

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

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2008**

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EMERGENCY SERVICES DISTRICT NO. 8**

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## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET	9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	11
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	12
NOTES TO BASIC FINANCIAL STATEMENTS	13-24
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	26
OTHER SUPPLEMENTARY INFORMATION	
STATEMENT OF CASH FLOWS – GENERAL FUND	28
LISTING OF THE NUMBER OF EMERGENCY RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT (NOT AVAILABLE)	
SCHEDULE OF INSURANCE AND BONDING COVERAGE	29
STATEMENT OF ACTIVITIES – SOUTH MONTGOMERY COUNTY VOLUNTEER FIRE DEPARTMENT, INC. (NOT AVAILABLE)	
TAXES LEVIED AND RECEIVABLE	30-31
BOARD OF COMMISSIONERS AND CONSULTANTS	32-33

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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, 2008, 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, 2008, 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.

Board of Commissioners  
Montgomery County Emergency  
Services District No. 8

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 26 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

April 6, 2009

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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, 2008. 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 (2) 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, 2008**

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one (1) governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, costs and general expenditures.

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

Since the government-wide focus includes the long-term view, comparisons between these two (2) perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 10 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities on page 12 explain the differences between the two (2) presentations and assist in understanding the differences between these two (2) perspectives.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 through 24 in this report.

**OTHER INFORMATION**

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

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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 \$1,913,802 as of September 30, 2008.

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		
	2008	2007	Change Positive (Negative)
Current and Other Assets	\$ 3,648,292	\$ 1,710,113	\$ 1,938,179
Capital Assets (Net of Accumulated Depreciation)	<u>2,290,618</u>	<u>919,426</u>	<u>1,371,192</u>
Total Assets	<u>\$ 5,938,910</u>	<u>\$ 2,629,539</u>	<u>\$ 3,309,371</u>
Long-Term Liabilities	\$ 3,708,196	\$ 1,000,405	\$(2,707,791)
Other Liabilities	<u>316,912</u>	<u>147,536</u>	<u>(169,376)</u>
Total Liabilities	<u>\$ 4,025,108</u>	<u>\$ 1,147,941</u>	<u>\$(2,877,167)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 404,042	\$ 165,076	\$ 238,966
Unrestricted	<u>1,509,760</u>	<u>1,316,522</u>	<u>193,238</u>
Total Net Assets	<u>\$ 1,913,802</u>	<u>\$ 1,481,598</u>	<u>\$ 432,204</u>



**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table provides a summary of the District's operations for the years ended September 30, 2008, and September 30, 2007. The District's net assets increased by \$432,204, accounting for a 29.18% growth in net assets.

	Summary of Changes in the Statement of Activities		
	2008	2007	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,846,915	\$ 1,504,396	\$ 342,519
Other Revenues	<u>111,222</u>	<u>72,887</u>	<u>38,335</u>
Total Revenues	\$ 1,958,137	\$ 1,577,283	\$ 380,854
Expenses for Services	<u>(1,525,933)</u>	<u>(852,720)</u>	<u>(673,213)</u>
Change in Net Assets	\$ 432,204	\$ 724,563	\$ (292,359)
Net Assets, Beginning of Year	<u>1,481,598</u>	<u>757,035</u>	<u>724,563</u>
Net Assets, End of Year	<u>\$ 1,913,802</u>	<u>\$ 1,481,598</u>	<u>\$ 432,204</u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's fund balance as of September 30, 2008, was \$3,529,607, an increase of \$1,922,971 from the prior year. This increase was primarily due to an increase in property tax collections and note proceeds that had not been spent by the end of the current fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. The District had a total positive variance for the year of \$1,964,438. The positive variance was primarily caused by the District obtaining a note to finance the purchase of a ladder truck and the timing of the related progress payments. See page 26 for more details.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**CAPITAL ASSETS**

The District's investment in capital assets as of September 30, 2008, amounts to \$2,290,618 (net of accumulated depreciation). This investment in capital assets includes land, vehicles and equipment.

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

**Completed Projects:**

- Birnham Woods land purchase
- Aldine Westfield land purchase
- 2008 Pierce Dash Ladder Truck
- Thermal Camera

**Construction in Progress:**

- Birnham Woods – Station 2 design

Capital Assets At Year-End Net of Accumulated Depreciation			
	2008	2007	Net Increase (Decrease)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,214,275	\$ 57,230	\$ 1,157,045
Construction in Progress	47,500	466,754	(419,254)
Capital Assets Net of Accumulated Depreciation:			
Vehicles and Equipment	1,028,843	395,442	633,401
Total Net Capital Assets	\$ 2,290,618	\$ 919,426	\$ 1,371,192

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 \$4,000,404.

The changes in the debt position of the District during the fiscal year ended September 30, 2008, are summarized as follows:

Capital Leases Payable, October 1, 2007	\$ 1,127,294
Less: Capital Lease Principal Paid	(126,890)
Capital Leases Payable, September 30, 2008	\$ 1,000,404
Notes Payable, October 1, 2007	\$ -0-
Add: Note Proceeds	3,000,000
Notes Payable, September 30, 2008	\$ 3,000,000

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Emergency Services District No. 8, c/o Coveler & Katz, P.C., 820 Gessner, Suite 1710, Houston, TX 77024.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**STATEMENT OF NET ASSETS AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2008**

	General Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash, Note 4	\$ 5,301	\$	\$ 5,301
Investments, Note 4	1,348,075		1,348,075
Cash with Montgomery County	429		429
Cash with Escrow Agent	2,113,828		2,113,828
Receivables:			
Property Taxes Receivable	68,111		68,111
Penalty and Interest on Delinquent Taxes	34,794		34,794
Accrued Interest	654		654
Prepaid Costs	77,100		77,100
Land, Note 6		1,214,275	1,214,275
Construction in Progress, Note 6		47,500	47,500
Capital Assets (Net of Accumulated Depreciation), Note 6		<u>1,028,843</u>	<u>1,028,843</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,648,292</u>	<u>\$ 2,290,618</u>	<u>\$ 5,938,910</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 15,780	\$	\$ 15,780
Deferred Revenues:			
Property Taxes	68,111	(68,111)	
Penalty and Interest on Delinquent Taxes	34,794	(34,794)	
Accrued Interest Payable		8,924	8,924
Capital Leases Payable:			
Due Within One Year, Note 7		153,074	153,074
Due After One Year, Note 7		847,330	847,330
Notes Payable:			
Due Within One Year, Note 8		139,134	139,134
Due After One Year, Note 8		<u>2,860,866</u>	<u>2,860,866</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 118,685</u>	<u>\$ 3,906,423</u>	<u>\$ 4,025,108</u>
<b>FUND BALANCE/NET ASSETS</b>			
<b>FUND BALANCE</b>			
Reserved for Prepaid Costs	\$ 77,100	\$ (77,100)	\$
Reserved for Capital Outlay	2,113,828	(2,113,828)	
Undesignated-Unreserved	<u>1,338,679</u>	<u>(1,338,679)</u>	
<b>TOTAL FUND BALANCE</b>	<u>\$ 3,529,607</u>	<u>\$ (3,529,607)</u>	<u>\$ -0-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 3,648,292</u>		
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt		\$ 404,042	\$ 404,042
Unrestricted		<u>1,509,760</u>	<u>1,509,760</u>
<b>TOTAL NET ASSETS</b>		<u>\$ 1,913,802</u>	<u>\$ 1,913,802</u>

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

**MONTGOMERY COUNTY EMERGENCY SERVICE DISTRICT NO. 8  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

Total Fund Balance – Governmental Funds		\$ 3,529,607
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Land used in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.		1,214,275
Construction in progress in governmental activities is not a financial resource and therefore is not reported as an asset in the governmental funds.		47,500
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		1,028,843
Deferred tax revenues for the 2007 and prior tax levies became part of recognized revenues in the governmental activities of the District.		68,111
Deferred penalty and interest revenues for the 2007 and prior tax levies became part of recognized revenues in the governmental activities of the District.		34,794
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported as a liability in the governmental funds.		(8,924)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Capital Leases Payable Within One Year	(153,074)	
Capital Leases Payable After One Year	(847,330)	
Notes Payable Within One Year	(139,134)	
Notes Payable After One Year	<u>(2,860,866)</u>	<u>(4,000,404)</u>
Total Net Assets – Governmental Activities		<u>\$ 1,913,802</u>

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, 2008**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 1,837,875	\$ 9,040	\$ 1,846,915
Penalty and Interest	18,254	3,889	22,143
Investment Revenues	89,079		89,079
<b>TOTAL REVENUES</b>	<b>\$ 1,945,208</b>	<b>\$ 12,929</b>	<b>\$ 1,958,137</b>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
District Services – South Montgomery County Volunteer Fire Department, Inc., Note 5	\$ 1,003,648	\$	\$ 1,003,648
Salaries	16,223		16,223
Accounting and Auditing Fees	10,898		10,898
Appraisal District Fees	15,892		15,892
Commissioner Fees	8,150		8,150
Legal Fees	16,887		16,887
Tax Assessor/Collector Fees	2,331		2,331
Other	63,310		63,310
Depreciation, Note 6		198,495	198,495
Capital Outlay	1,569,687	(1,569,687)	
Debt Service:			
Principal	126,890	(126,890)	
Interest	188,321	1,778	190,099
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 3,022,237</b>	<b>\$ (1,496,304)</b>	<b>\$ 1,525,933</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (1,077,029)</b>	<b>\$ 1,077,029</b>	<b>\$ -0-</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note Proceeds, Note 8	\$ 3,000,000	\$ (3,000,000)	\$ -0-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 1,922,971</b>	<b>\$ (1,922,971)</b>	<b>\$</b>
<b>CHANGE IN NET ASSETS</b>		432,204	432,204
<b>FUND BALANCE/NET ASSETS – OCTOBER 1, 2007</b>	<b>1,606,636</b>	<b>(125,038)</b>	<b>1,481,598</b>
<b>FUND BALANCE/NET ASSETS – SEPTEMBER 30, 2008</b>	<b>\$ 3,529,607</b>	<b>\$ (1,615,805)</b>	<b>\$ 1,913,802</b>

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

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Change in Fund Balance – Governmental Funds	\$ 1,922,971
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report property tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are assessed.	9,040
Governmental funds report delinquent tax penalty and interest when collected. However, in the Statement of Net Assets, revenues are recorded when the penalty and interest are assessed.	3,889
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(198,495)
Governmental funds report capital assets as expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,569,687
Governmental funds report capital lease and note principal payments as expenditures. In the Statement of Net Assets principal payments decrease long-term liabilities and the Statement of Activities is not affected.	126,890
Governmental funds report interest payments on capital leases and notes as expenditures in the year paid. However, in the Statement of Net Activities, interest is accrued through fiscal year end.	(1,778)
Governmental funds report note proceeds as other financing sources. In the Statement of Net Assets, note proceeds are reported as a long-term liability and the Statement of Activities is not affected.	<u>(3,000,000)</u>
Change in Net Assets – Governmental Activities	<u>\$ 432,204</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, 2008**

**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, 2008**

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

Financial Statement Presentation (Continued)

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Assets – This component of net assets consists of external constraints placed on the use of net assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

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

Government-Wide Financial Statements

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

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

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**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 (1) 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, 2008**

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

Cash and Cash Equivalents

Cash and cash equivalents include all amounts in checking accounts, money market accounts, savings accounts, cash with Montgomery County and cash in restricted escrow accounts. All accounts are reflected at cost which the District considers to be fair value.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion.

Personal tangible assets are capitalized if they have an original cost of \$500 or more and a useful life of at least two (2) years. All other capital assets are capitalized if they have an original cost of \$5,000 or more and a useful life of at least two (2) years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Vehicles and Equipment	5

Budgeting

In compliance with governmental accounting principles, the Board of Commissioners annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

Payments are made into the social security system for employees. The Internal Revenue Service determined that Commissioners are considered to be "employees" for federal payroll tax purposes only.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**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, 2008, the District levied an ad valorem tax at the rate of \$.0736 per \$100 of assessed valuation, which resulted in a tax levy of \$1,838,700 on the adjusted taxable valuation of \$2,498,230,105 for the 2007 tax year.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 3. TAX LEVY (Continued)**

The District's tax calendar is as follows:

- Levy Date - Before the later of September 30 or the 60<sup>th</sup> day after receipt of certified tax roll.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$385,301 and the bank balance was \$461,672. The bank balance was covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2008, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ <u>5,301</u>	\$ <u>380,000</u>	\$ <u>385,301</u>

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**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.

All investments are recorded at cost, which the District considers to be fair value. The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors manage the daily operations of the pool under a contract with the Comptroller. The fair value of the District's position in the pool is the same as the value of pool shares.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

Investments (Continued)

As of September 30, 2008, 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>					
TexPool	\$ 968,075	\$ 968,075	\$	\$	\$
Certificates of Deposit	380,000	380,000			
<b>TOTAL INVESTMENTS</b>	<u>\$ 1,348,075</u>	<u>\$ 1,348,075</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2008, the District's investment in TexPool was rated "AAAm" by Standard and Poor's.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texpool to have a maturity of less than one (1) year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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

On January 26, 2006, the District entered into a new contract with the South Montgomery County Volunteer Fire Department, Inc. (the "Department") for fire suppression and emergency medical first responder and rescue services within the boundaries of the District. The Department agreed to submit capital and operating budgets at the District's regular June meeting for the District's review and approval. The District agreed to provide periodic payments to the Department based on the approved budgets. Title and ownership of all assets of the Department acquired prior to January 26, 2006, shall remain with the Department. Following January 26, 2006, title to all assets, capital and otherwise, (specifically including land and buildings, vehicles, fire apparatus and personal property used therein) and all land and/or improvements purchased with District appropriated funds shall be taken in the name of the District and be owned by the District.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

In the event of dissolution of the Department, the ownership and possession of all such non-disposable assets purchased in whole by District appropriated funds shall revert to the District, and ownership and possession all non-disposable assets purchased partly with District appropriated funds shall revert to the District, subject to reimbursement to the Department for its pro rata share of the fair market value of such asset based upon the ratio of the purchase price paid for with non-District appropriated funds. The Department agrees to insure all capital assets of the Department, to the extent available, for full replacement cost with the District listed as the "loss payee". In the event of a proposed sale of an asset purchased wholly or partly with funds advanced by the District after the January 26, 2006, the proceeds of the sale will be reinvested in replacement equipment, subject to District's prior approval, or will be deposited in the District's account maintained for tax funds, subject to future reimbursement for budgeted items as contemplated and as approved by the District.

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. On June 2, 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.

During the current fiscal year, the District paid \$1,003,648 to the Department: \$931,373 for operating costs and \$72,275 for capital costs.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2008:

	<u>October 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2008</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 57,230	\$ 1,157,045	\$	\$ 1,214,275
Construction in Progress	<u>466,754</u>	<u>412,642</u>	<u>831,896</u>	<u>47,500</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 523,984</u>	<u>\$ 1,569,687</u>	<u>\$ 831,896</u>	<u>\$ 1,261,775</u>
<b>Capital Assets Subject to Depreciation</b>				
Vehicles and Equipment	<u>\$ 444,947</u>	<u>\$ 831,896</u>	<u>\$ -0-</u>	<u>\$ 1,276,843</u>



**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 6. CAPITAL ASSETS (Continued)**

	<u>October 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2008</u>
Less Accumulated Depreciation Vehicles and Equipment	\$ 49,505	\$ 198,495	\$ -0-	\$ 248,000
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 395,442	\$ 633,401	\$ -0-	\$ 1,028,843
Total Capital Assets, Net of Accumulated Depreciation	\$ 919,426	\$ 2,203,088	\$ 831,896	\$ 2,290,618

**NOTE 7. CAPITAL LEASES**

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. Assets under this lease totaled \$408,842 at September 30, 2008. Accumulated depreciation through September 30, 2008 totaled \$72,906. During the current fiscal year, the District recorded principal and interest expenditures of \$60,102 and \$8,728, respectively, related to this agreement.

On July 24, 2007, the District entered into an equipment lease-purchase agreement to finance the acquisition of a new 2008 Pierce Dash Ladder Truck. The financed amount is \$830,000 with Wells Fargo Brokerage Services, LLC with an incremental borrowing rate of 4.66%. Forty (40) quarterly payments of \$26,077.39 are due beginning October 24, 2007 and ending July 24, 2017. Assets under this lease totaled \$826,684 at September 30, 2008. Accumulated depreciation through September 30, 2008 totaled \$147,671. During the current fiscal year, the District recorded principal and interest expenditures of \$66,788 and \$37,522, respectively, related to this agreement.

Proceeds from the capital lease are maintained in a Wells Fargo money market mutual fund escrow account. The District drew down payments to fund construction draws and equipment. The District's share of the escrow account at September 30, 2008 is \$22,865.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 7. CAPITAL LEASES (Continued)**

The following is a summary of transactions regarding capital leases payable for the year ended September 30, 2008:

Capital Leases Payable, October 1, 2007	\$ 1,127,294
Less: Capital Lease Principal Paid	<u>(126,890)</u>
Capital Leases Payable, September 30, 2008	<u>\$ 1,000,404</u>
Capital Leases Payable:	
Due Within One Year	\$ 153,074
Due After One Year	<u>847,330</u>
Capital Leases Payable, September 30, 2008	<u>\$ 1,000,404</u>

The following is a schedule of future minimum lease payments under the capital leases as of September 30, 2008. The obligations of the District contain a non-appropriation provision.

Fiscal Year	Principal	Interest	Total
2009	\$ 153,074	\$ 43,009	\$ 196,083
2010	159,934	36,150	196,084
2011	144,157	28,982	173,139
2012	80,386	23,924	104,310
2013	84,198	20,112	104,310
2014-2018	<u>378,655</u>	<u>38,582</u>	<u>417,237</u>
	<u>\$ 1,000,404</u>	<u>\$ 190,759</u>	<u>\$ 1,191,163</u>

**NOTE 8. NOTES PAYABLE**

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. The District will make sixty (60) quarterly payments of \$70,893.53 each beginning September 30, 2008 and ending September 30, 2023. During the current fiscal year, the District recorded interest expenditures of \$142,071 related to this note.

Proceeds from the note are maintained in a Wells Fargo money market mutual fund escrow account. The District drew down payments to pay off the land note at Capital Bank, to pay closing costs and to fund construction draws. The District's share of the escrow account at September 30, 2008 is \$2,090,963.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 8. NOTES PAYABLE (Continued)**

The following is a summary of transactions regarding notes payable for the year ended September 30, 2008:

Notes Payable, October 1, 2007	\$ -0-
Add: Note Proceeds	<u>3,000,000</u>
Notes Payable, September 30, 2008	<u>\$ 3,000,000</u>
Notes Payable:	
Due Within One Year	\$ 139,134
Due After One Year	<u>2,860,866</u>
Notes Payable, September 30, 2008	<u>\$ 3,000,000</u>

As of September 30, 2008, debt service requirements on the note are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 139,134	\$ 144,440	\$ 283,574
2010	146,077	137,497	283,574
2011	153,366	130,209	283,575
2012	161,018	122,556	283,574
2013	169,052	114,522	283,574
2014-2018	980,531	437,339	1,417,870
2019-2023	<u>1,250,822</u>	<u>167,049</u>	<u>1,417,871</u>
	<u>\$ 3,000,000</u>	<u>\$ 1,253,612</u>	<u>\$ 4,253,612</u>

**NOTE 9. 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 \$1,506. On April 22, 2008, the District received \$2,583 in equity distributions from TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three (3) years.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2008**

**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, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,628,508	\$ 1,837,875	\$ 209,367
Penalty and Interest		18,254	18,254
Investment Revenues	<u>6,685</u>	<u>89,079</u>	<u>82,394</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,635,193</u>	<u>\$ 1,945,208</u>	<u>\$ 310,015</u>
<b>EXPENDITURES</b>			
Service Operations:			
District Services – South Montgomery County			
Volunteer Fire Department, Inc.	\$ 1,017,200	\$ 1,003,648	\$ 13,552
Salaries	17,280	16,223	1,057
Accounting and Auditing Fees	9,875	10,898	(1,023)
Appraisal District Fees	9,720	15,892	(6,172)
Commissioner Fees	15,000	8,150	6,850
Legal Fees	8,700	16,887	(8,187)
Tax Assessor/Collector Fees		2,331	(2,331)
Other	91,732	63,310	28,422
Capital Outlay	311,071	1,569,687	(1,258,616)
Debt Service:			
Principal	146,509	126,890	19,619
Interest	<u>49,573</u>	<u>188,321</u>	<u>(138,748)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,676,660</u>	<u>\$ 3,022,237</u>	<u>\$ (1,345,577)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (41,467)</u>	<u>\$ (1,077,029)</u>	<u>\$ (1,035,562)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note Proceeds	<u>\$ -0-</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ (41,467)</u>	<u>\$ 1,922,971</u>	<u>\$ 1,964,438</u>
<b>FUND BALANCE – OCTOBER 1, 2007</b>	<u>1,606,636</u>	<u>1,606,636</u>	
<b>FUND BALANCE – SEPTEMBER 30, 2008</b>	<u>\$ 1,565,169</u>	<u>\$ 3,529,607</u>	<u>\$ 1,964,438</u>

See accompanying independent auditor's report.

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

**OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2008**

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**STATEMENT OF CASH FLOWS – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tax Receipts (Including penalty and interest) collected by Montgomery County	\$ 1,856,129
Cash Payments to South Montgomery Volunteer Fire Department	(1,080,748)
Payments to Employees for Services	(16,223)
Cash Payments to Other Suppliers of Goods and Services	<u>(115,188)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 643,970</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Note Proceeds	\$ 3,000,000
Purchase of Capital Assets	(1,558,687)
Note Payments	(142,071)
Capital Lease Payments	<u>(173,140)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ 1,126,102</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipts of Interest	\$ <u>88,425</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 1,858,497</b>
<b>CASH AND CASH EQUIVALENTS – OCTOBER 1, 2007</b>	<u>1,609,136</u>
<b>CASH AND CASH EQUIVALENTS – SEPTEMBER 30, 2008</b>	<b><u>\$ 3,467,633</u></b>
<b>RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES TO CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,077,029)
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by operating activities:	
Add Back Capital Asset Purchases	1,558,687
Add Back Debt Service Payments	315,211
Delete Investment Revenues	(88,425)
Decrease (Increase) in Receivables	(13,582)
Decrease (Increase) in Prepaid Costs	(66,100)
Increase (Decrease) in Accounts Payable	2,280
Increase (Decrease) in Deferred Revenues	<u>12,928</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u>643,970</u></b>
Cash	\$ 5,301
Investments	1,348,075
Cash with Montgomery County	429
Cash with Escrow Agent	<u>2,113,828</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 3,467,633</u></b>

See accompanying independent auditor's report.



**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**SCHEDULE OF INSURANCE AND BONDING COVERAGE**  
**SEPTEMBER 30, 2008**

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC OFFICIAL BOND Rodney Otto, Treasurer	04/08/08 04/08/09	\$ 100,000	Harford Casualty Insurance Company
GENERAL LIABILITY	10/01/07 10/01/08	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
ERRORS AND OMISSIONS	10/01/07 10/01/08	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
AUTOMOBILE LIABILITY Physical Damage	10/01/07 10/01/08	\$ 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, 2008**

TAXES RECEIVABLE – OCTOBER 1, 2007	\$ 59,071	
Adjustments to Beginning Balance	<u>8,215</u>	\$ 67,286
Original 2007 Tax Levy	1,836,386	
Adjustments to 2007 Tax Levy	<u>2,314</u>	<u>1,838,700</u>
TOTAL TO BE ACCOUNTED FOR		\$ 1,905,986
<b>TAX COLLECTIONS:</b>		
Prior Years	\$ 28,026	
Current Year	<u>1,809,849</u>	<u>1,837,875</u>
TAXES RECEIVABLE – SEPTEMBER 30, 2008		<u>\$ 68,111</u>
<b>TAXES RECEIVABLE BY YEAR:</b>		
2007		\$ 28,851
2006		7,560
2005		5,146
2004		4,427
2003		3,227
2002		8,003
2001		2,480
2000		2,745
1999		2,761
1998		775
1997		313
1996		271
1995		243
1994		247
1993		209
1992		212
1991		225
1990		206
1989		<u>210</u>
TOTAL TAXES RECEIVABLE BY YEAR		<u>\$ 68,111</u>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>2007*</u>	<u>2006**</u>	<u>2005**</u>	<u>2004**</u>
PROPERTY VALUATIONS	<u>\$2,498,230,105</u>	<u>\$2,066,276,332</u>	<u>\$1,750,094,132</u>	<u>\$1,476,037,704</u>
TAX RATE PER \$100 VALUATION	<u>\$ 0.0736</u>	<u>\$ 0.0725</u>	<u>\$ 0.0713</u>	<u>\$ 0.0722</u>
ADJUSTED TAX LEVY	<u>\$ 1,838,700</u>	<u>\$ 1,498,054</u>	<u>\$ 1,247,817</u>	<u>\$ 1,065,700</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.43%</u>	<u>99.50%</u>	<u>99.59%</u>	<u>99.59%</u>

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

\*\* Based upon the adjusted tax levy as of September 30, 2007.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**BOARD OF COMMISSIONERS AND CONSULTANTS**  
**SEPTEMBER 30, 2008**

District Mailing Address - Montgomery County Emergency Services District No. 8  
335 Volunteer Lane  
Spring, TX 77380-3527

District Telephone Number - (281) 292-6677

<u>Commissioners</u>	<u>Term of Office Appointed or Elected)</u>	<u>Fees of Office for the year ended September 30, 2008</u>	<u>Expense Reimbursements for the year ended September 30, 2008</u>	<u>Title</u>
James L. Kelly	01/01/08 12/31/09 (Appointed)	\$ 2,850	\$ 627	President
George Biernesser	01/01/07 12/31/08 (Appointed)	\$ 850	\$ 79	Vice President
John Rodriquez	08/04/08 12/31/08 (Appointed)	\$ -0-	\$ -0-	Secretary
Rodney Otto	01/01/08 12/31/09 (Appointed)	\$ 3,000	\$ 547	Treasurer/ Investment Officer
Andy Walters	01/01/08 12/31/09 (Appointed)	\$ -0-	\$ -0-	Assistant Treasurer

The limit of fees of office that a Commissioner may receive during a year is \$3,000 as set by the Health and Safety Code-Chapter 775. Fees of office and expense reimbursements are the amounts actually paid to a Commissioner during the District's current fiscal year.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 8**  
**BOARD OF COMMISSIONERS AND CONSULTANTS**  
**SEPTEMBER 30, 2008**

<b>Consultants:</b>	<b>Fees for the year ended September 30, 2008</b>	<b>Title</b>
Coveler & Katz, P.C. 820 Gessner, Suite 1710 Houston, TX 77024	\$ 16,887	Attorney
McCall, Gibson & Company, PLLC Certified Public Accountants 13831 Northwest Freeway, Suite 610 Houston, TX 77040-5216	\$ 6,470	Auditor
Municipal Accounts & Consulting, Inc. 2507 N. Frazier, Suite 300 Conroe, TX 77301	\$ 4,428	Bookkeeper
Montgomery County Appraisal District P.O. Box 2233 Conroe, TX 77305	\$ 15,892	Central Appraisal District
J. R. Moore, Jr. Montgomery County Tax Assessor/Collector 400 N. San Jacinto Conroe, TX 77301	\$ 2,331	Tax Assessor/ Collector

See accompanying independent auditor's report.