

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

DECEMBER 31, 2021

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

DECEMBER 31, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by Harris County and the other supplementary information presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in dark ink that reads "McCall Gibson Swedlund Barfoot PLLC". The script is cursive and fluid.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 22, 2022

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental 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.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 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 \$2,911,037 as of December 31, 2021.

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.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 4,714,340	\$ 4,207,406	\$ 506,934
Capital Assets	<u>1,459,958</u>	<u>693,035</u>	<u>766,923</u>
Total Assets	<u>\$ 6,174,298</u>	<u>\$ 4,900,441</u>	<u>\$ 1,273,857</u>
Long-Term Liabilities	\$ 691,396	\$ 255,250	\$ (436,146)
Current and Other Liabilities	<u>286,202</u>	<u>164,347</u>	<u>(121,855)</u>
Total Liabilities	<u>\$ 977,598</u>	<u>\$ 419,597</u>	<u>\$ (558,001)</u>
Deferred Inflows of Resources	<u>\$ 2,367,654</u>	<u>\$ 2,170,175</u>	<u>\$ (197,479)</u>
Net Position:			
Net Investment in Capital Assets	\$ 588,055	\$ 391,453	\$ 196,602
Unrestricted	<u>2,322,982</u>	<u>1,919,216</u>	<u>403,766</u>
Total Net Position	<u>\$ 2,911,037</u>	<u>\$ 2,310,669</u>	<u>\$ 600,368</u>

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

	Summary of the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,162,100	\$ 1,885,545	\$ 276,555
Sales Tax Receipts	629,375	452,891	176,484
Other Revenues	<u>39,326</u>	<u>194,829</u>	<u>(155,503)</u>
Total Revenues	<u>\$ 2,830,801</u>	<u>\$ 2,533,265</u>	<u>\$ 297,536</u>
Expenses for Services	<u>2,230,433</u>	<u>1,687,876</u>	<u>(542,557)</u>
Change in Net Position	\$ 600,368	\$ 845,389	\$ (245,021)
Net Position, Beginning of Year	<u>2,310,669</u>	<u>1,465,280</u>	<u>845,389</u>
Net Position, End of Year	<u>\$ 2,911,037</u>	<u>\$ 2,310,669</u>	<u>\$ 600,368</u>

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2021, was \$2,163,763, an increase of \$333,654 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 \$389,231 more than budgeted revenues. Actual expenditures were \$787,837 more than budgeted expenditures due to higher than expected capital expenditures.

CAPITAL ASSETS

Capital assets as of December 31, 2021, total \$1,459,958 (net accumulated depreciation) and include emergency vehicles. Capital asset events in the current year included the purchase of a 2020 Spartan Pumper Truck. Currently, there is \$219,444 in construction in progress for a future project related to the remodel of Station 51 and the construction of Station 52.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land	\$ 25,382	\$ 25,382	\$
Construction in Progress	219,444	5,000	214,444
Capital Assets, Net of Accumulated Depreciation:			
Vehicles and Trucks	<u>1,215,132</u>	<u>662,653</u>	<u>552,479</u>
Total Net Capital Assets	<u>\$ 1,459,958</u>	<u>\$ 693,035</u>	<u>\$ 766,923</u>

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, 2021

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had long-term total debt payable of \$871,903. The changes in the debt position of the District during the fiscal year ended December 31, 2021, are summarized as follows:

Capital Leases Payable, January 1, 2021	\$ 301,582
Add: Capital Lease Proceeds	632,260
Less: Principal Paid	<u>61,939</u>
Capital Leases Payable, December 31, 2021	<u><u>\$ 871,903</u></u>

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, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 244,246	\$	\$ 244,246
Investments	2,065,951		2,065,951
Cash with Fort Bend County	340,665		340,665
Receivables:			
Property Taxes	1,926,830		1,926,830
Penalty and Interest on Delinquent Taxes		28,106	28,106
Sales Tax Receipts	108,542		108,542
Land		25,382	25,382
Construction in Progress		219,444	219,444
Capital Assets (Net of Accumulated Depreciation)		1,215,132	1,215,132
TOTAL ASSETS	<u>\$ 4,686,234</u>	<u>\$ 1,488,064</u>	<u>\$ 6,174,298</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pensions	<u>\$ - 0 -</u>	<u>\$ 81,991</u>	<u>\$ 81,991</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 4,686,234</u></u>	<u><u>\$ 1,570,055</u></u>	<u><u>\$ 6,256,289</u></u>
LIABILITIES			
Accounts Payable	\$ 69,944	\$	\$ 69,944
Net Pension Liability		18,716	18,716
Accrued Interest Payable		17,035	17,035
Capital Leases Payable:			
Due Within One Year		180,507	180,507
Due After One Year		691,396	691,396
TOTAL LIABILITIES	<u>\$ 69,944</u>	<u>\$ 907,654</u>	<u>\$ 977,598</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>\$ 2,452,527</u>	<u>\$ (84,873)</u>	<u>\$ 2,367,654</u>
FUND BALANCE			
Unassigned	<u>\$ 2,163,763</u>	<u>\$ (2,163,763)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 4,686,234</u></u>		
NET POSITION			
Net Investment in Capital Assets		\$ 588,055	\$ 588,055
Unrestricted		2,322,982	2,322,982
TOTAL NET POSITION		<u><u>\$ 2,911,037</u></u>	<u><u>\$ 2,911,037</u></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 FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total Fund Balance - Governmental Funds	\$	2,163,763
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		1,459,958
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2020 and prior tax levies became part of recognized revenues in the governmental activities of the District.		112,979
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Portions of the change in net pension liability are not immediately recognized as pension expense are recorded as deferred outflows or inflows of resources.		81,991
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accrued Interest Payable	\$	(17,035)	
Net Pension Liability		(18,716)	
Capital Leases Payable Within One Year		(180,507)	
Capital Leases Payable After One Year		<u>(691,396)</u>	<u>(907,654)</u>
Total Net Position - Governmental Activities	\$		<u>2,911,037</u>

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, 2021

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 2,142,321	\$ 19,779	\$ 2,162,100
Sales Tax Receipts	629,375		629,375
Penalty and Interest	34,762	(5,332)	29,430
Investment Revenues	2,336		2,336
Miscellaneous Revenues	7,560		7,560
TOTAL REVENUES	\$ 2,816,354	\$ 14,447	\$ 2,830,801
EXPENDITURES/EXPENSES			
Service Operations:			
Wages and Benefits	\$ 1,390,030	\$ (63,275)	\$ 1,326,755
Accounting and Auditing	47,953		47,953
Appraisal District Fees	15,895		15,895
Commissioner Fees	16,800		16,800
Insurance	69,122		69,122
Legal Fees - General	35,389		35,389
Legal Fees - Delinquent Tax Collections	10,408		10,408
Tax Assessor/Collector Fees	6,376		6,376
Utilities	20,789		20,789
Fleet Operations	101,200		101,200
Depreciation		211,120	211,120
Other	346,803		346,803
Capital Outlay	981,281	(978,043)	3,238
Debt Service:			
Capital Leases Principal	61,939	(61,939)	
Capital Lease Interest	10,975	7,610	18,585
TOTAL EXPENDITURES/EXPENSES	\$ 3,114,960	\$ (884,527)	\$ 2,230,433
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (298,606)	\$ 898,974	\$ 600,368
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	\$ 632,260	\$ (632,260)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 333,654	\$ (333,654)	\$
CHANGE IN NET POSITION		600,368	600,368
FUND BALANCE/NET POSITION - JANUARY 1, 2021	1,830,109	480,560	2,310,669
FUND BALANCE/NET POSITION - DECEMBER 31, 2021	\$ 2,163,763	\$ 747,274	\$ 2,911,037

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, 2021

Net Change in Fund Balance - Governmental Funds	\$ 333,654
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.	19,779
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.	(5,332)
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.	(211,120)
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.	978,043
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.	61,939
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.	(7,610)
Governmental funds report capital lease proceeds as other financing sources. However, in the government-wide financial statements, the issuance of debt increases long-term liabilities and does not affect the Statement of Activities.	(632,260)
The changes in deferred outflows and inflows of resources are recorded as pension expense in the government-wide financial statements.	63,275
Change in Net Position - Governmental Activities	<u>\$ 600,368</u>

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

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FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental 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.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 2020 tax levy collections during the period October 1, 2020 to December 31, 2021, and taxes collected from January 1, 2020, to December 31, 2021, for all prior tax levies. The 2021 tax levy has been fully deferred.

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:

	<u>Years</u>
Buildings and Improvements	20-40
Trucks and Vehicles	10

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 – 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 9 for the District's pension plan.

Measurement Focus

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

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or 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. The District does not have any nonspendable fund balances.

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.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

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, 2021, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$2,367,654 the on the adjusted taxable valuation of \$2,367,041,502 for the 2021 tax year.

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 \$244,246 and the bank balance was \$283,669. 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. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years		
		Less Than 1	1-5	6-10
<u>GENERAL FUND</u>				
Texas CLASS	\$2,065,951	\$ 2,065,951	\$ -0-	\$ -0-

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021, 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, 2021	Increases	Decreases	December 31, 2021
Capital Assets Not Being Depreciated				
Land	\$ 25,382	\$	\$	\$ 25,382
Construction in Progress	<u>5,000</u>	<u>1,010,306</u>	<u>795,862</u>	<u>219,444</u>
Total Capital Assets Not Being Depreciated	<u>\$ 30,382</u>	<u>\$ 1,010,306</u>	<u>\$ 795,862</u>	<u>\$ 244,826</u>
Capital Assets Subject to Depreciation				
Vehicles and Trucks	<u>\$ 789,962</u>	<u>\$ 763,599</u>	<u>\$ - 0 -</u>	<u>\$ 1,553,561</u>
Less Accumulated Depreciation				
Vehicles and Trucks	<u>\$ 127,309</u>	<u>\$ 211,120</u>	<u>\$ - 0 -</u>	<u>\$ 338,429</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 662,653</u>	<u>\$ 552,479</u>	<u>\$ - 0 -</u>	<u>\$ 1,215,132</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 693,035</u>	<u>\$ 1,562,785</u>	<u>\$ 795,862</u>	<u>\$ 1,459,958</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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. During the current fiscal year, the District recorded sales tax receipts of \$629,375, of which \$108,542 was due from the State Comptroller at December 31, 2021.

NOTE 8. 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, 2020. Assets under this lease total \$446,456. Accumulated amortization/depreciation through December 31, 2021 totaled \$91,371. 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%.

The Fresno, Texas Volunteer Fire Department (the "Department") entered into a lease-purchase agreement with Happy State Bank for the purchase of a 2011 Pierce fire truck. The Department transferred the truck along with all remaining debt payments to the District when the District became the direct provider on March 1, 2020. Assets under this lease total \$126,448. Accumulated amortization/depreciation through December 31, 2021 totaled \$12,662. Lease payments and related interest of \$16,781 are due annually beginning January 15, 2021 and ending January 15, 2023.

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/depreciation through December 31, 2021 totaled \$122,470. 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%.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8. CAPITAL LEASE (Continued)

The following is a summary of transactions regarding capital leases payable for the fiscal year ended December 31, 2021:

Capital Leases Payable, January 1, 2021	\$ 301,582
Add: Capital Lease Proceeds	632,260
Less: Principal Paid	<u>61,939</u>
Capital Leases Payable, December 31, 2021	<u><u>\$ 871,903</u></u>
Capital Leases Payable:	
Due Within One Year	\$ 180,507
Due After One Year	<u>691,396</u>
Capital Leases Payable, December 31, 2021	<u><u>\$ 871,903</u></u>

The following is a schedule of future minimum lease payments under the capital leases as of December 31, 2021. These obligations of the District contain a non-appropriation provision.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 180,507	\$ 17,715	\$ 198,222
2023	168,174	13,820	181,994
2024	170,972	10,468	181,440
2025	174,381	7,058	181,439
2026	<u>177,869</u>	<u>3,570</u>	<u>181,439</u>
	<u><u>\$ 871,903</u></u>	<u><u>\$ 52,631</u></u>	<u><u>\$ 924,534</u></u>

NOTE 9. 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 800 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9. PENSION PLAN (Continued)

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 5 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 75 or more. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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, 2020 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>0</u>
Active employees	<u>34</u>

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 5.76% for the 2021 accounting year. The deposit rate payable by the employee members for calendar year 2021 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, 2021, the annual pension cost for the TCDRS plan for its employees was \$64,183; the actual contributions were \$64,183. The employees contributed \$58,047 to the plan for the 2021 fiscal year.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/20
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	20.0 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return ¹	7.50%
Projected salary increases ¹	4.60%
Inflation	2.50%
Cost-of-living adjustments	0.00%

¹ Includes inflation at the stated rate

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Mortality rates were based on the following:

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

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9. PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. The discount rate in the previous year was 8.1%.

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

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

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

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9. PENSION PLAN (Continued)

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 2021 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon. The 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	11.50%	4.25%
Private Equity	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities-Development	5.00%	4.25%
International Equities-Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships (MLPs)	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2020 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2019	\$ -0-	\$ -0-	\$ -0-
Changes for the year:			
Service Costs	127,970		127,970
Interest on the Total Pension Liability	10,366		10,366
Effect of Economic/Demographic			
Gains or Losses	99		99
Effect of assumptions changes or inputs	14,804		14,804
Benefit Payments			
Administrative Expenses		(98)	98
Member Contributions		60,638	(60,638)
Net investment income		267	(267)
Employer Contributions		69,855	(69,855)
Other		3,861	(3,861)
Balances of December 31, 2020	<u>\$ 153,239</u>	<u>\$ 134,523</u>	<u>\$ 18,716</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% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total Pension Liability	\$ 189,760	\$ 153,239	\$ 124,671
Fiduciary Net Position	<u>134,523</u>	<u>134,523</u>	<u>134,523</u>
Net Pension Liability/(Asset)	<u>\$ 55,237</u>	<u>\$ 18,716</u>	<u>\$ (9,852)</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9. 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	\$ -0-	\$ 91
Changes in assumptions	- 0 -	13,665
Net difference between projected and actual earnings	- 0 -	4,052
Contributions paid to TCDRS subsequent to the measurement date		64,183
	<u>\$ -0-</u>	<u>\$ 81,991</u>

\$64,183 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 in the year ending December 31, 2021. 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:

2021	\$ 2,160
2022	2,160
2023	2,160
2024	2,160
2025	1,147
Thereafter	8,021

NOTE 10. 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, 2021, 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 in the amount of \$12,672.92 (the "Technology Base Fee"). This agreement automatically renews for successive one year periods. As of December 31, 2021, the District has recorded a payable in the amount of \$19,560 for dispatch services.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11. 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.

NOTE 12. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 2,067,763	\$ 2,142,321	\$ 74,558
Sales Tax Receipts	335,000	629,375	294,375
Penalty and Interest	13,000	34,762	21,762
Investment Revenues	10,360	2,336	(8,024)
Miscellaneous Revenues	<u>1,000</u>	<u>7,560</u>	<u>6,560</u>
TOTAL REVENUES	<u>\$ 2,427,123</u>	<u>\$ 2,816,354</u>	<u>\$ 389,231</u>
EXPENDITURES			
Service Operations:			
Wages and Benefits	\$ 1,242,680	\$ 1,390,030	\$ (147,350)
Accounting and Auditing	28,000	47,953	(19,953)
Appraisal District Fees	18,500	15,895	2,605
Commissioner Fees		16,800	(16,800)
Insurance	100,000	69,122	30,878
Legal Fees - General	40,000	35,389	4,611
Legal Fees - Delinquent Tax Collections		10,408	(10,408)
Tax Assessor/Collector Fees	6,000	6,376	(376)
Utilities	15,500	20,789	(5,289)
Fleet Operations	72,500	101,200	(28,700)
Other	200,450	346,803	(146,353)
Capital Outlay	530,579	981,281	(450,702)
Debt Service			
Capital Leases Principal & Interest	<u>72,914</u>	<u>72,914</u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 2,327,123</u>	<u>\$ 3,114,960</u>	<u>\$ (787,837)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 100,000</u>	<u>\$ (298,606)</u>	<u>\$ (398,606)</u>
OTHER FINANCING SOURCES(USES)			
Capital Lease Proceeds	<u>\$ -0-</u>	<u>\$ 632,260</u>	<u>\$ 632,260</u>
NET CHANGE IN FUND BALANCE	\$ 100,000	\$ 333,654	\$ 212,228
FUND BALANCE - JANUARY 1, 2021	<u>1,830,109</u>	<u>1,830,109</u>	<u> </u>
FUND BALANCE - DECEMBER 31, 2021	<u><u>\$ 1,930,109</u></u>	<u><u>\$ 2,163,763</u></u>	<u><u>\$ 212,228</u></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, 2021

	Year Ended December 31, 2020
Total Pension Liability	
Service Cost	\$ 127,970
Interest (on the Total Pension Liability)	10,366
Difference between expected and actual experience	99
Changes of assumptions	14,804
Net change in total pension liability	\$ 153,239
Total pension liability, beginning	
Total pension liability, ending (a)	\$ 153,239
Plan Fiduciary Net Position	
Contributions - employer	\$ 69,855
Contributions - employee	60,638
Net investment income	267
Administrative Expense	(98)
Other	3,861
Net Change in plan fiduciary net position	\$ 134,523
Plan Fiduciary net position, beginning	
Plan Fiduciary net position, ending (b)	\$ 134,523
Net Pension Liability/(Asset), Ending = (a) - (b)	\$ 18,716
Plan fiduciary net position as a percentage of the total pension liability	87.79%
Covered-employee payroll	\$ 1,212,753
Net pension liability as a percentage of covered employee payroll	1.54%

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, 2021

Fiscal Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	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	\$ 64,183	\$ 64,183	\$ -0-	\$ 1,160,940	5.5%

See accompanying independent auditor's report.

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**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 7
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE PERIOD ENDED DECEMBER 31, 2021**

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	20.0 years (based on contribution rate calculated in 12/31/20 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	4.6%, average over career including inflation, varies by age and service
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Change in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New Inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New Inflation, mortality and other assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: No changes in plan provisions were reflected in the Schedule. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule.

See accompanying independent auditor's report.

