



VILLAGE FIRE DEPARTMENT

2025 ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
DECEMBER 31, 2025



Village Fire Department

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December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Village Fire Department:

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village Fire Department (the "Department"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Village Fire Department, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Village Fire Department 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

The Department's 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 Department's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility 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 GAAS 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 GAAS, 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 Department'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 Department'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.

Emphasis of Matters

The Department restated beginning net position for governmental activities to correct accrued liabilities and to implement GASB 101, *Compensated Absences*. More details can be found in note V.K. of the footnotes. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
June 30, 2026



*MANAGEMENT'S DISCUSSION
AND ANALYSIS*



Village Fire Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2025

As management of the Village Fire Department (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended December 31, 2025.

Financial Highlights

- The Department's total combined net position was a balance of \$10,237,999 at December 31, 2025.
- At the close of the current fiscal year, the Department's governmental funds reported combined fund balances of \$4,051,931, an increase of \$2,575,212. The increase is primarily a result of \$2,000,000 in insurance recoveries received for a fire truck, in addition to the participating cities approving that no disbursements from the ambulance fund be made in the current year to the participating cities in the current year.
- As of the end of the year, the unassigned fund balance of the general fund was \$477,712.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Department's assets and liabilities. The difference between the two is 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 Department is improving or deteriorating. Other non-financial factors, such as the Department's property tax base and the condition of the Department's infrastructure, need to be considered in order to assess the overall health of the Department.

The *statement of activities* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Village Fire Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2025

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by charges for services (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Department include public safety.

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 Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Department maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, capital replacement, and ambulance billing, which are considered to be major funds, and the facility fund, which is nonmajor.

The Department adopts an annual appropriated budget for its general, vehicle replacement, and capital asset funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Village Fire Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

December 31, 2025

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Department's own operations. The accrual basis of accounting is used for fiduciary funds. The Department maintains one fiduciary fund, which is reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of changes in the net pension liability and related ratios, schedule of employer contributions for the Texas Municipal Retirement System, and the schedule of changes in the OPEB liability and related ratios. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the Department's financial position. For the Department, assets and deferred outflows exceed liabilities and deferred inflows by \$10,237,999 as of December 31, 2025.

The largest portion of the Department's net position, \$6,732,514, reflects its investments in capital assets (e.g., land, fire station, equipment and vehicles). The Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village Fire Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2025

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		
	2025	2024	
	Governmental	Governmental	\$
	Activities	Activities	Variance
Current and			
other assets	\$ 5,389,944	\$ 2,445,979	\$ 2,943,965
Capital assets, net	7,408,310	6,659,934	748,376
Total Assets	12,798,254	9,105,913	3,692,341
Deferred Outflows of			
Resources	366,250	1,115,819	(749,569)
Other liabilities	1,861,004	795,572	1,065,432
Long-term liabilities	586,580	951,984	(365,404)
Total Liabilities	2,447,584	1,747,556	700,028
Deferred Inflows of			
Resources	478,921	345,173	133,748
Net Position:			
Net investment			
in capital assets	6,732,514	6,659,934	72,580
Restricted	675,796	-	675,796
Unrestricted	2,829,689	1,469,069	1,360,620
Total Net Position	\$ 10,237,999	\$ 8,129,003	\$ 2,108,996

Current and other assets increased by \$2,943,965 primarily due to the change in cash held at year end after receiving insurance recoveries of \$2,000,000 from a damaged fire truck, in addition to the retention of the ambulance billing funds per approval by the participating cities in the current year. Capital assets increased by \$748,376 primarily due to current year additions exceeding current year depreciation on existing assets in the current year and the change in the net pension asset balance. Other liabilities increased by \$1,065,432 primarily due to the Department's compensated absences as a result of implementing GASB 101, in addition to the accrual of assessment reimbursements paid to the participating cities. Long-term liabilities decreased by \$365,404 primarily due to the change in the net pension liability, which due to changes in actuarial assumptions and market conditions went from a net pension liability in the prior year to a net pension asset in the current year.

Village Fire Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2025

Statement of Activities:

The following table provides a summary of the Department's changes in net position:

	Governmental Activities		
	2025	2024	
	Governmental	Governmental	\$
	Activities	Activities	Variance
Revenues			
Program revenues:			
Charges for services	\$ 415,075	\$ 744,057	\$ (328,982)
Grants and contributions	50,000	32,511	17,489
General revenues:			
Participant assessments	10,075,920	9,913,488	162,432
Investment income	178,263	79,517	98,746
Other revenues	2,079,763	79,115	2,000,648
Total Revenues	12,799,021	10,848,688	1,950,333
Expenses			
Public safety	10,183,789	10,252,388	(68,599)
Total Expenses	10,183,789	10,252,388	(68,599)
Change in Net Position	2,615,232	596,300	2,018,932
Beginning Net Position	7,622,767 *	7,532,703	90,064
Ending Net Position	\$ 10,237,999	\$ 8,129,003	\$ 2,108,996

*Includes restatement for GASB 101, *Compensated Absences*

For the year ended December 31, 2025, revenues from governmental activities totaled \$12,799,021. Charges for services decreased by \$328,982, which is primarily due to a decrease in fuel charges and the current year allowance for ambulance services. Investment income increased by \$98,746 primarily due to realization of higher interest rates in the current year on higher cash balances held in interest bearing accounts. Grants and contributions increased \$17,489 due to a donation received in the current year to go toward emergency service equipment. Other revenues increased by \$2,000,648, which is a direct result of insurance recoveries received in the current year for the totaled ladder truck.

For the year ended December 31, 2025, expenses for governmental activities totaled \$10,183,789. This represents a decrease of \$68,599 or 1% from the prior year. The current year is relatively consistent with the prior year.

Village Fire Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

December 31, 2025

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the Department's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Department's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$574,752. Of this, \$47,040 is considered nonspendable due to prepaid assets, \$50,000 was restricted for emergency services equipment, and \$477,712 was unassigned. The general fund balance decreased \$51,981 from the prior year.

The capital replacement fund reflected a fund balance of \$2,975,013. This is an increase of \$2,137,609 compared to the prior year, as capital outlay expenditures were less than current year revenues, which included \$2,000,000 in insurance recoveries for the totaled ladder truck.

The ambulance fund reflected a fund balance of \$488,884. This is an increase of \$488,884 when compared to the prior year. The increase is primarily due to there being no disbursement in the current year of the remaining balance to the participating cities in the current year.

There was an overall increase in governmental fund balance of \$2,575,212 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$233,005 and a positive expenditure variance of \$714,478 for the year. The positive revenue variance was the result of miscellaneous revenue and donations received during the year. The positive expenditure variance was due to less than anticipated expenditures for all departments, in the current year. There was an overall positive budget variance of \$947,483, for the year ended December 31, 2025.

CAPITAL ASSETS

As of the end of the year, the Department's governmental activities funds had invested \$6,732,514 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Village Fire Department

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

December 31, 2025

Major capital asset additions during the current year include the following:

- Purchase of medical and rescue equipment, totaling \$66,777.
- Purchased two Ford F250 vehicles totaling \$145,681.
- Renovated the training tower, totaling \$61,980.
- Replacement and upgrades to fuel system and generator, totaling \$134,049.

More detailed information about the Department's capital assets is presented in note IV.C to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Fire Commissioners are committed to maintaining and improving the overall wellbeing of the Department and improving services provided to their public citizens. The Department is budgeting for growth in the upcoming year.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning this report or requests for additional financial information should be directed to the Fire Chief, Village Fire Department, 901 Corbindale, Houston, Texas 77024.



FINANCIAL STATEMENTS



Village Fire Department

STATEMENT OF NET POSITION

December 31, 2025

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 5,200,765
Receivables, net	142,139
Prepays	47,040
Total Current Assets	5,389,944
Net pension asset	675,796
Capital assets:	
Net depreciable capital assets	6,732,514
Total Noncurrent Assets	7,408,310
Total Assets	12,798,254
<u>Deferred Outflows of Resources</u>	
Deferred outflows-pensions	361,447
Deferred outflows-OPEB	4,803
Total Deferred Outflows of Resources	366,250
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	1,275,361
Compensated absences, current	585,643
Total Current Liabilities	1,861,004
Noncurrent liabilities:	
OPEB liability-SDBF	154,993
Compensated absences, noncurrent	431,587
Total Noncurrent Liabilities	586,580
Total Liabilities	2,447,584
<u>Deferred Inflows of Resources</u>	
Deferred inflows-pensions	445,909
Deferred inflows-OPEB	33,012
Total Deferred Inflows of Resources	478,921
<u>Net Position</u>	
Net investment in capital assets	6,732,514
Restricted	675,796
Unrestricted	2,829,689
Total Net Position	\$ 10,237,999

See Notes to Financial Statements.



Village Fire Department

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government				
Governmental Activities				
Public safety	\$ 10,183,789	\$ 415,075	\$ 50,000	\$ (9,718,714)
Total Governmental Activities	<u>10,183,789</u>	<u>415,075</u>	<u>50,000</u>	<u>(9,718,714)</u>
General Revenues:				
		Participant assessments		10,075,920
		Investment income		178,263
		Other revenues		79,763
		Insurance recoveries		<u>2,000,000</u>
		Total General Revenues		<u>12,333,946</u>
		Change in Net Position		<u>2,615,232</u>
		Beginning Net Position, as previously reported		8,265,733
		Correction of error		(136,730)
		Implementation of GASB 101		(506,236)
		Beginning Net Position, as adjusted		<u>7,622,767</u>
		Ending Net Position		<u><u>\$ 10,237,999</u></u>

See Notes to Financial Statements.

Village Fire Department

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2025

	General	Capital Replacement	Ambulance Billing	Nonmajor Facility	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 1,593,291	\$ 3,148,474	\$ 445,718	\$ 13,282	\$ 5,200,765
Receivables, net	-	-	142,139	-	142,139
Due from other funds	173,546	-	-	-	173,546
Prepays	47,040	-	-	-	47,040
Total Assets	\$ 1,813,877	\$ 3,148,474	\$ 587,857	\$ 13,282	\$ 5,563,490
<u>Liabilities</u>					
Accounts payable and accrued liabilities	\$ 1,239,125	\$ -	\$ 36,236	\$ -	\$ 1,275,361
Due to other funds	-	173,461	85	-	173,546
Total Liabilities	1,239,125	173,461	36,321	-	1,448,907
<u>Deferred Inflows of Resources</u>					
Unavailable revenue:					
EMS services	-	-	62,652	-	62,652
Total Deferred Inflows of Resources	-	-	62,652	-	62,652
<u>Fund Balances</u>					
Nonspendable:					
Prepays	47,040	-	-	-	47,040
Restricted:					
EMS Equipment	50,000	-	-	-	50,000
Assigned for:					
Equipment replacement	-	2,975,013	488,884	-	3,463,897
Facility improvements	-	-	-	13,282	13,282
Unassigned reported in:					
General fund	477,712	-	-	-	477,712
Total Fund Balances	574,752	2,975,013	488,884	13,282	4,051,931
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,813,877	\$ 3,148,474	\$ 587,857	\$ 13,282	\$ 5,563,490

See Notes to Financial Statements.

Village Fire Department

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

December 31, 2025

Fund Balances - Total Governmental Funds	\$ 4,051,931
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - net depreciable	6,732,514
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Net pension asset	675,796
Revenue that does not provide current financial resources and is not reported as revenue in the funds.	
EMS services	62,652
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Pension outflows	361,447
OPEB outflows-SDBF	4,803
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.	
Pension inflows	(445,909)
OPEB inflows-SDBF	(33,012)
Some liabilities, including bonds payable and capital leases, are not reported as liabilities in the governmental funds.	
Compensated absences	(1,017,230)
OPEB liability-SDBF	(154,993)
Net Position of Governmental Activities	\$ 10,237,999

See Notes to Financial Statements.

Village Fire Department

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended December 31, 2025

	General	Capital Replacement	Ambulance Billing	Nonmajor Facility	Total Governmental Funds
<u>Revenues</u>					
Participant assessments, net	\$ 9,875,920	\$ 200,000	\$ -	\$ -	\$ 10,075,920
Charges for fuel	44,007	-	-	-	44,007
Emergency medical services	-	-	482,104	-	482,104
Investment income	59,235	111,070	7,258	700	178,263
Other revenue	129,763	-	-	-	129,763
Total Revenues	10,108,925	311,070	489,362	700	10,910,057
<u>Expenditures</u>					
Current:					
General government	1,029,105	-	478	-	1,029,583
Personnel	8,027,128	-	-	-	8,027,128
Distribution	763,464	-	-	-	763,464
Capital outlay	341,209	173,461	-	-	514,670
Total Expenditures	10,160,906	173,461	478	-	10,334,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,981)	137,609	488,884	700	575,212
<u>Other Financing Sources (Uses)</u>					
Insurance recoveries	-	2,000,000	-	-	2,000,000
Total Other Financing Sources (Uses)	-	2,000,000	-	-	2,000,000
Net Change in Fund Balances	(51,981)	2,137,609	488,884	700	2,575,212
Beginning fund balances, as previously presented	763,463	837,404	-	12,582	1,613,449
Error corrections	(136,730)	-	-	-	(136,730)
Beginning fund balances, as adjusted	626,733	837,404	-	12,582	1,476,719
Ending Fund Balances	\$ 574,752	\$ 2,975,013	\$ 488,884	\$ 13,282	\$ 4,051,931

See Notes to Financial Statements.

Village Fire Department

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 2,575,212
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	408,487
Depreciation expense	(335,907)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(111,036)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(46,502)
Pension expense	125,361
OPEB expense-SDBF	(383)
Change in Net Position of Governmental Activities	\$ 2,615,232

See Notes to Financial Statements.

Village Fire Department

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

December 31, 2025

	<u>Custodial Fund</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 17,401
Total Current Assets	<u>17,401</u>
<u>Net Position</u>	
Net position restricted for insurance premium distributions	17,401
Total Net Position	<u>\$ 17,401</u>

See Notes to Financial Statements.

Village Fire Department
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2025

		Custodial Fund
<u>Additions:</u>		
Insurance premiums collected		\$ 2,680,936
	Total Additions	<u>\$ 2,680,936</u>
<u>Deductions:</u>		
Insurance premiums distributed		\$ 2,673,998
	Total Deductions	<u>\$ 2,673,998</u>
	Net Change in Net Position	6,938
Beginning Net Position		10,463
	Ending Net Position	<u>\$ 17,401</u>

See Notes to Financial Statements.



Village Fire Department

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Department has no business-type activities.

B. Reporting Entity

The Village Fire Department (the "Department") was created on December 20, 1978. Six contracting cities joined into an interlocal cooperation agreement (the "Interlocal Agreement") to establish a common municipal fire department, chartered as the Village Fire Department (the "Department"), to provide fire and rescue services beginning January 1, 1979. The area of coverage consists of the six cities commonly known as the Memorial Villages (the "Participating Cities") and is approximately ten square miles. As discussed in Note IV.E., the Department operates and services the Participating Cities based upon the Interlocal Agreement.

The Department operates under a six-member Board of Fire Commissioners (the "Board"). Each of the six Participating Cities appoint one fire commissioner and one alternate. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department (the primary government) and its component units. In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other indications of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. As of December 31, 2025, the Department had no component units.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the Department's financial reporting entity. The Department has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. No other entities have been included in the Department's reporting entity.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2025

Additionally, the Department is considered a primary government for financial reporting purposes.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Department's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Department is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the Department's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Department is not considered a component unit of the participating Cities, but is reported as a joint venture.

C. Basis of Presentation – Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

The government reports the following major governmental funds:

General Fund

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is contributions from the Participating Cities. Expenditures include public safety. The general fund is always considered a major fund for reporting purposes.

Capital Replacement Fund

The *capital replacement fund* calls for a certain amount to be set aside each year to be used for replacement of capital equipment. The capital replacement fund is considered a major fund for reporting purposes.

Facilities Fund

The *facility fund* is used to account for monies to be used toward the remodel of the fire station. The facility fund is reported as a nonmajor fund.

Ambulance Billing Fund

The *ambulance billing fund* is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is considered a major fund for reporting purposes.

Additionally, the Department reports the following fund type:

Fiduciary Fund

The *fiduciary fund* accounts for assets held by the Department in a trustee capacity or as a custodian agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs.

The Department reports the following type of fiduciary fund:

The *custodial funds* report resources, not in a trust, that are held by the Department for other parties outside of the Department. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for the Department's insurance cooperative funds.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2025

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues available if they are collected within 60 days of the end of the current period. Charges for services, participant assessments, other revenues, and interest

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts 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/expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

1. Deposits and Investments

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the Department reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The Department has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the Department is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2025

2. Fair Value

The Department has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	9 to 18 years
Machinery and equipment	5 to 15 years
Buildings and improvements	5 to 40 years
Computer equipment	5 to 7 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2025

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Fire Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (board) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Compensated Absences

The Department accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, *Compensated Absences*.

Under GASB Statement No. 101, the Department recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the Department has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from employment, the Department does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

11. Participant Contributions

The Department collects operating revenues from the Participating Cities based on the approved operating budget, of which each Participating Department contributes a pro-rata share.

12. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

13. Other Postemployment Benefits ("OPEB")

The Department has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The Department also provides medical benefits to eligible retirees through a single-employer defined benefit plan (the "Plan"). This Plan is an unfunded, pay-as-you-go plan. Information about the Department's OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by the Department's consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Department adopts an annual non-appropriated budget for its general fund, and a hybrid annual/project length budget for the capital replacement fund, subject to the terms and conditions of the Interlocal Agreement and the method approved by Participating Cities each year. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits and Investments: The Department’s cash and cash equivalents include cash in a bank account and on demand investment deposits with Texas CLASS. The Department’s carrying balances reported for bank accounts within cash and cash equivalents was \$5,200,765 as of December 31, 2025.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

As of December 31, 2025, the Department had the following investments:

Investment Type	Value	Weighted Average Maturity	Credit Rating
External investment pools			
TexasCLASS	\$ 3,953,017	45 days	AAAm
Total fair value	\$ 3,953,017		

Custodial credit risk – deposits In the case of deposits, this is the risk that the Department's deposits may not be returned in the event of a bank failure. The Department's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of December 31, 2025, fair market values of pledged securities and FDIC coverage exceeded bank balances.

TexasCLASS

TexasCLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexasCLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects consultants for TexasCLASS, including the Program Administrator and the Custodian. MBIA's Texas CLASS is rated AAA by Fitch. There were no limitations or restrictions on withdrawals.

B. Fair Value Measurement

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are remeasured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy noted above.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Department's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

The Department's financial instruments consist of cash and cash equivalents, accounts receivable, accrued payables and long-term liabilities. The estimated fair value of cash and cash equivalents, accounts receivable, and accrued payables approximate their carrying amounts due to the short-term nature of these instruments.

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,638,709	\$ 61,980	\$ -	\$ 6,700,689
Furniture and equipment	1,057,064	200,826	-	1,257,890
Vehicles	1,960,959	145,681	(514,696)	1,591,944
Total capital assets being depreciated	<u>9,656,732</u>	<u>408,487</u>	<u>(514,696)</u>	<u>9,550,523</u>
Less accumulated depreciation				
Buildings and improvements	(1,267,378)	(147,788)	-	(1,415,166)
Furniture and equipment	(711,258)	(87,088)	-	(798,346)
Vehicles	(1,018,162)	(101,031)	514,696	(604,497)
Total accumulated depreciation	<u>(2,996,798)</u>	<u>(335,907)</u>	<u>514,696</u>	<u>(2,818,009)</u>
Net capital assets being depreciated	6,659,934	72,580	-	6,732,514
Total Net Capital Assets	<u><u>\$ 6,659,934</u></u>	<u><u>\$ 72,580</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,732,514</u></u>

All depreciation was charged to the public safety function.

D. Receivables

The following comprise receivable balances of the primary government at year end:

	Ambulance Billing
Accounts	\$ 411,549
Allowance	(269,410)
	<u><u>\$ 142,139</u></u>

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

E. Other Long-term Liabilities

The following is a summary of changes in the Department's total other long-term liabilities for the year ended. In general, the Department uses the general fund to liquidate governmental compensated absences. A summary of changes in other long-term liabilities for the year end was as follows:

	Beginning Balance	Change	Ending Balance	Due Within One Year
Governmental Activities:				
Compensated Absences	\$ 970,728	\$ 46,502	\$ 1,017,230	\$ 585,643
Total Governmental Activities	<u>\$ 970,728</u>	<u>\$ 46,502</u>	<u>\$ 1,017,230</u>	<u>\$ 585,643</u>
Compensated Absences Due in More than One Year			<u>\$ 431,587</u>	

F. Interfund Balances

The compositions of interfund balances as of year end were as follows:

Due to (Payable Fund):	Due from (Receivable Fund):
	General
Capital Replacement	\$ 173,461
Ambulance Billing	85
Total	<u>\$ 173,546</u>

Interfund receivables and payables relate to various amounts used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year.

V. OTHER INFORMATION

A. Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Department participates along with more than 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The Department has no additional risk or responsibility to the Pool outside of the payment of insurance premiums.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2025

The Department has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The Department uses a number of approaches to decrease risks and protect against losses to the Department, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge.

The Department owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The Department is insured as to its own property losses, and the liability of loss to others.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The Department participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

C. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The Village Fire Department participates as one of 934 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (ACFR) that can be obtained at www.tmrs.com.

All eligible employees of the Department are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Department, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Department -financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the Department, within the options available in the state statutes governing TMRS. Plan provisions for the Department were as follows:

	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/25
Updated service credit	0% Repeating Transfers	0% Repeating Transfers
Annuity increase (to retirees)	50% of CPI Non-retroactive Repeating	0% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

Effective April 1, 2024, the Departments plan provisions reflect adopted changes which include a 20 year any age retirement and a non-retroactive repeating COLA of 50% of CPI. These changes increase the retiree benefits and future contribution rates. The December 31, 2024 valuation reflects changes in actuarial assumptions based on these changes.

Employees covered by benefit terms

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	33
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>53</u>
Total	<u>122</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Department matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Department. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Village Fire Department were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Village Fire Department were 6.36% and 6.22% in calendar years 2024 and 2025, respectively. The Department's contributions to TMRS for the year ended December 31, 2025, were \$373,455, and equaled the required contributions.

4. Net Pension Liability

The Department's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

Actuarial assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. They were adopted in 2022 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Real Return	12.0%	8.0%
Real Estate	12.0%	7.6%
Absolute Return	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Department, calculated using the discount rate of 6.75%, as well as what the Department's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 2,454,060	\$ (675,796)	\$ (3,301,109)

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balance at 12/31/23	\$ 23,905,109	\$ 23,582,228	\$ 322,881
Changes for the year:			
Service cost	709,372	-	709,372
Interest	1,599,838	-	1,599,838
Change in benefit terms	-	-	-
Difference between expected and actual experience	(119,889)	-	(119,889)
Contributions – employer	-	354,106	(354,106)
Contributions – employee	-	405,687	(405,687)
Net investment income	-	2,444,287	(2,444,287)
Change of assumptions	-	-	-
Benefit payments, including refunds of emp. contributions	(1,116,972)	(1,116,972)	-
Administrative expense	-	(15,715)	15,715
Other changes	-	(367)	367
Net changes	1,072,349	2,071,026	(998,677)
Balance at 12/31/24	<u>\$ 24,977,458</u>	<u>\$ 25,653,254</u>	<u>\$ (675,796)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025, the Department recognized pension expense of \$456,680.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

At December 31, 2025, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (251,875)
Differences between expected and actual economic experience	-	(102,362)
Differences in assumptions changes	-	(91,672)
Contributions subsequent to the measurement date	361,447	-
Total	\$ 361,447	\$ (445,909)

The Department reported \$361,447 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2025	\$	(47,424)
2026		207,517
2027		(409,394)
2028		(196,608)
2029		-
Thereafter		-
	\$	(445,909)

D. Postemployment Benefits Other Than Pensions

Supplemental Death Benefits Fund (SDBF)

The Department also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The Department elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Department may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

The Department contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees covered by benefit terms

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	26
Inactive employees entitled to but not yet receiving benefits	12
Active employees	53
Total	91

The Department’s contributions to the TMRS SDBF for the fiscal years ended 2025 and 2024 were \$4,803 and \$4,057, which equaled the required contributions each year.

Schedule of Contribution Rates (*RETIREE-only portion of the rate*)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2022	0.08%	0.08%	100.00%
2023	0.07%	0.07%	100.00%
2024	0.08%	0.08%	100.00%

Total OPEB Liability

The Department’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. For service retirees and beneficiary mortality rates, the OPEB liability and the OPEB contribution rates utilized the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. For disabled annuitants mortality rates, the OPEB liability and the OPEB contribution rates utilized the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability of the Department, calculated using the discount rate of 4.08%, as well as what the Department's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

1% Decrease 3.08%	Current Single Rate Assumption 4.08%	1% Increase 5.08%
\$ 185,073	\$ 154,993	\$ 131,257

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	\$ 164,611
Changes for the year:	
Service Cost	3,477
Interest	6,195
Difference between expected and actual experience	-
Changes of assumptions	(8,455)
Benefit payments	(4,057)
Net changes	(9,618)
Balance at 12/31/24	<u>\$ 154,993</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025, the Department recognized OPEB expense of \$5,185.

At December 31, 2025, the Department reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (28,120)
Change in assumptions	-	(4,892)
Contributions subsequent to measurement date	4,803	-
Total	<u>\$ 4,803</u>	<u>\$ (33,012)</u>

The Department reported \$4,803 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending December 31, 2026.

Village Fire Department
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2025

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended December 31:		
2025	\$	(5,759)
2026		(5,006)
2027		(8,769)
2028		(11,475)
2029		(883)
Thereafter		(1,120)
	\$	<u>(33,012)</u>

E. Interlocal Agreement Between the Participating Cities

In July 1985, the six Participating Cities amended the Interlocal Agreement changing the expiration date to December 31, 1990. The amendment also makes the Interlocal Agreement automatically renewable for additional periods of five years each on its anniversary/termination date unless written notice is received from any of the Participating Cities by the first of September prior to the expiration date. The Interlocal Agreement has renewed automatically five times since December 1990 and the current automatic renewal extends to December 31, 2026.

Under the July 1985 amended Interlocal Agreement, each Participating Department provides monthly funds to the Department based upon fixed percentages of the annual budget beginning with the 1985 budget and all subsequent years for which the Interlocal Agreement is in effect. The amendments to the Interlocal Agreement also changed the procedures through which the Participating Cities approve each year's budget and intra-budgetary transfers.

The Interlocal Agreement was further amended during 1995 to allow the Department to bill for emergency medical services on behalf of the six Participating Cities. The Interlocal Agreement also provides that each of the six Participating Cities hold an undivided interest in the leasehold on the land leased by the Department from the Spring Branch Independent School District. In accordance with the terms of the Interlocal Agreement, the six Participating Cities paid for construction of a new fire department building on the leased property, which was completed and occupied during 1980. Each of the six Participating Cities holds an undivided interest in the building. The terms of the Interlocal Agreement require the Department to maintain certain minimum insurance coverage, naming each Participating Department as an insured party.

In March 2022, the Interlocal Agreement was amended to reinstate Bunker Hill as a participating member.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2025

F. Agreement with the Department of Houston

The Department has an automatic assistance agreement with the Department of Houston to provide a ladder truck and sufficient personnel to provide fire fighting and emergency medical assistance. In return, the Department of Houston will provide two engine companies and sufficient personnel to provide fire fighting in the areas to which the Department provides services.

G. Charges for Fuel

Certain entities served by the Department purchase gasoline and diesel fuel from the Department at the Department's cost plus a three cent per gallon administrative fee. The entities are invoiced by the Department at the end of the month for the fuel that was purchased.

H. Special Revenue Fund – Ambulance Billing

The ambulance billing fund was established to collect amounts billed for ambulance transportation and other emergency medical services provided by the Department. The fees are collected by the Department on behalf of the Participating Cities, and all funds received by the Department are considered to belong to the Participating Cities and, therefore, are recorded as a payable to the Participating Cities.

An eight percent fee is paid to the contractor that issues the billings and collects the payments for the Department. The service fee is considered to be an obligation of the Participating Cities and is paid from the funds collected on their behalf. The net fees are paid pro-rata to each of the Participating Cities based upon each Department's percentage of the Department budget.

In the fiscal year ending December 31, 2025, the participating cities approved that the Department retain the remaining funds to be utilized for future capital expenditures in the upcoming year.

I. Concentration and Economic Dependency

The Department's principal source of revenue consists of charges to the Participating Cities under the provisions of the Interlocal Agreement. The Department is dependent on these charges for its ongoing operations.

The Department receives all of its funding from the Participating Cities that are participants in the Interlocal Agreement. Except for Hilshire Village, withdrawal of any one of the other five cities would have a significant impact on the operation of the Department.

Village Fire Department
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2025

The percentages of total City assessments provided by each City are as follows:

	Percentage of City Assessment
Bunker Hill Village	19%
Hedwig Village	19%
Hilshire Village	3%
Hunters Creek Village	22%
Piney Point Village	21%
Spring Valley Village	16%
Total	100%

J. New Accounting Standards

The Department adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of \$506,236 as of December 31, 2024.

Village Fire Department

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2025

K. Restatements

The Department restated beginning net position for governmental activities to correct accrued liabilities and to implement GASB 101, *Compensated Absences*. Below is a summary of the restatements:

	Governmental Activities	General
Prior year ending net position/ fund balance as reported	\$ 8,265,733	\$ 763,463
Change to correct accrued liabilities	(136,730)	(136,730)
Implementation of GASB 101	(506,236)	-
	<u>\$ 7,622,767</u>	<u>\$ 626,733</u>

L. Subsequent Events

There were no material subsequent events through June 30, 2026, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION



Village Fire Department

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Participant assessments	\$ 9,875,920	\$ 9,875,920	\$ 9,875,920 ⁽¹⁾	\$ -
Charges for fuel	-	-	44,007	44,007
Investment income	-	-	59,235	59,235
Other revenue	-	-	129,763	129,763
Total Revenues	9,875,920	9,875,920	10,108,925	233,005
Expenditures				
Current:				
General government	1,195,785	1,196,785	1,029,105	167,680
Personnel	8,533,535	8,522,535	8,027,128	495,407
Distribution to participants	-	763,464	763,464	-
Capital outlay	146,600	392,600	341,209	51,391
Total Expenditures	9,875,920	10,875,384	10,160,906	714,478
Net Change in Fund Balance	\$ -	\$ (999,464)	(51,981)	\$ 947,483
Beginning fund balance			626,733	
Ending Fund Balance			\$ 574,752 ⁽²⁾	

Notes to Required Supplementary Information

(1) General	\$ 9,875,920
Capital Replacement	200,000
Total Assessments	<u>\$ 10,075,920</u>

- (2) Amount available to be returned to participants or approved for other uses, if objective is to zero out fund balance.

Ending Fund Balance	\$ 574,752
(less nonspendable)	(47,040)
(less restrictions)	(50,000)
Total to be returned	<u>\$ 477,712</u>

Village Fire Department
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
December 31,

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability										
Service cost	\$ 330,958	\$ -	\$ 374,669	\$ 386,412	\$ -	\$ 529,907	\$ 559,081	\$ 627,550	\$ 704,103	\$ 709,372
Interest	1,168,403	1,196,360	1,206,336	1,251,321	1,285,293	1,327,335	1,378,256	1,454,210	1,520,400	1,599,838
Changes in benefit terms	-	-	-	-	-	185,238	-	-	-	-
Differences between expected and actual experience	41,040	(329,361)	64,222	(2,721)	50,159	(50,144)	76,251	(220,464)	111,492	(119,889)
Changes of assumptions	539,440	-	-	-	(92,617)	-	-	-	(145,598)	-
Benefit payments, including refunds of participant contributions	(971,398)	(792,574)	(1,020,523)	(948,762)	(928,285)	(1,212,066)	(922,540)	(922,607)	(915,364)	(1,116,972)
Net change in total pension liability	1,108,443	74,425	624,704	686,250	314,550	780,270	1,091,048	938,689	1,275,033	1,072,349
Total pension liability - beginning	17,011,697	18,120,140	18,194,565	18,819,269	19,505,519	19,820,069	20,600,339	21,691,387	22,630,076	23,905,109
Total pension liability - ending (a)	18,120,140	18,194,565	18,819,269	19,505,519	19,820,069	20,600,339	21,691,387	22,630,076	23,905,109	24,977,458
Plan fiduciary net position										
Contributions - employer	\$ 232,199	\$ 228,920	\$ 290,951	\$ 228,219	\$ 252,465	\$ 270,985	\$ 322,412	\$ 335,821	\$ 356,929	\$ 354,106
Contributions - members	231,208	239,170	244,197	253,980	290,189	301,573	319,214	358,893	401,689	405,687
Net investment income	24,454	1,085,626	2,330,006	(558,275)	2,720,557	1,511,362	2,707,070	(1,691,390)	2,458,444	2,444,287
Benefit payments, including refunds of participant contributions	(971,398)	(792,574)	(1,020,523)	(948,762)	(928,285)	(1,212,066)	(922,540)	(922,607)	(915,364)	(1,116,972)
Administrative expenses	(14,896)	(12,269)	(12,083)	(10,800)	(15,390)	(9,793)	(12,546)	(14,663)	(15,681)	(15,715)
Other	(734)	(661)	(612)	(564)	(463)	(382)	87	17,496	(109)	(367)
Net change in plan fiduciary net position	(499,167)	748,212	1,831,936	(1,036,202)	2,319,073	861,679	2,413,697	(1,916,450)	2,285,908	2,071,026
Plan fiduciary net position - beginning	16,573,542	16,074,375	16,822,587	18,654,523	17,618,321	19,937,394	20,799,073	23,212,770	21,296,320	23,582,228
Plan fiduciary net position - ending (b)	\$ 16,074,375	\$ 16,822,587	\$ 18,654,523	\$ 17,618,321	\$ 19,937,394	\$ 20,799,073	\$ 23,212,770	\$ 21,296,320	\$ 23,582,228	\$ 25,653,254
Fund's net pension liability (asset) - ending (a) - (b)	\$ 2,045,765	\$ 1,371,978	\$ 164,746	\$ 1,887,198	\$ (117,325)	\$ (198,734)	\$ (1,521,383)	\$ 1,333,756	\$ 322,881	\$ (675,796)
Plan fiduciary net position as a percentage of the total pension liability	89%	92%	99%	90%	101%	101%	107%	94%	99%	103%
Covered payroll	\$ 3,302,977	\$ 3,416,713	\$ 3,488,534	\$ 3,628,281	\$ 4,145,554	\$ 4,308,186	\$ 4,560,202	\$ 5,127,040	\$ 5,738,414	\$ 5,795,522
Fund's net position as a percentage of covered payroll	62%	40%	5%	52%	-3%	-5%	-33%	26%	6%	-12%

See Notes to Financial Statements.

Village Fire Department
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
Years Ended:

	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>	<u>12/31/2025</u>
Actuarially determined employer contributions	\$ 228,920	\$ 290,944	\$ 228,109	\$ 252,456	\$ 271,416	\$ 322,412	\$ 335,188	\$ 356,929	\$ 368,595	\$ 373,455
Contributions in relation to the actuarially determined contribution	\$ 228,920	\$ 290,944	\$ 228,109	\$ 252,456	\$ 271,416	\$ 322,412	\$ 335,188	\$ 356,929	\$ 368,595	\$ 373,455
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual covered payroll	\$ 3,416,716	\$ 3,488,534	\$ 3,628,278	\$ 4,145,562	\$ 4,308,186	\$ 4,560,202	\$ 5,127,040	\$ 5,738,414	\$ 5,795,520	\$ 6,004,107
Employer contributions as a percentage of covered payroll	6.70%	8.34%	6.29%	6.09%	6.30%	7.07%	6.54%	6.22%	6.36%	6.22%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	15 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

See Notes to Financial Statements.

Village Fire Department
SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS (OPEB) LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS PLAN
December 31,

	2017	2018	2019	2020	2021	2022	2023	2024 ¹
Total OPEB liability								
Service cost	\$ 2,791	\$ 3,628	\$ 3,731	\$ 5,170	\$ 6,384	\$ 7,691	\$ 3,433	\$ 3,477
Interest	4,720	4,777	5,184	4,679	4,088	4,042	5,942	6,195
Differences between expected and actual experience	-	(1,302)	(7,843)	(2,780)	342	1,390	4,059	(6,778)
Changes of assumptions	12,228	(10,762)	29,896	28,573	6,985	(79,875)	8,477	(8,455)
Benefit payments, including refunds of participant contributions	(698)	(726)	(1,244)	(1,292)	(2,736)	(3,589)	(4,581)	(4,057)
Net change in total OPEB liability	19,041	(4,385)	29,724	34,350	15,063	(70,341)	17,330	(9,618)
Total OPEB liability - beginning	123,829	142,870	138,485	168,209	202,559	217,622	147,281	164,611
Total OPEB liability - ending (a)	\$ 142,870	\$ 138,485	\$ 168,209	\$ 202,559	\$ 217,622	\$ 147,281	\$ 164,611	\$ 154,993 ²
 Covered payroll	 \$ 3,206,816	 \$ 4,145,554	 \$ 4,308,186	 \$ 4,560,202	 \$ 5,127,040	 \$ 5,738,414	 \$ 4,192,317	 \$ 4,192,317
Total OPEB liability as a percentage	4.46%	3.34%	3.90%	4.44%	4.24%	2.57%	3.93%	3.70%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

See Notes to Financial Statements.

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