, the District paid a total of $1,242,000 in equal monthly payments for 2019 services. Any additional funding will require approval by the District after the review of year to date expenses, sources of income and any reserve balances.

NOTE 7. 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.

NOTE 8. 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. During the current fiscal year, the District recorded sales tax receipts of $369,063, of which $66,721 was due from the State Comptroller at December 31, 2019.

NOTE 9. CAPITAL LEASE

On December 10, 2018, the District entered into a lease-purchase agreement with Frost Bank for the purchase of a 2017 Spartan Pumper truck in the amount of $346,456. The truck was delivered and fully operational as of December 31, 2019. Assets under this lease total $446,456. Accumulated amortization/depreciation through December 31, 2019 totaled $46,603. Lease payments and related interest of $56,133.51 are due annually beginning January 14, 2020 and ending January 14, 2026. The incremental borrowing rate is 3.25%.

NOTE 9. CAPITAL LEASE (Continued)

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

Capital Leases Payable, January 1, 2019	$	346,456
Add: Capital Lease Proceeds		
Less: Principal Paid		
Capital Leases Payable, December 31, 2019	$	346,456
Capital Leases Payable:		
Due Within One Year	$	44,874
Due After One Year		301,582
Capital Leases Payable, December 31, 2019	$	346,456

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

Fiscal Year	Principal	Interest	Total
2020	$ 44,874	$ 11,260	$ 56,134
2021	46,332	9,801	56,133
2022	47,838	8,296	56,134
2023	49,393	6,741	56,134
2024	50,998	5,136	56,134
2025-2026	107,021	5,245	112,266
	$ 346,456	$ 46,479	$ 392,935

NOTE 10. 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 will be for a period beginning on August 1, 2019 and ending on July 31, 2022. 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.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

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, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 1,378,714	$ 1,423,259	$ 44,545
Sales Tax Receipts	305,000	369,063	64,063
Penalty and Interest	10,000	20,956	10,956
Investment Revenues	8,000	23,668	15,668
Miscellaneous Revenues		14,545	14,545
TOTAL REVENUES	$ 1,701,714	$ 1,851,491	$ 149,777
EXPENDITURES			
Service Operations:			
District Services - Fresno Volunteer Fire Department	$ 1,242,000	$ 1,242,000	$
Accounting and Auditing	17,000	23,523	(6,523)
Appraisal District Fees	7,000	14,930	(7,930)
Commissioner Fees	11,000	16,050	(5,050)
Legal Fees - General	40,000	38,873	1,127
Legal Fees - Delinquent Tax Collections		5,954	(5,954)
Tax Assessor/Collector Fees	5,000	5,755	(755)
Other	20,850	18,058	2,792
Capital Outlay		244,207	(244,207)
Debt Service			
Note Principal	44,874		44,874
Note Interest	11,260		11,260
TOTAL EXPENDITURES	$ 1,398,984	$ 1,609,350	$ (210,366)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 302,730	$ 242,141	$ (60,589)
OTHER FINANCING SOURCES(USES)			
Conveyance of Assets by VFD	$ -0-	$ 181,606	$ 181,606
NET CHANGE IN FUND BALANCE	$ 302,730	$ 423,747	$ 121,017
FUND BALANCE - JANUARY 1, 2019	695,826	695,826	
FUND BALANCE - DECEMBER 31, 2019	$ 998,556	$ 1,119,573	$ 121,017

See accompanying independent auditor's report.