

**MONTGOMERY COUNTY  
EMERGENCY SERVICES DISTRICT NO. 8**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2007**

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*McCALL, GIBSON & COMPANY, PLLC*  
*Certified Public Accountants*

13831 Northwest Frwy.  
Suite 610  
Houston, Texas 77040-5216  
(713) 462-0341  
Fax (713) 462-2708

E-Mail: [mccallgibson@mccallgibson.com](mailto:mccallgibson@mccallgibson.com)

7801 N. Capital of Texas Hwy.  
Suite 350  
Austin, Texas 78731-1169  
(512) 418-2358  
Fax: (512) 340-0604

Board of Commissioners  
Montgomery County Emergency  
Services District No. 8  
Montgomery County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Emergency Services District No. 8 (the "District"), as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of District as of September 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 8 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McCall, Gibson + Company, PLLC*  
McCall, Gibson & Company, PLLC  
Certified Public Accountants

July 7, 2008

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Our discussion and analysis of Montgomery County Emergency Services District No. 8's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the District's financial statements, which begin on page 9.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on page 9. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on page 11 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,481,598 as of September 30, 2007.

A portion of the District's net assets reflects its investment in capital assets (e.g. land, emergency vehicles and equipment), less any debt used to acquire those assets that is still outstanding. The District uses these assets to provide equipment to the volunteer fire department to service the area within the District.

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

	Summary of Changes in the Statement of Net Assets		
	2007	2006	Change Positive (Negative)
Current and Other Assets	\$ 1,710,113	\$ 709,043	\$ 1,001,070
Capital Assets (Net of Accumulated Depreciation)	<u>919,426</u>	<u>449,790</u>	<u>469,636</u>
Total Assets	<u>\$ 2,629,539</u>	<u>\$ 1,158,833</u>	<u>\$ 1,470,706</u>
Long-Term Liabilities	\$ 1,000,405	\$ 316,914	\$ (683,491)
Other Liabilities	<u>147,536</u>	<u>84,884</u>	<u>(62,652)</u>
Total Liabilities	<u>\$ 1,147,941</u>	<u>\$ 401,798</u>	<u>\$ (746,143)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 165,076	\$ 56,412	\$ 108,664
Unrestricted	<u>1,316,522</u>	<u>700,623</u>	<u>615,899</u>
Total Net Assets	<u>\$ 1,481,598</u>	<u>\$ 757,035</u>	<u>\$ 724,563</u>

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**CAPITAL ASSETS (Continued)**

Capital assets events during the current fiscal year included the following:

Construction in Progress:

- Pierce Dash Ladder Truck

Capital Assets At Year-End Net of Accumulated Depreciation			
	2007	2006	Net Increase (Decrease)
Capital Assets Not Subject to Depreciation:			
Land	\$ 57,230	\$ 57,230	\$
Construction in Progress	466,754	5,875	460,879
Capital Assets Subject to Depreciation:			
Vehicles and Equipment	395,442	386,685	8,757
Total Net Capital Assets	\$ 919,426	\$ 449,790	\$ 469,636

Additional information on the District's capital assets can be found in Note 6 on page 21 of this report.

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total debt payable of \$1,127,294.

The changes in the debt position of the District during the fiscal year ended September 30, 2007, are summarized as follows:

Capital Leases Payable, October 1, 2006	\$ 393,378
Add: New Lease – Pierce Dash Ladder Truck	830,000
Less: Capital Lease Principal Paid	96,084
Capital Leases Payable, September 30, 2007	\$ 1,127,294

**OTHER RELEVANT INFORMATION**

Subsequent to year end, on October 12, 2007, the District entered into a \$3,000,000 real estate note with Wells Fargo Brokerage Service, LLC to finance the acquisition of land and construction costs for a new fire station at Birnham Woods (Station No. 2).

On June 3, 2008 the District voted to formerly give the South Montgomery County Volunteer Fire Department notice that their contract was terminated.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**STATEMENT OF NET ASSETS AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2007**

	General Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash, Note 4	\$ 1,221,070	\$	\$ 1,221,070
Investments, Note 4	387,490		387,490
Cash with Montgomery County	576		576
Property Taxes Receivable	59,071		59,071
Penalty and Interest on Delinquent Taxes	30,906		30,906
Property Earnest Money	11,000		11,000
Land, Note 6		57,230	57,230
Construction in Progress, Note 6		466,754	466,754
Capital Assets (Net of Accumulated Depreciation), Note 6		395,442	395,442
<b>TOTAL ASSETS</b>	<b>\$ 1,710,113</b>	<b>\$ 919,426</b>	<b>\$ 2,629,539</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 13,500	\$	\$ 13,500
Deferred Revenues:			
Property Taxes	59,071	(59,071)	
Penalty and Interest on Delinquent Taxes	30,906	(30,906)	
Accrued Interest Payable		7,147	7,147
Capital Leases Payable:			
Due Within One Year, Note 7		126,889	126,889
Due After One Year, Note 7		1,000,405	1,000,405
<b>TOTAL LIABILITIES</b>	<b>\$ 103,477</b>	<b>\$ 1,044,464</b>	<b>\$ 1,147,941</b>
<b>FUND BALANCE/NET ASSETS</b>			
<b>FUND BALANCE</b>			
Reserved for Prepaid Costs	\$ 11,000	\$ (11,000)	\$
Reserved for Capital Outlay	372,943	(372,943)	
Undesignated-Unreserved	1,222,693	(1,222,693)	
<b>TOTAL FUND BALANCE</b>	<b>\$ 1,606,636</b>	<b>\$ (1,606,636)</b>	<b>\$ -0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,710,113</b>		
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt		\$ 165,076	\$ 165,076
Unrestricted		1,316,522	1,316,522
<b>TOTAL NET ASSETS</b>		<b>\$ 1,481,598</b>	<b>\$ 1,481,598</b>

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



**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 1,497,262	\$ 7,134	\$ 1,504,396
Penalty and Interest	16,213	30,906	47,119
Investment Revenues	<u>25,768</u>		<u>25,768</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,539,243</u>	<u>\$ 38,040</u>	<u>\$ 1,577,283</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
District Services – South Montgomery County Volunteer Fire Department, Inc., Note 5	\$ 699,580	\$	\$ 699,580
Accounting and Auditing Fees	5,500		5,500
Appraisal District Fees	11,772		11,772
Commissioner Fees	12,350		12,350
Insurance	1,237		1,237
Legal Fees	38,958		38,958
Tax Collector Fees	2,129		2,129
Other	76,444		76,444
Depreciation, Note 6		(17,129)	(17,129)
Capital Outlay	452,507	(452,507)	
Debt Service:			
Capital Lease Principal	96,084	(96,084)	
Capital Lease Interest	<u>18,633</u>	<u>3,246</u>	<u>21,879</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 1,415,194</u>	<u>\$ (562,474)</u>	<u>\$ 852,720</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 124,049</u>	<u>\$ (124,049)</u>	<u>\$ -0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Lease Proceeds, Note 7	<u>\$ 830,000</u>	<u>\$ (830,000)</u>	<u>\$ -0-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ 954,049</u>	<u>\$ (954,049)</u>	<u>\$</u>
<b>CHANGE IN NET ASSETS</b>		724,563	724,563
<b>FUND BALANCE/NET ASSETS – OCTOBER 1, 2006</b>	<u>652,587</u>	<u>104,448</u>	<u>757,035</u>
<b>FUND BALANCE/NET ASSETS – SEPTEMBER 30, 2007</b>	<u>\$ 1,606,636</u>	<u>\$ (125,038)</u>	<u>\$ 1,481,598</u>

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

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1. CREATION OF DISTRICT**

Montgomery County Emergency Services District No. 8, located in Montgomery County, Texas (the "District"), was created as a political subdivision of the State of Texas under the provision of Section 48-e of Article III of the State Constitution in accordance with Title 44, Article 2351a-6 of The Revised Civil Statutes of the State of Texas. The District was originally created as a rural fire prevention district and confirmed by voters at an election held November 3, 1987. Effective October 11, 1997, by the vote of the taxpayers at an election held on September 6, 1997, the District was converted to an emergency services district. The purpose of the District is to protect life and property from fire and to conserve natural resources.

Chapter 775 of the Health and Safety Code provides that an emergency services district may provide all or any one of the emergency services included in the code, including fire prevention and fire fighting, but is not required to perform all emergency services.

The District has entered into a contract with the South Montgomery County Volunteer Fire Department, Inc. to provide the services of fire suppression and extinguishment and certain emergency rescue services within the boundaries of the District.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund which is considered to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within sixty (60) days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

Measurement Focus

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

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

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

Accounting Estimates

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

**NOTE 3. TAX LEVY**

The voters of the District approved the levy and collection of an ad valorem tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. During the year ended September 30, 2007, the District levied an ad valorem tax at the rate of \$.0725 per \$100 of assessed valuation, which resulted in a tax levy of \$1,498,054 on the adjusted taxable valuation of \$2,066,276,332 for the 2006 tax year.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of September 30, 2007, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u>					
Money Market Mutual Funds	\$ 387,490	\$ 387,490	\$ _____	\$ _____	\$ _____
<b>TOTAL INVESTMENTS</b>	<u>\$ 387,490</u>	<u>\$ 387,490</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 5. CONTRACT FOR PROVIDING FIRE EXTINGUISHMENT AND CERTAIN EMERGENCY RESCUE SERVICES (Continued)**

The term of the contract is for a period of five (5) years, commencing January 26, 2006, unless terminated by either party without cause upon one hundred eighty (180) days written notice. Continuation from year to year is subject to the adoption of the annual capital and operating budgets. See Note 9 for additional information.

During the current fiscal year, the District paid \$840,000 to the Department for operating costs and deposited \$140,420 from the Department from the sale of a 1999 pumper. The District's net cost for the current fiscal year was \$699,580.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007:

	October 1, 2006	Increases	Decreases	September 30, 2007
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 57,230	\$	\$	\$ 57,230
Construction in Progress	<u>5,875</u>	<u>460,879</u>	<u>-0-</u>	<u>466,754</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 63,105</u>	<u>\$ 460,879</u>	<u>\$ -0-</u>	<u>\$ 523,984</u>
<b>Capital Assets Subject to Depreciation</b>				
Vehicles and Equipment	<u>\$ 453,319</u>	<u>\$ 16,055</u>	<u>\$ 24,427</u>	<u>\$ 444,947</u>
<b>Less Accumulated Depreciation</b>				
Vehicles and Equipment	<u>\$ 66,634</u>	<u>\$ 38,632</u>	<u>\$ 55,761</u>	<u>\$ 49,505</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 386,685</u>	<u>\$ (22,577)</u>	<u>\$ (31,334)</u>	<u>\$ 395,442</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 449,790</u>	<u>\$ 438,302</u>	<u>\$ (31,334)</u>	<u>\$ 919,426</u>

**NOTE 7. CAPITAL LEASE AGREEMENTS**

On April 5, 2006, the District entered into an equipment lease-purchase agreement to finance the acquisition of a new 2006 Pierce Pumper. The financed amount is \$412,000 with Wells Fargo Brokerage Services, LLC with an incremental borrowing rate of 4.20%. Twenty (20) quarterly payments of \$22,943.34 are due beginning April 5, 2006 and ending April 5, 2011. The lease is accounted for as a capital lease. Assets under this lease totaled \$403,628 at September 30, 2007.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions. The District carries a commercial bond for its Treasurer. The District participates in the Texas Municipal League Intergovernmental Risk Pool ("TML") to provide general, auto and errors and omissions liability coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. During the current fiscal year, the District's net contribution to the fund for this insurance coverage was \$957. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three (3) years.

**NOTE 9. SUBSEQUENT EVENTS**

On October 12, 2007, the District entered into a \$3,000,000 real estate note with Wells Fargo Brokerage Services, LLC to finance the acquisition of land and construction costs for a new fire station at Birnham Woods (Station No. 2). The note bears interest at the rate of 4.899% per annum. On September 30, 2008, accrued interest of \$142,071.00 will be due and payable. Thereafter, the District will make sixty (60) quarterly payments of \$70,893.53 each beginning December 30, 2008 and ending September 30, 2023.

On June 3, 2008 the District voted to formerly give the South Montgomery County Volunteer Fire Department notice that their contract was terminated. The District gave the fire department 180 days to vacate the premises and the District will take possession of all equipment, apparatus, and anything purchased with tax dollars.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2007**



**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$	\$ 1,489,425	\$ 1,497,262	\$ 7,837
Penalty and Interest			16,213	16,213
Investment Revenues		2,000	25,768	23,768
<b>TOTAL REVENUES</b>	<u>\$</u>	<u>\$ 1,491,425</u>	<u>\$ 1,539,243</u>	<u>\$ 47,818</u>
<b>EXPENDITURES</b>				
Service Operations:				
District Services – South Montgomery County Volunteer Fire Department, Inc.	\$	\$ 841,000	\$ 699,580	\$ 141,420
Accounting and Auditing Fees		20,000	5,500	14,500
Appraisal District Fees		6,800	11,772	(4,972)
Commissioner Fees		15,000	12,350	2,650
Insurance		2,000	1,237	763
Legal Fees		15,000	38,958	(23,958)
Tax Collector Fees			2,129	(2,129)
Other		149,285	76,444	72,841
Capital Outlay		10,000	452,507	(442,507)
Debt Service:				
Capital Lease Principal		92,871	96,084	(3,213)
Capital Lease Interest		24,980	18,633	6,347
<b>TOTAL EXPENDITURES</b>	<u>\$</u>	<u>\$ 1,176,936</u>	<u>\$ 1,415,194</u>	<u>\$ (238,258)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$</u>	<u>\$ 314,489</u>	<u>\$ 124,049</u>	<u>\$ (190,440)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	\$	\$ -0-	\$ 830,000	\$ 830,000
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	\$	\$ 314,489	\$ 954,049	\$ 639,560
<b>FUND BALANCE – OCTOBER 1, 2006</b>		<u>652,587</u>	<u>652,587</u>	
<b>FUND BALANCE – SEPTEMBER 30, 2007</b>	<u>\$ *</u>	<u>\$ 967,076</u>	<u>\$ 1,606,636</u>	<u>\$ 639,560</u>

\* The original budget could not be located.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**

**OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2007**

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**STATEMENT OF CASH FLOWS – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tax Receipts (Including penalty and interest) collected by Montgomery County	\$ 1,513,475
Proceeds from Sale of Vehicle	140,420
Cash Payments to South Montgomery Volunteer Fire Department	(840,000)
Cash Payments for Operating Activities	<u>(135,384)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>678,511</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Lease Proceeds	\$ 830,000
Purchase of Capital Assets	(463,507)
Capital Lease Payments	<u>(114,716)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ <u>251,777</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipts of Interest	<u>\$ 25,768</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 956,056</b>
<b>CASH AND CASH EQUIVALENTS – OCTOBER 1, 2006</b>	<u>653,080</u>
<b>CASH AND CASH EQUIVALENTS – SEPTEMBER 30, 2007</b>	<b>\$ <u>1,609,136</u></b>
<b>RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES TO CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Excess (Deficiency) of Revenues Over Expenditures	\$ 124,049
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by operating activities:	
Add Back Capital Asset Purchases	463,507
Add Back Capital Lease Principal and Interest Payments	114,716
Delete Investment Revenues	(25,768)
Decrease (Increase) in Receivables	(37,690)
Decrease (Increase) in Prepaid Costs	(7,324)
Increase (Decrease) in Accounts Payable	8,981
Increase (Decrease) in Deferred Revenues	<u>38,040</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>678,511</u></b>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**SCHEDULE OF INSURANCE AND BONDING COVERAGE**  
**SEPTEMBER 30, 2007**

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC OFFICIAL BOND Dennis Jones, Treasurer	05/11/07 05/11/08	\$ 70,000	Harford Casualty Insurance Company
GENERAL LIABILITY	10/01/06 10/01/07	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
ERRORS AND OMISSIONS	10/01/06 10/01/07	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
AUTOMOBILE Liability Physical Damage	10/01/06 10/01/07	\$ 500,000 Per Schedule	Texas Municipal League Intergovernmental Risk Pool

See accompanying independent auditor's report.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

TAXES RECEIVABLE – OCTOBER 1, 2006	\$	51,937		
Adjustments to Beginning Balance		6,342	\$	58,279
2006 Tax Levy				1,498,054
TOTAL TO BE ACCOUNTED FOR			\$	1,556,333
 TAX COLLECTIONS:				
Prior Years	\$	21,534		
Current Year		1,475,728	\$	1,497,262
 TAXES RECEIVABLE – SEPTEMBER 30, 2007			\$	59,071
 TAXES RECEIVABLE BY YEAR:				
2006			\$	22,326
2005				7,550
2004				4,711
2003				3,620
2002				8,138
2001				2,623
2000				2,831
1999				2,854
Prior Years				4,418
TOTAL TAXES RECEIVABLE BY YEAR			\$	59,071

See accompanying independent auditor's report.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
PROPERTY VALUATIONS	<u>\$2,066,276,332</u>	<u>\$1,750,094,132</u>	<u>\$1,476,037,704</u>	<u>\$1,297,760,152</u>
TAX RATE PER \$100 VALUATION	<u>\$ 0.0725</u>	<u>\$ 0.0713</u>	<u>\$ 0.0722</u>	<u>\$ 0.0562</u>
ADJUSTED TAX LEVY	<u>\$ 1,498,054</u>	<u>\$ 1,247,817</u>	<u>\$ 1,065,700</u>	<u>\$ 729,343</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.51%</u>	<u>99.40%</u>	<u>99.56%</u>	<u>99.50%</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**BOARD OF COMMISSIONERS AND CONSULTANTS**  
**SEPTEMBER 30, 2007**

<b>Consultants:</b>	<u>Fees for the year ended September 30, 2007</u>	<u>Title</u>
Coveler & Katz, P.C. 820 Gessner, Suite 1710 Houston, TX 77024	\$ 38,958	Attorney
McCall, Gibson & Company, PLLC Certified Public Accountants 13831 Northwest Freeway, Suite 610 Houston, TX 77040-5216	\$ 5,500	Auditor
J. R. Moore, Jr. Montgomery County Tax Assessor/Collector 400 N. San Jacinto Conroe, TX 77301	\$ 2,129	Tax Assessor/ Collector
Montgomery County Appraisal District P.O. Box 2233 Conroe, TX 77305	\$ 11,772	Central Appraisal District

See accompanying independent auditor's report.