HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Harris County Emergency
Services District No. 46
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 46 (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of District Contributions, and the Schedule of Changes in Proportionate Share of Net Pension Liability and Contributions to Texas Emergency Services Retirement System 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.

Board of Commissioners
Harris County Emergency Services District No. 46

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by Harris County and the other supplementary information are presented for purposes of additional analysis and 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.

McCall Gibson Swedlund Barfoot Ellis PLLC

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

July 20, 2026

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Management's discussion and analysis of Harris County Emergency Services District No. 46's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2025.

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 is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $26,361,026 as of December 31, 2025.

A portion of the District's net position reflects its net investment in capital assets (land, buildings, vehicles and equipment less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide for firefighting and emergency services.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 21,841,712	$ 20,925,518	$ 916,194
Capital Assets and Right-of-Use Assets	20,818,535	21,206,356	(387,821)
Total Assets	$ 42,660,247	$ 42,131,874	$ 528,373
Deferred Outflows of Resources	$ 2,035,969	$ 1,691,916	$ 344,053
Long-Term Liabilities	$ 6,003,033	$ 6,860,710	$ 857,677
Other Liabilities	2,834,761	3,131,084	296,323
Total Liabilities	$ 8,837,794	$ 9,991,794	$ 1,154,000
Deferred Inflows of Resources	$ 9,497,396	$ 9,389,212	$ (108,184)
Net Position:			
Net Investment in Capital Assets	$ 13,957,825	$ 13,360,351	$ 597,474
Unrestricted	12,403,201	11,082,433	1,320,768
Total Net Position	$ 26,361,026	$ 24,442,784	$ 1,918,242

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

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 9,160,519	$ 8,829,471	$ 331,048
Sales Tax Receipts	6,425,538	5,696,473	729,065
Charges for Services	3,400,795	3,538,976	(138,181)
Other Revenues	2,139,660	1,438,705	700,955
Total Revenues	$ 21,126,512	$ 19,503,625	$ 1,622,887
Expenses for Services	19,208,270	18,355,887	(852,383)
Change in Net Position	$ 1,918,242	$ 1,147,738	$ 770,504
Net Position, Beginning of Year	24,442,784	23,295,046	1,147,738
Net Position, End of Year	$ 26,361,026	$ 24,442,784	$ 1,918,242

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2025, was $11,965,242, an increase of $1,030,503 from the prior year. This increase was primarily due to property tax revenues, sales tax revenues, EMS collections and other revenues exceeding service operation costs, capital outlay and debt service costs in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners adopted an unappropriated budget for the current fiscal year. Actual revenues were $3,447,064 more than budgeted revenues. Actual expenditures were $1,489,087 more than budgeted, which resulted in a positive variance of $1,957,977. See budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2025, total $19,493,134 (net of accumulated depreciation) and include land, buildings, vehicles and equipment. During the current fiscal year, the District purchased a training pad site, radio system, HVAC replacement, water heater, and Station No. 29 renovation project. Construction in progress includes the 2024 Ram 5500 and Station 29 utility pickup.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 1,845,746	$ 1,845,746	$
Construction in Progress	264,151	8,119,352	(7,855,201)
Capital Assets, Net of Accumulated Depreciation:			
Buildings	15,983,013	7,684,105	8,298,908
Vehicles	869,740	1,162,164	(292,424)
Fire and Rescue Equipment	207,781	296,730	(88,949)
Office Equipment	36,625	50,050	(13,425)
Communications Equipment	286,078	258,459	27,619
Total Net Capital Assets	$ 19,493,134	$ 19,416,606	$ 76,528

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

RIGHT-OF-USE ASSETS

In accordance with the requirements of GASB Statement No. 87, the District reclassified certain capital assets to right-of-use assets. Right-of-use assets consisted of four emergency vehicles which totaled $2,279,414, had current year amortization expense of $349,746, and had an accumulated amortization balance of $954,013 as of December 31, 2025.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of $7,089,916. The changes in the debt position of the District during the fiscal year ended December 31, 2025, are summarized as follows:

Loan Payable, January 1, 2025	$	6,762,533
Less: Note Principal Paid		612,122
Loan Payable, December 31, 2025	$	6,150,411
Lease Payable, January 1, 2025	$	1,083,472
Less: Loan Reduction		114,603
Less: Lease Principal Paid		258,570
Lease Payable, December 31, 2025	$	710,299

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 46, 18425 Timber Forest Drive, Humble, TX 77346.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 1,005,969	$	$ 1,005,969
Investments	10,310,510		10,310,510
Due From Harris County Tax Assessor/Collector	4,189,966		4,189,966
Receivables:			
Property Taxes	4,520,441		4,520,441
Sales Tax Receipts	1,184,427		1,184,427
Penalty and Interest on Delinquent Taxes		96,626	96,626
Other	438,039		438,039
Inventory	95,734		95,734
Land		1,845,746	1,845,746
Construction in Progress		264,151	264,151
Right-of-Use Assets (Net of Accumulated Amortization)		1,325,401	1,325,401
Capital Assets (Net of Accumulated Depreciation)		17,383,237	17,383,237
TOTAL ASSETS	$ 21,745,086	$ 20,915,161	$ 42,660,247
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	$ - 0 -	$ 2,035,969	$ 2,035,969
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 21,745,086	$ 22,951,130	$ 44,696,216

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Net Position
LIABILITIES			
Accounts Payable	$ 216,552	$	$ 216,552
Accrued Interest Payable		41,192	41,192
Compensated Absences		341,440	341,440
Net Pension Liability		1,377,900	1,377,900
Lease Payable:			
Due Within One Year		233,083	233,083
Due After One Year		477,216	477,216
Loan Payable:			
Due Within One Year		624,594	624,594
Due After One Year		5,525,817	5,525,817
TOTAL LIABILITIES	$ 216,552	$ 8,621,242	$ 8,837,794
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 9,563,292	$ (204,135)	$ 9,359,157
Deferred Inflows - Pension		138,239	138,239
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 9,563,292	$ (65,896)	$ 9,497,396
FUND BALANCE			
Nonspendable:			
Inventory	$ 95,734	$ (95,734)	$
Assigned to 2026 Budget	500	(500)	
Unassigned	11,869,008	(11,869,008)	
TOTAL FUND BALANCE	$ 11,965,242	$ (11,965,242)	$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 21,745,086		
NET POSITION			
Net Investment in Capital Assets		$ 13,957,825	$ 13,957,825
Unrestricted		12,403,201	12,403,201
TOTAL NET POSITION		$ 26,361,026	$ 26,361,026

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Fund Balance - Governmental Fund		$ 11,965,242
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,818,535
Portions of the change in net pension asset and liability that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.		519,830
Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2024 and prior tax levies became part of recognized revenues in the governmental activities of the District.		300,761
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	$ (41,192)	
Compensated Absences	(341,440)	
Capital Leases Payable Within One Year	(233,083)	
Capital Leases Payable After One Year	(477,216)	
Loan Payable Within One Year	(624,594)	
Loan Payable After One Year	(5,525,817)	(7,243,342)
Total Net Position - Governmental Activities		$ 26,361,026

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	$ 9,138,706	$ 21,813	$ 9,160,519
Sales Tax Receipts	6,425,538		6,425,538
EMS Collections	3,400,795		3,400,795
Penalty and Interest	87,436	(4,197)	83,239
Investment Revenues	554,647		554,647
Sale of Assets	49,343	(27,217)	22,126
State Deployment Reimbursement	153,545		153,545
Grants, FEMA and Miscellaneous Revenues	1,326,103		1,326,103
TOTAL REVENUES	$ 21,136,113	$ (9,601)	$ 21,126,512
EXPENDITURES/EXPENSES			
Service Operations:			
Administration	$ 29,513	$	$ 29,513
Apparatus Repair and Maintenance	658,573		658,573
Accounting and Auditing	31,000		31,000
Appraisal District Fees	71,387		71,387
Collections	241,934		241,934
Commissioner Fees	13,350		13,350
Community Outreach	14,654		14,654
Emergency Management	2,407		2,407
Emergency Medical Services	783,697		783,697
Fire and Rescue	481,779		481,779
General	351,608		351,608
Insurance	419,922		419,922
Legal Fees - General	99,833		99,833
Legal Fees - Delinquent Tax Collections	20,477		20,477
Property Maintenance	173,408		173,408
Salaries and Benefits	13,777,204	(263,972)	13,513,232
Station Services/Utilities	213,758		213,758
Tax Assessor/Collector Fees	37,446		37,446
Technology and Communications	535,841		535,841
Depreciation and Amortization		1,353,241	1,353,241
Capital Outlay	1,125,542	(1,107,240)	18,302
Debt Service:			
Lease Principal	258,570	(258,570)	
Lease Interest	17,449	(4,520)	12,929
Loan Principal	612,122	(612,122)	
Loan Interest	134,136	(4,157)	129,979
TOTAL EXPENDITURES/EXPENSES	$ 20,105,610	$ (897,340)	$ 19,208,270
NET CHANGE IN FUND BALANCE	$ 1,030,503	$ (1,030,503)	$
CHANGE IN NET POSITION		1,918,242	1,918,242
FUND BALANCE/NET POSITION - JANUARY 1, 2025	10,934,739	13,508,045	24,442,784
FUND BALANCE/NET POSITION - DECEMBER 31, 2025	$ 11,965,242	$ 14,395,784	$ 26,361,026

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balance - Governmental Fund	$ 1,030,503
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.	21,813
Governmental funds report delinquent tax penalty and interest when collected. However, in the government-wide financial statements, revenues are recorded when penalty and interest are assessed.	(4,197)
The changes in the deferred outflows of resources for pensions are recorded as pension expense in the government-wide financial statements.	263,972
Governmental funds do not account for depreciation and amortization. However, in the government-wide financial statements, capital assets are depreciated and right-of-use assets are amortized and the expense is recorded in the Statement of Activities.	(1,353,241)
Governmental funds report only the proceeds received from the sale of an asset. However, in the government-wide financial statements, the sale and disposal of an asset are reported. The book value of the asset, accumulated depreciation and proceeds received, if any, are netted together and the difference is reported as a gain or loss.	(27,217)
Governmental funds report capital costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.	1,107,240
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	870,692
Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.	8,677
Change in Net Position - Governmental Activities	$ 1,918,242

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

NOTE 1. CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 46 (the "District") was created by the Commissioners' Court of the County of Harris on January 23, 2001, in accordance with Article III, Section 48-d, of the Texas Constitution. This action was taken by the Commissioners as a result of voter approval by residents of the District on January 20, 2001. Effective September 1, 2003, Texas Legislature Senate Bill 1021 converted all rural fire prevention districts to emergency services districts and mandated a name change to Harris County Emergency Services District No. 46 (the "District'). The District operates under Chapter 775 of the Health and Safety Code. The District was established to provide operating funds for the contracting of fire prevention and emergency medical 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 elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

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

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, sales tax receipts, EMS collections, 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 recorded as revenue include the 2024 tax levy collections during the period October 1, 2024, to December 31, 2025 and taxes collected from January 1, 2025, to December 31, 2025, for all prior tax levies. The 2025 tax levy has been fully deferred to meet the District's planned expenditures in the 2026 fiscal year.

Capital Assets and Right-of-Use 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.

All personal tangible assets (computers, office machines, office furniture, etc.) are capitalized if they have a total cost of $500 or more (including installation costs and professional fees) and a useful life of at least two years or more. All other capital assets are capitalized if they have a total cost of $5,000 or more (including installation costs and professional fees) 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:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Right-of-Use Assets (Continued)

	Years
Buildings	40
Vehicles	5-10
Fire and Rescue Equipment	2-15
Office Equipment	2-5
Communications Equipment	10

In accordance with GASB Statement No. 87, at December 31, 2025, the District recorded four vehicles as right-to-use assets (see Note 7). The right-to-use assets are being amortized over the estimated useful life using the straight-line method of amortization.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Commissioners. 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 Budget Comparison Schedule – General Fund – presents the original and revised, if any, budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Compensated Absences

The District permits employees to accumulate earned but unused sick and vacation pay benefits up to certain limits. Upon resignation, an employee may receive pay for any unused accrued sick and vacation provided. See Note 13 for additional disclosure.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Pensions

The District makes payments into the social security system for the employees. See Note 10 and Note 12 for the District's pension plans. 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District has assigned $500 of its fund balance to offset a 2026 budget deficit.

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

At an election held May 6, 2017, the voters of the District approved increasing the maximum tax rate from \$0.08 to \$0.10 per \$100 of assessed valuation of property within the District. During the year ended December 31, 2025, the District levied a total ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation (\$0.094275 for maintenance and \$0.005725 for debt service), which resulted in a tax levy of \$9,359,157 on the adjusted taxable valuation of \$9,359,162,803 for the 2025 tax year.

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$1,005,969 and the bank balance was \$1,064,624. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2025, as listed below:

	Cash
Unrestricted	$ 1,005,969

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;

NOTE 4. DEPOSITS AND INVESTMENTS

Investments (Continued)

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 TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

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

As of December 31, 2025, the District had the following investment and maturities.

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 6,397,979	$ 6,397,979
Texas CLASS	3,912,531	3,912,531
TOTAL INVESTMENTS	$ 10,310,510	$ 10,310,510

NOTE 4. DEPOSITS AND INVESTMENTS

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2025, the District's investments in TexPool and Texas CLASS were rated "AAAm" by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and 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

The following is a summary of changes in capital assets for the year ended December 31, 2025:

	January 1, 2025	Increases	Decreases	December 31, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,845,746	$	$	$ 1,845,746
Construction in Progress	8,119,352	1,107,240	8,962,441	264,151
Total Capital Assets Not Being Depreciated	$ 9,965,098	$ 1,107,240	$ 8,962,441	$ 2,109,897
Capital Assets Subject to Depreciation				
Buildings	$ 11,573,599	$ 8,888,419	$	$ 20,462,018
Vehicles	6,015,739		75,436	5,940,303
Fire and Rescue Equipment	1,088,815			1,088,815
Office Equipment	489,926			489,926
Communications Equipment	1,499,934	74,022		1,573,956
Total Capital Assets Subject to Depreciation	$ 20,668,013	$ 8,962,441	$ 75,436	$ 29,555,018
Less Accumulated Depreciation				
Buildings	$ 3,889,494	$ 589,511	$	$ 4,479,005
Vehicles	4,853,575	265,207	48,219	5,070,563
Fire and Rescue Equipment	792,085	88,949		881,034
Office Equipment	439,876	13,425		453,301
Communications Equipment	1,241,475	46,403		1,287,878
Total Accumulated Depreciation	$ 11,216,505	$ 1,003,495	$ 48,219	$ 12,171,781
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 9,451,508	$ 7,958,946	$ 27,217	$ 17,383,237
Total Capital Assets, Net of Accumulated Depreciation	$ 19,416,606	$ 9,066,186	$ 8,989,658	$ 19,493,134

NOTE 6. LOAN PAYABLE

On January 20, 2020, the District entered into a $1,880,000 loan agreement with Trustmark National Bank to fund the purchase of a building and adjacent property for a future maintenance facility. Semi-annual installments of $105,434.36 are due each January 10 and July 10, beginning July 10, 2020, and ending December 2, 2029. The interest rate is 2.17%.

On October 1, 2021, the District entered into a $6,900,000 loan agreement with Government Capital Corporation to fund the construction of a fire station. Annual installments of $535,390 are due each October 1, beginning October 1, 2022, and ending October 1, 2036. The interest rate is 1.96%. Debt obligations under this agreement are secured by a pledge of ad valorem tax revenue.

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

Loan Payable, January 1, 2025	$	6,762,533
Less: Note Principal Paid		612,122
Loan Payable, December 31, 2025	$	6,150,411
Loan Payable:		
Due Within One Year	$	624,594
Due After One Year		5,525,817
Loan Payable, December 31, 2025	$	6,150,411

As of December 31, 2025, the debt service requirements on the notes payable were as follows:

Fiscal Year	Principal		Interest		Total	
2026	$	624,594	$	121,665	$	746,259
2027		637,322		108,937		746,259
2028		650,283		95,975		746,258
2029		767,839		83,660		851,499
2030		467,371		68,019		535,390
2031-2035		2,477,904		199,046		2,676,950
2036		525,098		10,292		535,390
	$	6,150,411	$	687,594	$	6,838,005

NOTE 7. EQUIPMENT LEASE PAYABLE

On October 15, 2020, the District entered into a $693,071 Master Equipment Lease Purchase Agreement with Community First National Bank to fund the purchase of a two ambulances with related equipment. Assets under this lease total $693,071 at December 31, 2025. Accumulated amortization through December 31, 2025, totaled $222,542. Annual installments of $147,324.34 are due each April 1, beginning April 1, 2021, and ending April 1, 2025. This equipment lease was paid off during the current fiscal year.

On June 21, 2021, the District entered into a $1,605,451 Master Tax Exempt Lease Purchase Agreement with U.S. Bank Equipment Finance to fund the purchase of a two firetrucks. Semi-annual installments of $121,648.56 are due each January 15 and July 15, beginning January 15, 2022, and ending July 15, 2028.

In accordance with the requirements of GASB Statement No. 87, the District reclassified the two remaining lease related capital assets above to right-of-use assets. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	January 1, 2025	Increases	Decreases	December 31, 2025
Right-of-Use Asset Subject to Amortization				
Vehicles	$ 2,394,017	$ - 0 -	$ 114,603	$ 2,279,414
Less Accumulated Amortization				
Vehicles	$ 604,267	$ 349,746	$ - 0 -	$ 954,013
Total Amortizable Right-of-Use Assets, Net of Accumulated Amortization	$ 1,789,750	$ (349,746)	$ 114,603	$ 1,325,401

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

Lease Payable, January 1, 2025	$ 1,083,472
Less: Loan Reduction	114,603
Less: Lease Principal Paid	258,570
Lease Payable, December 31, 2025	$ 710,299
Lease Payable:	
Due Within One Year	$ 233,083
Due After One Year	477,216
Lease Payable, December 31, 2025	$ 710,299

NOTE 7. EQUIPMENT LEASE PAYABLE (Continued)

The following is a schedule of future minimum lease payments under the lease as of December 31, 2025.

Fiscal Year	Principal	Interest	Total
2026	$ 233,083	$ 10,214	$ 243,297
2027	236,746	6,551	243,297
2028	240,470	2,827	243,297
	$ 710,299	$ 19,592	$ 729,891

NOTE 8. RISK MANAGEMENT

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

NOTE 9. SALES AND USE TAX

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

On May 14, 2011, the voters of the District approved the establishment and adoption of a sales and use tax of up to a maximum of one percent. On May 23, 2011, the Board set a local sales and use tax of one percent on all applicable sales and uses within the boundaries of the District, excluding any territory in the District where sales and use tax is currently two percent, effective September 1, 2011. During the current year, the District recorded $6,425,538 in sales tax receipts, of which $1,184,427 was due from the State Comptroller at December 31, 2025.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

Benefit provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-0-
Inactive employees entitled but not yet receiving benefits	82
Active employees	99

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

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

actuarially determined rate of 11.77% for the months of the 2025 accounting year. The deposit rate payable by the employee members for calendar year 2025 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District's accounting year ended December 31, 2025, the annual pension cost for the TCDRS plan for its employees was $1,056,427; the actual contributions were $1,056,427. The employees contributed $628,292 to the plan for the 2025 fiscal year.

Actuarial Assumptions

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

Actuarial valuation date	12/31/24
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	15 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return [1]	7.50%
Projected salary increases [1]	4.70%
Inflation	2.50%
Cost-of-living adjustments	0.00%

[1] Includes inflation at the stated rate

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

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

Depositing members – 135% of the PUB-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the PUB-2010 General Employees Amount-Weighted Mortality Table for females with 100% of the MP-2021 Ultimate Scale after 2010.

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

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

Discount Rate

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

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

1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

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.

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

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

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2023	$ 6,727,977	$ 5,539,758	$ 1,188,219
Changes for the year:			
Service Costs	1,060,348		1,060,348
Interest on total pension liability	588,407		588,407
Effect of plan changes			
Effect of economic/demographic gains or losses	641,692		641,692
Refund of contributions	(94,322)	(94,322)	
Benefit payments	351	351	
Administrative Expense		(4,196)	4,196
Member contributions		589,729	(589,729)
Net investment income		596,320	(596,320)
Employer contributions		997,484	(997,484)
Other		83,826	(83,826)
Balances of December 31, 2024	$ 8,924,453	$ 7,708,950	$ 1,215,503

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 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	$ 10,846,664	$ 8,924,453	$ 7,385,867
Fiduciary Net Position	7,708,950	7,708,950	7,708,950
Net Pension Liability/(Asset)	$ 3,137,714	$ 1,215,503	$ (323,083)

As of December 31, 2025, the deferred inflows and outflows of resources are as follows:

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 131,682	$ 784,589
Changes in assumptions	1,158	132,414
Net difference between projected and actual earnings	5,399	
Contributions paid to TCDRS subsequent to the measurement date		1,056,427
	$ 138,239	$ 1,973,430

$1,056,427 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e. recognized in the District's financial statements for the year ending December 31, 2026). Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2025	$ 87,636
2026	160,534
2027	44,720
2028	68,333
2029	99,582
Thereafter	317,959

NOTE 11. GROUP TERM LIFE FUND

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

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org.

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The rate of 0.08% was used for the months of the 2025 calendar year. The District's contribution to the GTLF for the year ending December 31, 2025 and December 31, 2024, were $7,180 and $5,897, respectively, which equaled the contractually required contribution.

NOTE 12. PENSION PLAN (TESRS)

On July 1, 2017, the District signed agreements with the Atascocita Volunteer Fire Department (the "Provider") as a non-employer contributing entity to the Provider's pension plan. The Provider provides retirement for their participating members through a non-traditional defined benefit pension plan in the statewide Texas Emergency Services Retirement System. (TESRS). The State of Texas is responsible for the administration of the statewide cost-sharing multiple-employer public employee retirement system.

As of August 31, 2025, there were 244 contributing fire or emergency departments, which is the most recent valuation report available. TESRS in the aggregate issues an audited annual financial report (AAFR) on a fiscal year basis. The AAFR is available upon written request from the TESRS Board of Trustees at 208 East 10th Street, Suite 309, Austin, TX 78701 or at www.tesrs.org.

Plan Description

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases. Members are 50% vested after the 10th year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

At December 31, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled but not yet receiving benefits	0
Active employees	31

Funding Policy

The plan provisions are adopted by the governing body of the participating departments. No contributions are required from the individuals who are members of the system, nor are they allowed. The governing bodies of each participating department are required to make contributions of at least $36 per member for each month a member performs emergency services for a department. This is referred to as a Part One contribution, which is the legacy portion of the system contribution that directly impacts future retiree annuities.

The State of Texas is required to contribute an amount necessary to make the TESRS system "actuarially sound" each year, which may not exceed one-third of all contributions made by participating governing bodies in a particular year.

NOTE 12. PENSION PLAN (TESRS) (Continued)

Funding Policy (Continued)

The TESRS board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the most recent actuarial valuation as of August 31, 2025, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the system, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

Pension Expense and Net Pension Liability

For the District's accounting year ending December 31, 2025, the amount of expense recognized by the District for the TESRS plan for provider members was $18,400. The District's proportionate share of the collective net pension liability was $162,397 and the District's proportion of the collective pension liability was 0.334% as of the measurement date of August 31, 2025, which is the date of the most recent TESRS Report on Pension Information, a decrease of 0.075% from the prior year. The District has made $18,400 in contributions on behalf of Provider members as of December 31, 2025. The District has recognized $62,539 of deferred outflows of resources.

NOTE 13. COMPENSATED ABSENCES

The District provides sick and vacation time to eligible full-time employees. Members hired full-time prior to January 1, 2018 will accrue 10 hours of PTO each pay period. Members hired full-time after January 1, 2018 will accrue paid time off in accordance with the following accrual schedule:

0 through 4 years	6 hours per pay period
5 through 9 years	8 hours per pay period
10 plus years	10 hours per pay period

Administrative members accrue paid time off in accordance with the following accrual schedule:

0 through 4 years	120 hours (3 weeks)*
5 through 9 years	160 hours (4 weeks)
10 plus years	200 hours (5 weeks)

* There is a 6 month waiting period after initial hire before vacation leave is available.

NOTE 13. COMPENSATED ABSENCES (Continued)

Members who are regularly scheduled Monday through Friday may carry over no more than three weeks of PTO from year to year. Members who are regularly scheduled on a rotating shift can carry over no more than 144 hours of PTO each year. Members who generally accrue scheduled overtime may add up to an additional 6 hours of PTO per 24 hours requested off to compensate for lost overtime when PTO is used. The member must be off work or absent for this to apply.

Immediately upon hire, all full-time members are eligible for sick time, separate from PTO in accordance with the Department Staffing Policy. Field staff will be eligible for 144 hours and administrative staff will be eligible for 15 days.

At the end of employment, eligible members will be paid for accrued but unused PTO when all District property is returned, unless state law dictates otherwise.

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

	January 1, 2025	Net Change	December 31, 2025	Due Within One Year
Compensated Absences	$ 385,966	$ (44,526)	$ 341,440	$ 273,152

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 9,291,457	$ 9,138,706	$ (152,751)
Sales Tax Receipts	5,388,000	6,425,538	1,037,538
EMS Collections	2,280,000	3,400,795	1,120,795
Penalty and Interest		87,436	87,436
Investment Revenues	630,000	554,647	(75,353)
Sale of Assets		49,343	49,343
State Deployment Reimbursement	30,000	153,545	123,545
Miscellaneous Revenues	69,592	1,326,103	1,256,511
TOTAL REVENUES	$ 17,689,049	$ 21,136,113	$ 3,447,064
EXPENDITURES			
Services Operations:			
Administration	$ 23,000	$ 29,513	$ (6,513)
Apparatus Repair and Maintenance	575,600	658,573	(82,973)
Accounting and Auditing	48,000	31,000	17,000
Appraisal District Fees	50,000	71,387	(21,387)
Collections	201,600	241,934	(40,334)
Commissioner Fees	9,000	13,350	(4,350)
Community/Public Outreach	15,000	14,654	346
Emergency Management	5,000	2,407	2,593
Emergency Medical Services	721,300	783,697	(62,397)
Fire and Rescue	420,432	481,779	(61,347)
General	523,634	351,608	172,026
Insurance	275,000	419,922	(144,922)
Legal Fees - General	114,180	99,833	14,347
Legal Fees - Delinquent Tax Collections		20,477	(20,477)
Property Maintenance	165,360	173,408	(8,048)
Salaries and Benefits	12,432,183	13,777,204	(1,345,021)
Station Services/Utilities	215,425	213,758	1,667
Tax Assessor/Collector Fees		37,446	(37,446)
Technology and Communications	719,500	535,841	183,659
Capital Outlay	965,429	1,125,542	(160,113)
Debt Service:			
Lease Principal and Interest	390,621	276,019	114,602
Note Principal and Interest	746,259	746,258	1
TOTAL EXPENDITURES	$ 18,616,523	$ 20,105,610	$ (1,489,087)
NET CHANGE IN FUND BALANCE	$ (927,474)	$ 1,030,503	$ 1,957,977
FUND BALANCE - JANUARY 1, 2025	10,934,739	10,934,739	
FUND BALANCE - DECEMBER 31, 2025	$ 10,007,265	$ 11,965,242	$ 1,957,977

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2025

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Total Pension Liability				
Service Cost	$ 1,060,348	$ 777,702	$ 722,846	$ 704,720
Interest (on the Total Pension Liability)	588,407	383,185	297,392	218,982
Effect on plan changes		1,317,813		195,387
Changes of assumptions				2,827
Effect of economic/demographic gains or losses	641,692	22,084	119,448	(66,241)
Benefit payments, including refunds of employee contributions	(93,971)	(72,705)	(58,904)	(25,893)
Net change in total pension liability	$ 2,196,476	$ 2,428,079	$ 1,080,782	$ 1,029,782
Total pension liability, beginning	6,727,977	4,299,898	3,219,116	2,189,334
Total pension liability, ending (a)	$ 8,924,453	$ 6,727,977	$ 4,299,898	$ 3,219,116
Plan Fiduciary Net Position				
Contributions - employer	$ 997,484	$ 499,458	$ 597,976	$ 372,004
Contributions - employee	589,729	404,419	382,603	329,471
Net investment income	596,320	469,648	(279,445)	555,803
Benefit payments, including refunds of employee contributions	(93,971)	(72,705)	(58,904)	(25,893)
Administrative Expense	(4,196)	(2,893)	(2,460)	(1,854)
Other	83,826	43,293	132,628	19,739
Net Change in plan fiduciary net position	$ 2,169,192	$ 1,341,220	$ 772,398	$ 1,249,270
Plan Fiduciary net position, beginning	5,539,758	4,198,538	3,426,140	2,176,870
Plan Fiduciary net position, ending (b)	$ 7,708,950	$ 5,539,758	$ 4,198,538	$ 3,426,140
Net Pension Liability/(Asset), Ending = (a) - (b)	$ 1,215,503	$ 1,188,219	$ 101,360	$ (207,024)
Plan fiduciary net position as a percentage of the total pension liability	86.38%	82.34%	97.64%	106.43%
Covered-employee payroll	$ 8,424,699	$ 6,740,318	$ 6,376,722	$ 5,491,187
Net pension liability as a percentage of covered employee payroll	14.43%	17.63%	1.59%	(3.77)%

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

See accompanying independent auditor's report.

Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
$ 546,032	$ 502,173	$ 435,832	$ 34,516	$ 33,064	$ 19,087
151,554	109,550	62,635	7,451	2,922	704
		66,804	58,391		(1,563)
196,359			(1,823)		204
(17,158)	(103,610)	(31,801)	181,827	2,000	1,431
(24,432)	(42,046)		(769)		
$ 852,355	$ 466,067	$ 533,470	$ 279,593	$ 37,986	$ 19,863
1,336,979	870,912	337,442	57,849	19,863	
$ 2,189,334	$ 1,336,979	$ 870,912	$ 337,442	$ 57,849	$ 19,863
$ 328,351	$ 280,976	$ 236,550	$ 81,725	$ 18,278	$ 9,798
292,725	249,756	234,080	138,517	22,155	11,876
147,550	128,208	(333)	12,990	1,639	(184)
(24,432)	(42,046)		(769)		
(1,593)	(1,080)	(629)	(200)	(18)	(8)
17,796	16,929	14,051	2,940	1,273	(1)
$ 760,397	$ 632,743	$ 483,719	$ 235,203	$ 43,327	$ 21,481
1,416,473	783,730	300,011	64,808	21,481	
$ 2,176,870	$ 1,416,473	$ 783,730	$ 300,011	$ 64,808	$ 21,481
$ 12,464	$ (79,494)	$ 87,182	$ 37,431	$ (6,959)	$ (1,618)
99.43%	105.95%	89.99%	88.91%	112.03%	108.15%
$ 4,878,754	$ 4,162,608	$ 3,901,336	$ 2,308,617	$ 369,256	$ 263,912
0.26%	(1.91)%	2.23%	1.62%	(1.88)%	(0.61)%

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
DECEMBER 31, 2025

Fiscal Year Ending December 31	Actuarially Determined Contribution[1]	Actual Employer Contribution[1]	Contribution Deficiency (Excess)	Pensionable Covered Payroll[2]	Actual Contribution as a % of Covered Payroll
2016	$ 18,278	$ 18,278	$ -0-	$ 369,256	4.9%
2017	$ 81,725	$ 81,725	$ -0-	$2,308,617	3.5%
2018	$ 234,470	$ 236,550	$ (2,079)	$3,901,336	6.1%
2019	$ 280,976	$ 280,976	$ -0-	$4,162,608	6.8%
2020	$ 328,351	$ 328,351	$ -0-	$4,878,754	6.7%
2021	$ 357,476	$ 372,004	$ (14,528)	$5,491,187	6.8%
2022	$ 597,976	$ 597,976	$ -0-	$6,376,722	9.4%
2023	$ 499,458	$ 499,458	$ -0-	$6,740,318	7.4%
2024	$ 997,484	$ 997,484	$ -0-	$8,424,699	11.8%
2025	$1,056,427	$1,056,427	$ -0-	$8,975,594	11.8%

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

(2) Payroll is calculated based on contributions as reported to TCDRS.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 1. NET PENSION LIABILITY - 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	15 years (based on contribution rate calculated in 12/31/24 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.50%
Salary Increases	4.7%, average over career including inflation, varies by age and service
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Change in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New Inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New Inflation, mortality and other assumptions were reflected 2022: New investment return and inflation assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015-2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2018: Employer contributions reflect that the current service matching rate was increased to 150% for future benefits. 2019: Employer contributions reflect that the current service matching rate was increased to 175% for future benefits. 2020, 2021: No changes in plan provisions were reflected in the Schedule. 2022: Employer contributions reflect that the current service matching rate was increased to 200% for future benefits. 2023: No changes in plan provisions were reflected in the Schedule. 2024: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 250% for future benefits

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

See accompanying independent auditor's report.

* **HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46**

SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS TO TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2025

Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability				
Date of Actuarial Valuation	8/31/2025	8/31/2024	8/31/2023	8/31/2022
Harris County ESD No. 46	0.334%	0.409%	0.710%	0.710%
TESRS Net Pension Liability	$ 48,621,858	$ 107,374,812	$ 43,287,107	$ 41,030,076
proportionate share	$ 162,397	$ 439,163	$ 307,338	$ 291,314
Nonemployer Contributing Entity's Contributions to TESRS				
Contributions	$ 18,400	$ 21,100	$ 31,200	$ 34,550

Nonemployer Contributing Entity's Proportionate Share of Collective Net Pension Liability				
Date of Actuarial Valuation	8/31/2021	8/31/2020	8/31/2019	8/31/2018
Harris County ESD No. 46	0.856%	1.014%	1.210%	1.592%
TESRS Net Pension Liability	$ 10,714,152	$ 25,210,882	$ 28,345,563	$ 21,650,451
proportionate share	$ 91,713	$ 255,638	$ 342,981	$ 344,675
Nonemployer Contributing Entity's Contributions to TESRS				
Contributions	$ 41,100	$ 47,300	$ 54,924	$ 76,927

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2025

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2025
(UNAUDITED)

Long-Term Debt at December 31, 2025	$ 6,860,710
Less: Amount in Debt Service Fund	-0-
Net Long-Term Debt at December 31, 2025	$ 6,860,710
Estimated District Population	80,000
Net Long-Term Debt Per Capita at December 31, 2025	$ 85.76

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
LISTING OF THE NUMBER OF EMERGENCY RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

Number of Emergency Responses made Within the District	6,570
Number of Emergency Responses made Outside of the District	447
Total Emergency Responses	7,017

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2025

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC EMPLOYEE BLANKET BOND Limit	01/01/25 01/01/26	 $ 100,000	National Union Fire Insurance Company
POSITION SCHEDULE BOND Limit - Treasurer	01/01/25 01/01/26	 $ 100,000	National Union Fire Insurance Company
GENERAL LIABILITY General Aggregate Per Occurrence	01/01/25 01/01/26	 $ 10,000,000 1,000,000	National Union Fire Insurance Company
MANAGEMENT LIABILITY General Aggregate Each Wrongful Act	01/01/25 01/01/26	 $ 10,000,000 1,000,000	National Union Fire Insurance Company
EXCESS LIABILITY General Aggregate Per Occurrence	01/01/25 01/01/26	 $ 4,000,000 2,000,000	National Union Fire Insurance Company
AUTOMOBILE LIABILITY Combined Single Limit	01/01/25 01/01/26	 $ 1,000,000	National Union Fire Insurance Company
PROPERTY COVERAGE Buildings Contents Deductible	01/01/25 01/01/26	 $ 27,764,195 1,693,242 5,000	National Union Fire Insurance Company
WORKERS COMPENSATION Bodily Injury by Accident Bodily Injury by Disease Disease Policy Limit	01/01/25 01/01/26	 $ 1,000,000 1,000,000 1,000,000	Bench Mark Insurance Company
PORTABLE EQUIPMENT Limit Deductible	01/01/25 01/01/26	 Guaranteed Replacement Costs $ 500	National Union Fire Insurance Company

See accompanying independent auditor’s report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2025	$ 4,088,558		$	
Adjustments to Beginning Balance	(78,577)	$ 4,009,981		$ -0-
Original 2025 Tax Levy	$ 8,782,993		$ 533,361	
Adjustment to 2025 Tax Levy	40,353	8,823,346	2,450	535,811
TOTAL TO BE ACCOUNTED FOR		$ 12,833,327		$ 535,811
TAX COLLECTIONS:				
Prior Years	$ 3,085,846		$	
Current Year	4,754,148	7,839,994	28,703	28,703
TAXES RECEIVABLE -				
DECEMBER 31, 2025		$ 4,993,333		$ 507,108
TAXES RECEIVABLE BY YEAR:				
2025		$ 4,069,198		$ 507,108
2024		70,662		
2023		37,834		
2022		24,225		
2021		17,429		
2020		12,848		
2019		9,040		
2018		5,492		
2017		5,948		
2016		4,158		
2015		3,635		
2014		2,115		
2013		1,673		
2012 and prior		9,076		
TOTAL		$ 4,273,333		$ 507,108

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024	2023	2022
TOTAL PROPERTY VALUATIONS	$ 9,359,162,803	$ 9,250,392,192	$ 8,927,954,070	$ 7,946,204,298
TAX RATES PER $100 VALUATION				
Debt Service	$ 0.005725	$	$	$
Maintenance	0.094275	0.10	0.10	0.10
TOTAL TAX RATES PER $100 VALUATION	$ 0.100000	$ 0.10	$ 0.10	$ 0.10
ADJUSTED TAX LEVY*	$ 9,359,157	$ 9,239,096	$ 8,927,954	$ 7,946,173
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	53.88 %	99.24 %	99.58 %	99.70 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts 2025	2024	2023
REVENUES			
Property Taxes	$ 9,138,706	$ 8,819,161	$ 7,895,465
Sales Tax Receipts	6,425,538	5,696,473	5,463,596
EMS Collections	3,400,795	3,538,976	2,447,852
Penalty and Interest	87,436	91,719	85,599
Investment Revenues	554,647	669,921	633,684
Sale of Assets	49,343	15,515	1,930
State Deployment Reimbursement	153,545	123,310	4,291
Grants, FEMA and Miscellaneous Revenues	1,326,103	533,207	157,951
TOTAL REVENUES	$ 21,136,113	$ 19,488,282	$ 16,690,368
EXPENDITURES			
Service Operations:			
Administration	$ 29,513	$ 97,753	$ 15,337
Apparatus Repair and Maintenance	658,573	560,777	606,622
Accounting and Auditing	31,000	30,000	37,500
Appraisal District Fees	71,387	72,226	61,298
Collections	241,934	255,182	182,787
Commissioner Fees	13,350	12,450	10,500
Community Outreach	14,654	8,068	14,173
Emergency Management	2,407	5,584	41,758
Emergency Medical Services	783,697	665,649	647,829
Fire and Rescue	481,779	540,213	343,427
General	351,608	385,200	361,175
Insurance	419,922	353,878	309,066
Legal Fees - General	99,833	166,957	91,569
Legal Fees - Delinquent Tax Collections	20,477	18,788	13,929
Property Maintenance	173,408	158,215	203,272
Salaries and Benefits	13,777,204	11,852,620	9,149,565
Station Services/Utilities	213,758	215,938	208,380
Tax Assessor/Collector Fees	37,446	41,884	38,364
Technology and Communications	535,841	565,121	564,991
Capital Outlay	1,125,542	2,051,049	1,415,179
Debt Service:			
Lease Principal and Interest	276,019	390,621	390,621
Loan Principal and Interest	746,258	1,527,897	1,531,551
TOTAL EXPENDITURES	$ 20,105,610	$ 19,976,070	$ 16,238,893
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 1,030,503	$ (487,788)	$ 451,475
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	$	$	$
Loan Proceeds			
TOTAL OTHER FINANCING SOURCES (USES)	$ - 0 -	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCE	$ 1,030,503	$ (487,788)	$ 451,475
BEGINNING FUND BALANCE	10,934,739	11,422,527	10,971,052
ENDING FUND BALANCE	$ 11,965,242	$ 10,934,739	$ 11,422,527

See accompanying independent auditor's report.

2022	2021	Percentage of Total Revenues				
		2025	2024	2023	2022	2021
$ 6,889,884	$ 6,383,442	43.3 %	45.3 %	47.4 %	46.3 %	43.8 %
5,241,498	4,941,246	30.4	29.2	32.7	35.2	33.8
2,142,177	2,165,978	16.1	18.2	14.7	14.4	14.8
36,912	50,554	0.4	0.5	0.5	0.2	0.3
189,211	6,469	2.6	3.4	3.8	1.3	
87,475	97,755	0.2	0.1		0.6	0.7
4,791	245,255	0.7	0.6			1.7
294,940	708,700	6.3	2.7	0.9	2.0	4.9
$ 14,886,888	$ 14,599,399	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 13,575	$ 13,711	0.1 %	0.5 %	0.1 %	0.1 %	0.1 %
565,461	470,452	3.1	2.9	3.6	3.8	3.2
31,500	27,500	0.1	0.2	0.2	0.2	0.2
51,801	47,153	0.3	0.4	0.4	0.3	0.3
150,150	153,545	1.1	1.3	1.1	1.0	1.1
14,100	10,650	0.1	0.1	0.1	0.1	0.1
8,699	5,797	0.1		0.1	0.1	
15,433	50,706			0.3	0.1	0.3
364,023	490,879	3.7	3.4	3.9	2.4	3.4
285,076	394,798	2.3	2.8	2.1	1.9	2.7
362,222	368,278	1.7	2.0	2.2	2.4	2.5
263,528	218,263	2.0	1.8	1.9	1.8	1.5
78,420	72,866	0.5	0.9	0.5	0.5	0.5
12,890	12,498	0.1	0.1	0.1	0.1	0.1
291,073	228,944	0.8	0.8	1.2	2.0	1.6
8,880,170	7,467,141	65.2	60.8	54.8	59.7	51.1
210,633	206,480	1.0	1.1	1.2	1.4	1.4
35,588	53,515	0.2	0.2	0.2	0.2	0.4
428,918	377,715	2.5	2.9	3.4	2.9	2.6
5,332,048	3,388,158	5.3	10.5	8.5	35.8	23.2
390,621	230,648	1.3	2.0	2.3	2.6	1.6
1,530,935	1,091,471	3.5	7.8	9.2	10.3	7.5
$ 19,316,864	$ 15,381,168	95.0 %	102.5 %	97.4 %	129.7 %	105.4 %
$ (4,429,976)	$ (781,769)	5.0 %	(2.5) %	2.6 %	(29.7) %	(5.4) %
$	$ 1,605,451					
	6,900,000					
$ - 0 -	$ 8,505,451					
$ (4,429,976)	$ 7,723,682					
15,401,028	7,677,346					
$ 10,971,052	$ 15,401,028					

See accompanying independent auditor’s report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2025

District Mailing Address - Harris County Emergency Services District No. 46
18425 Timber Forest Drive
Humble, TX 77346

District Telephone Number - (281) 852-2181

Commissioners	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2025	Expense Reimbursement for the year ended December 31, 2025	Title
Tom Truver	06/01/22 05/31/26 (Elected)	$ 3,150	$ -0-	President
Buddy Rice	06/01/22 05/31/26 (Elected)	$ 2,700	$ -0-	Vice President
Ron Clarke	06/01/24 05/31/28 (Elected)	$ 1,800	$ -0-	Secretary
John Bollom	06/01/24 05/31/28 (Elected)	$ 4,050	$ -0-	Treasurer
James Cone	06/01/22 05/31/26 (Elected)	$ 1,650	$ -0-	Assistant Secretary/ Treasurer

The limit on fees of office that a Commissioner may receive during a year was $3,000 as set by the Health and Safety Code-Chapter 775. Effective September 1, 2017, a Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently $7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts paid to a Commissioner during the District's current fiscal year.

*Fees of office paid in excess of the annual limit will be withheld during the next fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 46
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2025

Consultants:	Date Hired	Fees for the year ended December 31, 2025*	Title
Coveler & Peeler, P.C.	05/09/01	$ 77,961	Attorney
McCall Gibson Swedlund Barfoot Ellis PLLC	05/02/02	$ 31,000	Auditor
Linebarger Goggan Blair & Sampson, LLP	05/02/02	$ 20,477	Delinquent Tax Attorney
Alberta Balderas	07/01/11	$ 18,000	Sales Tax Consultant
Harris County Tax Assessor/Collector	Legislative Action	$ 37,447	Tax Assessor/ Collector

* Accrual basis

See accompanying independent auditor's report.