

*ANNUAL FINANCIAL REPORT*

**of the**

**Montgomery County Emergency Services District No. 8**

**For the Year Ended  
September 30, 2023**

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# Montgomery County Emergency Services District No. 8

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## *INDEPENDENT AUDITOR'S REPORT*

To the Commissioners of the  
Montgomery County Emergency Services District No. 8:

### **Report on the Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the general fund of Montgomery County ESD No. 8 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Montgomery County ESD No. 8, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery County ESD No. 8 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and budgetary comparison information for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
April 30, 2024





***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# Montgomery County Emergency Services District No. 8

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the Montgomery County Emergency Services District No. 8 (the "District") for the year ended September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### THE STRUCTURE OF OUR ANNUAL REPORT

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

### Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows (net position) at September 30, 2023 by \$43,296,914. Of this amount, \$17,218,300 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The net pension liability as of September 30, 2023 was \$3,269,006, which represented a \$3,300,836 increase compared to prior year.
- The District's total net position increased by \$6,007,594.

### Government-Wide Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector

# Montgomery County Emergency Services District No. 8

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as the District's operating performance need to be considered to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the District using one class of activity:

1. Governmental Activities – The District's emergency service operations are reported here.

The government-wide financial statements can be found after the MD&A within this report.

### **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the District. They are usually segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The District's operations are reported using governmental funds.

#### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial

# Montgomery County Emergency Services District No. 8

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

The general fund is used to report the District's activities. The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

### Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

### Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund. The RSI also contains schedules on the District's net pension liability required by GASB 68. The RSI can be found after the notes to the financial statements within this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$43,296,914 as of yearend. Unrestricted net position, \$17,218,300, may be used to meet the District's ongoing emergency service operations.

# Montgomery County Emergency Services District No. 8

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

### Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

|  | <b>Governmental Activities</b> |                      |
|--|--------------------------------|----------------------|
|  | <u>2023</u>                    | <u>2022</u>          |
| Current and other assets                     | \$ 20,371,639                  | \$ 14,801,417        |
| Capital assets, net                          | 37,612,993                     | 37,910,805           |
| Net pension asset                            | -                              | 31,830               |
| <b>Total Assets</b>                          | <u>57,984,632</u>              | <u>52,744,052</u>    |
| Deferred outflows of resources - pension     | 3,765,414                      | 2,451,107            |
| <b>Total Deferred Outflows of Resources</b>  | <u>3,765,414</u>               | <u>2,451,107</u>     |
| Accounts payable and accrued expenses        | 1,184,118                      | 350,297              |
| Unearned revenue                             | 957,105                        | 1,021,639            |
| Net pension liability                        | 3,269,006                      | -                    |
| Long-term liabilities (current & LT portion) | 12,876,413                     | 14,972,664           |
| <b>Total Liabilities</b>                     | <u>18,286,642</u>              | <u>16,344,600</u>    |
| Deferred inflows of resources                | 166,490                        | 1,561,239            |
| <b>Total Deferred Inflows of Resources</b>   | <u>166,490</u>                 | <u>1,561,239</u>     |
| Net Position:                                |                                |                      |
| Net investment in capital assets             |                                |                      |
| net of related debt                          | 26,078,614                     | 24,168,349           |
| Restricted - pension                         | -                              | 31,830               |
| Unrestricted                                 | 17,218,300                     | 13,089,141           |
| <b>Total Net Position</b>                    | <u>\$ 43,296,914</u>           | <u>\$ 37,289,320</u> |

Current and other assets increased due to greater cash on hand, which is a result of operating surpluses during the year. Capital assets decreased due to depreciation expense exceeding capital investments in the current year. Accounts payable and accrued expenses increased due to timing of significant amounts owed at yearend in current year. Long-term liabilities decreased due to principal payments during the year. The net pension liability increased during the year primary to losses on pension assets during the year.

# Montgomery County Emergency Services District No. 8

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

### Statement of Activities:

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

|                               | <b>Governmental Activities</b> |                      |
|-------------------------------|--------------------------------|----------------------|
|                               | <b>2023</b>                    | <b>2022</b>          |
| <b>Revenues</b>               |                                |                      |
| Program revenues:             |                                |                      |
| Operating grant income        | \$ 64,534                      | \$ 64,534            |
| General revenues:             |                                |                      |
| Property taxes                | 9,204,480                      | 8,674,511            |
| Sales taxes                   | 17,726,513                     | 16,626,836           |
| Other                         | 152,399                        | 252,006              |
| Investment income             | 732,649                        | 91,194               |
| <b>Total Revenues</b>         | <b>27,880,575</b>              | <b>25,709,081</b>    |
| <b>Expenses</b>               |                                |                      |
| Public safety                 | 21,573,950                     | 16,823,389           |
| Interest and fiscal charges   | 299,031                        | 358,208              |
| <b>Total Expenses</b>         | <b>21,872,981</b>              | <b>17,181,597</b>    |
| <b>Change in Net Position</b> | <b>6,007,594</b>               | <b>8,527,484</b>     |
| Beginning Net Position        | 37,289,321                     | 28,761,837           |
| <b>Ending Net Position</b>    | <b>\$ 43,296,915</b>           | <b>\$ 37,289,321</b> |

The District reported an increase in net position of \$6,007,594. This is primarily due to increases in sales tax of \$1,099,677, and property tax of \$529,969, and expenses being significantly less than revenues. Revenue increased due to increased development and economic growth within the District.

The increase in public safety expenses was primarily due to greater personnel expenses due to increases to number of employees, raises, and an increase in pension expense.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

# Montgomery County Emergency Services District No. 8

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

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

The District's general fund reflects a fund balance of \$18,026,841. There was an increase in the fund balance of \$4,798,608 over the prior year. This increase is mostly attributed to greater than expected revenues.

### **CAPITAL ASSETS**

As of the end of the year, the District's governmental activities funds had invested \$37,612,993 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

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

- Purchase of emergency vehicles totaling \$520,485.
- Acquisition of mobile radios of \$292,140.

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

### **LONG-TERM DEBT**

At the end of the current year, the District had total notes payable outstanding of \$11,404,060. During the year, the District made principal payments on notes payable of \$2,328,396. More detailed information about the District's long-term liabilities is presented in note IV. D. to the financial statements.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual general fund revenues were more than final budgeted revenues by \$5,007,615 during the year. The positive revenue variance was primarily due to sales tax exceeding budget due to growth within the District. Actual general fund expenditures were over the final budget by \$1,142,556. Total expenditures were over budget primarily due to public safety and capital outlay being over budget. These variances were the reasons for a net positive overall variance of \$3,865,059.



# Montgomery County Emergency Services District No. 8

## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

For the Year Ended September 30, 2023

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District is located in Montgomery County, Texas. The District expects growth in the coming year.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be directed to the Fire Chief at 27900 Robinson Road, Conroe, TX 77385; 281-363-3473.

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## ***FINANCIAL STATEMENTS***

**Montgomery County**  
**Emergency Services District No. 8**  
*STATEMENT OF NET POSITION (Page 1 of 2)*  
September 30, 2023

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b><u>Assets</u></b>                         |                                    |
| <b>Current Assets</b>                        |                                    |
| Cash   | \$ 15,211,818                      |
| Investments                                  | 1,920,000                          |
| Tax receivables                              | 2,925,808                          |
| Leases receivable, current                   | 27,213                             |
| Other receivables                            | 27,487                             |
| Accrued interest receivable                  | 11,894                             |
| Prepays and other assets                     | 86,485                             |
| <b>Total Current Assets</b>                  | <b>20,210,705</b>                  |
| <b>Non-Current Assets</b>                    |                                    |
| Capital assets:                              |                                    |
| Capital assets - non-depreciable             | 3,376,001                          |
| Capital assets - net depreciable             | 34,236,992                         |
| Leases receivable, noncurrent                | 160,934                            |
| <b>Total Non-Current Assets</b>              | <b>37,773,927</b>                  |
| <b>Total Assets</b>                          | <b>57,984,632</b>                  |
| <b><u>Deferred Outflows of Resources</u></b> |                                    |
| Pension contributions                        | 1,237,202                          |
| Pension experience                           | 1,142,029                          |
| Pension assumption changes                   | 811,550                            |
| Pension (gains) losses                       | 574,633                            |
| <b>Total Deferred Outflows of Resources</b>  | <b>3,765,414</b>                   |

See Notes to Financial Statements.

**Montgomery County**  
**Emergency Services District No. 8**  
*STATEMENT OF NET POSITION (Page 2 of 2)*  
September 30, 2023

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b><u>Liabilities</u></b>                   |                                    |
| <b>Current Liabilities</b>                  |                                    |
| Accounts payable & accrued expenses         | \$ 1,065,251                       |
| Accrued interest                            | 118,867                            |
| Unearned revenue, current                   | 63,857                             |
| Compensated absences, current               | 1,325,118                          |
| Long-term debt due within a year            | 2,148,911                          |
| <b>Total Current Liabilities</b>            | <b>4,722,004</b>                   |
| <b>Long-term liabilities</b>                |                                    |
| Net pension liability                       | 3,269,006                          |
| Long-term debt due in more than one year    | 9,255,149                          |
| Compensated absences, noncurrent            | 147,235                            |
| Unearned revenue, net of current portion    | 893,248                            |
| <b>Total Liabilities</b>                    | <b>18,286,642</b>                  |
| <b><u>Deferred Inflows of Resources</u></b> |                                    |
| Leases                                      | 166,490                            |
| <b>Total Deferred Inflows of Resources</b>  | <b>166,490</b>                     |
| <b><u>Net Position</u></b>                  |                                    |
| Net investment in capital assets            | 26,078,614                         |
| Unrestricted                                | 17,218,300                         |
| <b>Total Net Position</b>                   | <b>\$ 43,296,914</b>               |

See Notes to Financial Statements.

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# Montgomery County

## Emergency Services District No. 8

### STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

|                                   | <u>Governmental<br/>Activities</u> |
|-----------------------------------|------------------------------------|
| <b><u>Program Revenue</u></b>     |                                    |
| Capital grant revenue             | \$ 64,534                          |
| <br><b><u>General Revenue</u></b> |                                    |
| Property taxes                    | 9,204,480                          |
| Sales taxes                       | 17,726,513                         |
| Other revenues                    | 152,399                            |
| Investment income                 | 732,649                            |
| <b>Total Revenues</b>             | <u>27,880,575</u>                  |
| <br><b><u>Expenses</u></b>        |                                    |
| Public safety                     | 21,573,950                         |
| Interest and fiscal charges       | 299,031                            |
| <b>Total Expenses</b>             | <u>21,872,981</u>                  |
| <b>Change in Net Position</b>     | <u>6,007,594</u>                   |
| <br>Beginning Net Position        | <br><u>37,289,320</u>              |
| <br><b>Ending Net Position</b>    | <br><u>\$ 43,296,914</u>           |

See Notes to Financial Statements.

# Montgomery County Emergency Services District No. 8

## BALANCE SHEET

September 30, 2023

|   | <b>General<br/>Fund</b> |
|---|-------------------------|
| <b><u>Assets</u></b>                        |                         |
| Cash  | \$ 15,211,818           |
| Investments                                 | 1,920,000               |
| Receivables:                                |                         |
| Property taxes                              | 155,952                 |
| Sales taxes                                 | 2,769,856               |
| Other receivables                           | 27,487                  |
| Accrued interest                            | 11,894                  |
| Leases receivable                           | 188,147                 |
| Prepaid expenses                            | 86,485                  |
| <b>Total Assets</b>                         | <b>\$ 20,371,639</b>    |
| <b><u>Liabilities</u></b>                   |                         |
| Accounts payable                            | \$ 865,013              |
| Accrued expenses                            | 200,238                 |
| Unearned revenue                            | 957,105                 |
| <b>Total Liabilities</b>                    | <b>2,022,356</b>        |
| <b><u>Deferred Inflows of Resources</u></b> |                         |
| Unavailable revenue - property taxes        | 155,952                 |
| Leases                                      | 166,490                 |
| <b>Total Deferred Inflows of Resources</b>  | <b>322,442</b>          |
| <b><u>Fund balance</u></b>                  |                         |
| Nonspendable                                | 86,485                  |
| Unassigned                                  | 17,940,356              |
| <b>Total Fund Balance</b>                   | <b>\$ 18,026,841</b>    |

See Notes to Financial Statements.



# Montgomery County Emergency Services District No. 8

## *RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION* September 30, 2023

|   |           |                          |
|---|-----------|--------------------------|
| Total fund balance  | \$        | 18,026,841               |
| Amounts reported for governmental activities in the Statement of Net Position:  |           |                          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   |           |                          |
| Capital assets, non-depreciable   |           | 3,376,001                |
| Capital assets, net depreciable   |           | 34,236,992               |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.   |           |                          |
| Property taxes receivable   |           | 155,952                  |
| Deferred outflows (inflows) of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.           |           |                          |
| Pension contributions   |           | 1,237,202                |
| Pension experience  |           | 1,142,029                |
| Pension (gains) losses  |           | 574,633                  |
| Pension assumption changes  |           | 811,550                  |
| Long-term liabilities are not due in payable in the current period (i.e. note payables, capital leases, and compensated balances) and, therefore, are not reported as liabilities in the government funds |           |                          |
| Accrued interest  |           | (118,867)                |
| Compensated absences  |           | (1,472,353)              |
| Net pension liability   |           | (3,269,006)              |
| Non-current liabilities due in one year   |           | (2,148,911)              |
| Non-current liabilities due in more than one year   |           | (9,255,149)              |
| <b>Net Position of Governmental Activities</b>  | <b>\$</b> | <b><u>43,296,914</u></b> |

See Notes to Financial Statements.

# Montgomery County Emergency Services District No. 8

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

For the Year Ended September 30, 2023

|                                   | <u>General<br/>Fund</u>     |
|-----------------------------------|-----------------------------|
| <b>Program Revenue</b>            |                             |
| Capital grant revenue             | \$ 64,534                   |
| <b>General Revenue</b>            |                             |
| Property taxes                    | 9,185,982                   |
| Sales taxes                       | 17,726,513                  |
| Licenses and permits              | 48,375                      |
| Other revenues                    | 104,024                     |
| Investment income                 | 732,649                     |
| <b>Total Revenues</b>             | <u>27,862,077</u>           |
| <b>Expenditures</b>               |                             |
| Public safety                     | 18,918,373                  |
| Capital outlay                    | 1,494,836                   |
| Debt service:                     |                             |
| Principal                         | 2,328,396                   |
| Interest                          | 321,864                     |
| <b>Total Expenditures</b>         | <u>23,063,469</u>           |
| <b>Net Change in Fund Balance</b> | 4,798,608                   |
| Beginning Fund Balance            | <u>13,228,233</u>           |
| <b>Ending Fund Balance</b>        | <u><u>\$ 18,026,841</u></u> |

See Notes to Financial Statements.

# Montgomery County

## Emergency Services District No. 8

### *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2023**

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

|                            |    |           |
|----------------------------|----|-----------|
| Net change in fund balance | \$ | 4,798,608 |
|----------------------------|----|-----------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                |  |             |
|----------------|--|-------------|
| Capital outlay |  | 1,240,316   |
| Depreciation   |  | (1,538,128) |

|  |  |        |
|--|--|--------|
| Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the funds. |  | 18,498 |
|--|--|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|                          |  |           |
|--------------------------|--|-----------|
| Accrued interest         |  | 22,833    |
| Compensated absences     |  | (232,145) |
| Pension (expense)/income |  | (630,784) |

The issuance of long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                   |           |                                |
|-----------------------------------|-----------|--------------------------------|
| Principal payments                |           | 2,328,396                      |
| <b>Net Change in Net Position</b> | <b>\$</b> | <b><u><u>6,007,594</u></u></b> |

See Notes to Financial Statements.

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# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-Wide Financial Statements and Reporting Entity

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

Montgomery County Emergency Services District No. 8 (the "District") operates under Chapter 775, "Emergency Services Districts" of V.T.C.A, Health and Safety Code. The District was converted from a Rural Fire Prevention District in 1997. The District is a duly organized emergency services district, created to protect life and property from fire and to conserve natural and human resources.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. The District has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

#### B. Basis of Presentation Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the District as a whole. These statements include all activities of the primary government. Governmental activities are normally supported by property and sales taxes and intergovernmental revenues.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The Statement of Activities presents a comparison between general government expenses and general revenues of the District's governmental activities. Expenses, such as those used to fund the principal operations of District, are presented as general government expenses. Revenues, such as taxes and investment earnings, are presented as general revenues.

The fund financial statements provide information about the government's funds. Separate statements for each fund category are presented.

The government reports the following governmental funds:

### **Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

#### **General Fund**

The general fund is used to account for the operations of the District's emergency service operations and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to property taxes and sales taxes. Expenditures include all costs associated with the daily operations and contractual obligations of the District.

### **C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

#### **1. Cash and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

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

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

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

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

### 2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the District.

### 3. Capital Assets

Capital assets, which include property, plant, equipment, and vehicle assets (e.g., fire trucks, building, fire apparatus, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

| <u>Asset Description</u>   | <u>Estimated Useful Life</u> |
|----------------------------|------------------------------|
| Vehicles and equipment     | 5 to 15 years                |
| Furniture                  | 5 years                      |
| Buildings and improvements | 5 to 45 years                |

### 4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred*



# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

*outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

### **5. Net Position Flow Assumption**

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

### **6. Fund Balance Flow Assumptions**

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

### **7. Fund Balance**

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

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (board of commissioners) has by resolution authorized the treasurer to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **8. Compensated Absences**

The liability for compensated absences reported in the government-wide fund statements consist of unpaid, accumulated sick time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated sick leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the District's policy to liquidate compensated absences with currently available expendable resources. Accordingly, the District's governmental funds recognize accrued compensated absences when it is paid.

### **9. Long-Term Obligations**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

### **10. Estimates**

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

### **11. Pensions**

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

### **12. Fair Value**

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

### **13. Leases**

Lessor: The District is a lessor for a noncancellable lease of a cell tower and also a lease for a part of a building. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term assets,

such as property tax receivable, are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the funds.”

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

A budget is prepared by fund and function. Appropriations lapse at the end of the year. During the year, the District's actual expenditures exceeded budget for the following expenditure functions:

|                    |              |
|--------------------|--------------|
| General Fund       |              |
| Total expenditures | \$ 1,142,556 |

The District is required to collateralize deposit accounts that are in excess of FDIC insurance, \$250,000. As of September 30, 2023, the District had \$30,807 of deposits that exceeded FDIC insurance and collateral.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of September 30, 2023, the District had the following investments:

| <u>Investments Type</u>             | <u>Value</u>         | <u>Weighted<br/>Average Maturity<br/>(Years)</u> |
|-------------------------------------|----------------------|--|
| Certificates of deposit             | \$ 1,920,000         | 0.50   |
| External investment pools           | 14,898,558           | 0.10   |
| Total value                         | <u>\$ 16,818,558</u> |  |
| Portfolio weighted average maturity |                      | 0.14   |

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

*Custodial Credit Risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires funds on deposit

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

at the depository bank to be collateralized by securities when in excess of FDIC coverage. As of September 30, 2023, checking deposits exceed collateralization and insurance coverage by \$30,807.

The District invests in TexPool and Texas CLASS. At year end, the value of TexPool and Texas CLASS investments was \$9,458,136 and \$5,440,422, respectively.

### **TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts, for review. This investment is considered to be a cash equivalent for reporting purposes.

TexPool operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of their shares. There were no restrictions or limitations on withdrawals.

### **Texas CLASS**

Texas CLASS (Texas Cooperative Liquid Assets Securities System Trust) was established in 1996, and was created as an investment pool for its Participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. According to State Code, entities may pool any of their funds, or funds under their control, in order to preserve principal, to maintain the liquidity of the funds, and to maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors LLC (PTA) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAM' by Standard and Poor's Ratings Services. The District's fair value position is stated at the value of the position upon withdrawal. There were no restrictions or limitations on withdrawals.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

### B. Receivables

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

|                   | <b>General<br/>Fund</b> |
|-------------------|-------------------------|
| Property taxes    | \$ 155,952              |
| Sales taxes       | 2,769,856               |
| Accrued interest  | 11,894                  |
| Leases receivable | 188,147                 |
| Other receivables | 27,487                  |
| <b>Total</b>      | <b>\$ 3,153,336</b>     |

The District is the lessor of a contract in which they receive lease payments from Verizon Wireless for the use of an existing cell tower. The lease commenced on April 1, 2014, with a term of 60 months, and was renewed for an additional 60 months on April 1, 2019. The lease can be extended upon mutual agreement by both parties up to 5 times with a 10% increase in rate at each extension. Monthly lease payments of \$2,200 will be paid through March 1, 2024. As of September 30, 2023, the lease receivable and offsetting deferred inflows amounted to \$13,085 and \$12,273, respectively.

The District is the lessor of a contract in which they receive lease payments from Montgomery County Health District for the use of part of one of their fire stations. The lease commenced on June 1, 2014, with a term of 240 months. Monthly lease payments of \$1,600 will be paid through May 1, 2034. As of September 30, 2023, the lease receivable and offsetting deferred inflows amounted to \$175,062 and \$154,217, respectively.

The annual principal and interest payments to be received are as follows:

| <b>Year ending<br/>September 30,</b> | <b>Governmental Activities</b> |                      |
|--------------------------------------|--------------------------------|----------------------|
|                                      | <b>Principal</b>               | <b>Interest (3%)</b> |
| 2024                                 | \$ 27,213                      | \$ 5,187             |
| 2025                                 | 14,572                         | 4,628                |
| 2026                                 | 15,015                         | 4,185                |
| 2027                                 | 15,472                         | 3,728                |
| 2028                                 | 15,933                         | 3,267                |
| Thereafter                           | 99,942                         | 8,859                |
|                                      | <b>\$ 188,147</b>              | <b>\$ 29,854</b>     |

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

### C. Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2023:

|   | <b>Beginning<br/>Balances</b> | <b>Increases</b>    | <b>Decreases/<br/>Reclassifications</b> | <b>Ending<br/>Balances</b> |
|---|-------------------------------|---------------------|---|----------------------------|
| Capital assets, not being depreciated:            |                               |                     |   |                            |
| Land  | \$ 3,262,480                  | \$ -                | \$ -                                    | \$ 3,262,480               |
| Construction in progress                          | -                             | 113,521             | -                                       | 113,521                    |
| <b>Total capital assets not being depreciated</b> | <b>3,262,480</b>              | <b>113,521</b>      | <b>-</b>                                | <b>3,376,001</b>           |
| Capital assets, being depreciated:                |                               |                     |   |                            |
| Buildings   | 34,894,750                    | 106,624             | -                                       | 35,001,374                 |
| Vehicles and equipment                            | 15,128,134                    | 1,020,171           | -                                       | 16,148,305                 |
| <b>Total capital assets being depreciated</b>     | <b>50,022,884</b>             | <b>1,126,795</b>    | <b>-</b>                                | <b>51,149,679</b>          |
| Less accumulated depreciation                     |                               |                     |   |                            |
| Buildings   | (5,398,663)                   | (649,065)           | -                                       | (6,047,728)                |
| Vehicles and equipment                            | (9,975,896)                   | (889,063)           | -                                       | (10,864,959)               |
| <b>Total accumulated depreciation</b>             | <b>(15,374,559)</b>           | <b>(1,538,128)</b>  | <b>-</b>                                | <b>(16,912,687)</b>        |
| Net capital assets being depreciated              | 34,648,325                    | (411,333)           | -                                       | 34,236,992                 |
| <b>Total capital assets</b>                       | <b>\$ 37,910,805</b>          | <b>\$ (297,812)</b> | <b>\$ -</b>                             | <b>\$ 37,612,993</b>       |



# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

### D. Long-Term Obligations

The following is a summary of long-term obligations for the year ended September 30, 2023:

|   | <u>Balance at</u><br><u>9/30/2022</u> | <u>Decreases</u>      | <u>Balance at</u><br><u>9/30/2023</u> | <u>Due within</u><br><u>a year</u> |
|---|---------------------------------------|-----------------------|---------------------------------------|------------------------------------|
| <b>Governmental Activities:</b>   |                                       |                       |                                       |                                    |
| Notes Payable:  |                                       |                       |                                       |                                    |
| 2011 Birnham Woods, due in annual installments through 2021, interest at 2.65%                    | \$ 186,807                            | \$ (186,807)          | \$ -                                  | \$ -                               |
| 2014 Station 3 (Robinson Road), due in semi-annual installments through 2024, interest at 2.28%   | 2,049,872                             | (1,034,580)           | 1,015,292                             | 1,015,292                          |
| 2016 Station 6 (Discovery Creek Road), due in annual installments through 2026, interest at 2.10% | 1,151,703                             | (396,138)             | 755,565                               | 404,456                            |
| 2019 Station 11-1 Volunteer Lane, due in semi-annual installments through 2034, interest at 2.71% | 6,231,832                             | (445,979)             | 5,785,853                             | 458,138                            |
| 2021 Station 11-5, due in semi-annual installments through 2035, interest at 2.19%                | 4,112,242                             | (264,892)             | 3,847,350                             | 270,725                            |
|   | <u>\$ 13,732,456</u>                  | <u>\$ (2,328,396)</u> | <u>\$ 11,404,060</u>                  | <u>\$ 2,148,611</u>                |
|   |                                       |                       | <u>Due in more than one year</u>      | <u>\$ 9,255,449</u>                |

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All loans are collateralized with the respective property acquired with the loans.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

As of September 30, 2023, the debt service requirements are as follows:

| Year ending<br>September 30, | Notes Payable        |                     |
|------------------------------|----------------------|---------------------|
|                              | Principal            | Interest            |
| 2024                         | \$ 2,148,911         | \$ 269,456          |
| 2025                         | 887,824              | 225,305             |
| 2026                         | 976,867              | 203,431             |
| 2027                         | 785,646              | 179,600             |
| 2028                         | 805,550              | 159,696             |
| 2029                         | 825,963              | 139,283             |
| 2030                         | 846,898              | 118,348             |
| 2031                         | 868,369              | 96,876              |
| 2032                         | 890,391              | 74,855              |
| 2033                         | 912,641              | 52,269              |
| 2034                         | 936,116              | 29,106              |
| 2035                         | 344,018              | 9,490               |
| 2036                         | 174,866              | 1,915               |
| <b>Total</b>                 | <u>\$ 11,404,060</u> | <u>\$ 1,559,629</u> |

On June 23, 2016, the District entered into a term loan agreement with Trustmark National Bank to finance the construction of a new fire station. The total amount funded by the bank as of September 30, 2023 was \$3,596,646 as the agreement entails drawdown of funds as pay applications are submitted. The stated interest rate on the loan is 2.10%. The loan requires annual payments of \$420,324 (includes principal and interest) be paid on June 24 through June 2026.

On March 28, 2014, the District entered into a term loan agreement with Wells Fargo Bank, N.A. to finance the construction of a new fire station. The total amount funded by the bank as of September 30, 2023 was \$9,137,434. The stated interest rate on the loan is 2.28%. The loan requires semi-annual payments of \$537,605 be paid on April 10 and October 10 through April 2024.

On April 24, 2019, the District entered into a note payable agreement with Chase Bank to finance the construction of a fire station. The total amount funded by the bank as of September 30, 2023 was \$7,500,000. The stated interest rate on the loan is 2.71%. The loan requires semi-annual payments of \$305,869 (includes principal and interest to be paid on April 24 and October 24 through April 2034.

In November 2020, the District borrowed \$4,500,000 for construction of a new fire station (Station 11-5). The stated interest rate is 2.19%. The loan requires semi-annual payments of \$353,509 (includes principal and interest to be paid on May 1 and November 1 through 2035.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

In accordance with the loan terms with Wells Fargo Bank, N.A., the District must maintain a debt coverage ratio not less than 1.1 to 1.0. As of September 30, 2023, the District was in compliance with this financial covenant.

### E. Other Long-term Liabilities

The following is a summary of changes in the District's other long-term liabilities for the year ended. The District uses the general fund to liquidate compensated absences.

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--|
| <b>Governmental Activities:</b>                        |                              |                   |                     |                           |  |
| Compensated Absences                                   | \$ 1,240,208                 | \$ 851,283        | \$ (619,138)        | \$ 1,472,353              | \$ 1,325,118                               |
| <b>Total Governmental Activities</b>                   | <u>\$ 1,240,208</u>          | <u>\$ 851,283</u> | <u>\$ (619,138)</u> | <u>\$ 1,472,353</u>       | <u>\$ 1,325,118</u>                        |
| <b>Long-term Liabilities Due in More than One Year</b> |                              |                   |                     | <u>\$ 147,235</u>         |  |

### F. Unearned Revenue

Unearned revenue relates to the unamortized portion of capital contribution payments received by the District from the Montgomery County Hospital District ("MCHD"). As a part of the lease agreements between the District (lessor) and MCHD (lessee), MCHD paid three one-time contribution payments of \$460,021 in 2015, \$408,563 in 2020, and \$408,563 in 2021 for purposes of alleviating a portion of the construction costs of the District's facilities for fire station additions. The term of the leases are twenty years. In the event either lease is terminated prior to completion of the terms, the pro rata amount of the one-time contribution payments will be owed back to MCHD. The following is a summary of unearned revenue for the year ended September 30, 2023:

|                  | <u>Balance at<br/>9/30/2022</u> | <u>Increases</u> | <u>Decreases</u>   | <u>Balance at<br/>9/30/2023</u> |
|------------------|---------------------------------|------------------|--------------------|---------------------------------|
| Unearned revenue | 1,021,639                       | -                | (64,534)           | 957,105                         |
|                  | <u>\$ 1,021,639</u>             | <u>\$ -</u>      | <u>\$ (64,534)</u> | <u>\$ 957,105</u>               |

## V. OTHER INFORMATION

### A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

### **B. Contingent Liabilities**

The District was involved in a lawsuit brought against them by a former employee styled *Clinton Cooke v. Montgomery County Emergency Services District Eight and Robert Hudson*, cause number 21-08-11874 filed in the 248<sup>th</sup> District Court of Montgomery County, Texas. The plaintiff claims wrongful termination inconsistent with the due process requirements under state law. The District denies the claim and has since filed a motion for dismissal at the time of this report. In August of 2023 the court dismissed this case. The plaintiff appealed that decision and is set to be heard by the 9<sup>th</sup> Court of Appeals in Beaumont, Texas. While the ultimate result of this litigation cannot be predicted with certainty, the District does not expect it to have a materially adverse effect on the basic financial statements.

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

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

### **C. Defined Benefit Pension Plan**

#### **1. Plan Description**

The District provides retirement, disability, and death benefits for all its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System ("TCDRS"). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 782 nontraditional defined contribution benefit plans. TCERS, in the aggregate, issues an annual comprehensive financial report ("ACFR") on a calendar year basis. The ACFR is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

### **2. Benefits Provided**

The plan provisions are adopted by the District within the options available in Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

### **3. Funding Policy**

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The District contributed using the ADCR of 13.44% for calendar year 2023 and 10.78% for calendar year 2022.

The District adopted the rate of 7% as the contribution rate payable by the employee members for calendar years 2023 & 2022. The District may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

Plan provisions for the District were as follows:

|   | <u>Plan Year 2023</u> | <u>Plan Year 2022</u> |
|---|-----------------------|-----------------------|
| Employee deposit rate   | 7%                    | 7%                    |
| Matching ratio (District to employee)                                   | 2.5 to 1              | 2 to 1                |
| Years required for vesting  | 8                     | 8                     |
| Service retirement eligibility<br>(expressed as age / years of service) | 60/8 0/30             | 60/8 0/30             |
| Updated service credit  | 0%                    | 0%                    |
| Annuity increase (to retirees)  | 0%                    | 0%                    |

#### **4. Contributions**

Years ended:

|  | <u>9/30/2023</u>   | <u>9/30/2022</u>   | <u>9/30/2021</u>   |
|--|--------------------|--------------------|--------------------|
| Annual Determined Contribution Cost (ADCC) | \$ 1,531,115       | \$ 1,032,609       | \$ 679,103         |
| Actual Contributions Made                  | \$ (1,531,115)     | \$ (1,032,609)     | \$ (679,103)       |
| Percentage of ADCC Made                    | 100%               | 100%               | 100%               |
| <b>Contribution deficiency (excess)</b>    | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

The required contribution rates for fiscal year 2023 were determined as part of the December 31, 2022 actuarial valuation.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

Additional information as of the three latest actuarial valuations also follows:

| Valuation Date                      | <u>12/31/2020</u>                | <u>12/31/2021</u>                | <u>12/31/2022</u>                |
|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Actuarial Cost Method               | Entry Age                        | Entry Age                        | Entry Age                        |
| Amortization Method                 | Level Percent of payroll, closed | Level Percent of payroll, closed | Level Percent of payroll, closed |
| Amortization Period in years        | 20.0 years                       | 19.2 years                       | 17.6 years                       |
| Asset Valuation Method              | 5-year Smoothed Fund             | 5-year Smoothed Fund             | 5-year Smoothed Fund             |
| Actuarial Assumptions:              |                                  |                                  |                                  |
| Investment Rate of Return *         | 7.6%                             | 7.6%                             | 7.6%                             |
| Projected Salary Increases *        | 4.60%                            | 4.70%                            | 4.70%                            |
| * Includes Inflation at stated-rate | 2.50%                            | 2.50%                            | 2.50%                            |
| Cost-of Living Adjustments          | 0.0%                             | 0.0%                             | 0.0%                             |

### Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 3          |
| Inactive employees entitled to but not yet receiving benefits    | 62         |
| Active employees   | <u>134</u> |
| Total  | <u>199</u> |

### 5. Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

### Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50% per year  |
| Overall payroll growth    | 4.7% average per year depending on experience                     |
| Investment Rate of Return | 7.5%, net of pension plan investment expense, including inflation |

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

The long-term expected rate of return on pension plan investments is 7.6% gross of administrative expenses. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

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

| Asset Class                        | Benchmark  | Target Allocation<br>(1) | Geometric Real Rate of Return (Expected minus inflation) (2) |
|------------------------------------|--|--------------------------|--|
| US Equities                        | Dow Jones U.S. Total Stock Market Index                                | 11.50%                   | 4.95%  |
| Private Equity                     | Cambridge Associates Global Private Equity & Venture Capital Index (3) | 25.00%                   | 7.95%  |
| Global Equities                    | MSCI World (net) Index   | 2.50%                    | 4.95%  |
| International Equities – Developed | MSCI World Ex USA (net)  | 5.00%                    | 4.95%  |
| International Equities – Emerging  | MSCI Emerging Markets (net)  | 6.00%                    | 4.95%  |
| Investment-Grade Bonds             | Bloomberg Barclays U.S. Aggregate Bond Index                           | 3.00%                    | 2.40%  |
| Strategic Credit                   | FTSE High-Yield Cash-Pay Index   | 9.00%                    | 3.39%  |
| Direct Lending                     | Morningstar LSTA US Leveraged Loan TR USD Index                        | 16.00%                   | 6.95%  |
| Distressed Debt                    | Cambridge Associates Distressed Securities Index (4)                   | 4.00%                    | 7.60%  |
| REIT Equities                      | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global (net) Index    | 2.00%                    | 4.15%  |
| Master Limited Partnerships (MLPs) | Alerian MLP Index  | 2.00%                    | 5.30%  |
| Private Real Estate Partnerships   | Cambridge Associates Real Estate Index (5)                             | 6.00%                    | 5.70%  |
| Hedge Funds                        | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index         | 6.00%                    | 2.90%  |
| Cash equivalents                   | 90-day U.S. Treasury   | 2.00%                    | 0.20%  |

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 2.3%, per Cliffwater's 2023 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

### Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### Changes in the Net Pension Liability:

|  | Total Pension<br>Liability (a) | Plan Fiduciary Net<br>Position (b) | Net Pension<br>Liability (a) – (b) |
|--|--------------------------------|------------------------------------|------------------------------------|
| <b>Balance at 12/31/21</b>                         | \$ 13,357,281                  | \$ 13,389,111                      | \$ (31,830)                        |
| Changes for the year:                              |                                |                                    |                                    |
| Service Cost                                       | 1,326,534                      | -                                  | 1,326,534                          |
| Interest on total pension liability <sup>(1)</sup> | 1,111,329                      | -                                  | 1,111,329                          |
| Effect of plan changes <sup>(2)</sup>              | 1,432,030                      | -                                  | 1,432,030                          |
| Effect of economic/demographic gains or losses     | 581,082                        | -                                  | 581,082                            |
| Effect of assumptions changes or inputs            | -                              | -                                  | -                                  |
| Benefit payments, including refunds                | (124,410)                      | (124,410)                          | -                                  |
| Administrative expense                             | -                              | (8,447)                            | 8,447                              |
| Member contributions                               | -                              | 723,309                            | (723,309)                          |
| Net investment income                              | -                              | (930,955)                          | 930,955                            |
| Employer contributions                             | -                              | 1,113,896                          | (1,113,896)                        |
| Other <sup>(3)</sup>                               | -                              | 252,336                            | (252,336)                          |
| Net changes  | 4,326,565                      | 1,025,729                          | 3,300,836                          |
| <b>Balance at 12/31/22</b>                         | <b>\$ 17,683,846</b>           | <b>\$ 14,414,840</b>               | <b>\$ 3,269,006</b>                |

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Reflects plan changes adopted effective in 2023.

(3) Relates to allocation of system-wide items.

### Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

| 1% Decrease<br>6.60% | Current Single Rate<br>Assumption 7.60% | 1% Increase<br>8.60% |
|----------------------|---|----------------------|
| \$ 7,299,151         | \$ 3,269,006                            | \$ 55,960            |

# Montgomery County Emergency Services District No. 8

## NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

### Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the internet at [www.tcdrs.com](http://www.tcdrs.com).

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

For the year ended September 30, 2023, the District recognized pension expense of \$2,161,903.

At September 30, 2023, the District reported deferred outflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of Resources</b> |                  |
|---|---|------------------|
| Difference between projected and investment earnings        | \$  | 574,633          |
| Changes in actuarial assumptions                            |   | 811,550          |
| Differences between expected and actual economic experience |   | 1,142,029        |
| Contributions subsequent to the measurement date            |   | 1,237,202        |
| <b>Total</b>  | <b>\$</b>                                 | <b>3,765,414</b> |

The District reported \$1,237,202 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

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

| <b>Year ended December 31:</b> |           |                  |
|--------------------------------|-----------|------------------|
| 2023                           | \$        | 247,825          |
| 2024                           |           | 333,871          |
| 2025                           |           | 359,903          |
| 2026                           |           | 655,132          |
| 2027                           |           | 250,828          |
| Thereafter                     |           | 680,653          |
|                                | <b>\$</b> | <b>2,528,212</b> |

# Montgomery County Emergency Services District No. 8

*NOTES TO FINANCIAL STATEMENTS, Continued*

September 30, 2023

## **D. Subsequent Events**

On April 25, 2024, the District borrowed \$7,000,000. The loan proceeds will be used for: the purchase of real property for a new fire station, pay for construction costs for a new training facility, pay for construction and renovation of fire stations, and pay costs of the loan. The District agreed to pledge ad valorem taxes for loan repayment. The loan bears interest of 4.594% and will be repaid in ten annual installments of \$888,745 beginning on April 25, 2025 and ending on April 25, 2034.

Subsequent events were evaluated through April 30, 2024, the date the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

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**Montgomery County**  
**Emergency Services District No. 8**  
*BUDGETARY COMPARISON SCHEDULE - GENERAL FUND*  
For the Year Ended September 30, 2023

|                                   | <b>Original &amp;<br/>Final Budget</b> | <b>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|-----------------------------------|--|---------------|---|
| <b>Revenues</b>                   |  |               |   |
| Capital grant revenue             | \$ -                                   | \$ 64,534     | \$ 64,534                                   |
| Property taxes                    | 8,761,750                              | 9,185,982     | 424,232                                     |
| Sales tax                         | 14,000,000                             | 17,726,513    | 3,726,513                                   |
| Licenses and permits              | 25,000                                 | 48,375        | 23,375                                      |
| Other revenues                    | 57,712                                 | 104,024       | 46,312                                      |
| Investment earnings               | 10,000                                 | 732,649       | 722,649                                     |
| <b>Total Revenues</b>             | 22,854,462                             | 27,862,077    | 5,007,615                                   |
| <b>Expenditures</b>               |  |               |   |
| Public safety                     | 18,245,633                             | 18,918,373    | (672,740)                                   |
| Capital outlay                    | 1,025,000                              | 1,494,836     | (469,836)                                   |
| Debt service:                     |  |               |   |
| Principal                         | 2,318,697                              | 2,328,396     | (9,699)                                     |
| Interest                          | 331,583                                | 321,864       | 9,719                                       |
| <b>Total Expenditures</b>         | 21,920,913                             | 23,063,469    | (1,142,556) *                               |
| <b>Net Change in Fund Balance</b> | \$ 933,549                             | 4,798,608     | \$ 3,865,059                                |
| Beginning Fund Balance            |  | 13,228,233    |   |
| <b>Ending Fund Balance</b>        |  | \$ 18,026,841 |   |

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded budget at the legal level of control.

# Montgomery County

## Emergency Services District No. 8

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For The Years Ended December 31,

|   | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          |
|---|----------------------|----------------------|----------------------|
| Total pension liability   |                      |                      |                      |
| Service cost  | \$ 1,326,534         | \$ 1,176,209         | \$ 981,008           |
| Interest (on the Total Pension Liability)                                       | 1,111,329            | 913,866              | 729,597              |
| Changes in benefit terms  | -                    | -                    | -                    |
| Differences between expected and<br>actual experience                           | 581,082              | 293,856              | 111,726              |
| Changes of assumptions  | -                    | 139,631              | 1,037,106            |
| Effect of plan changes  | 1,432,030            |                      |                      |
| Benefit payments, including refunds of<br>participant contributions             | (124,410)            | (28,732)             | (45,792)             |
| <b>Net change in total pension liability</b>                                    | <u>4,326,565</u>     | <u>2,494,830</u>     | <u>2,813,645</u>     |
| <b>Total pension liability - beginning</b>                                      | <u>13,357,281</u>    | <u>10,862,451</u>    | <u>8,048,806</u>     |
| <b>Total pension liability - ending (a)</b>                                     | <u>\$ 17,683,846</u> | <u>\$ 13,357,281</u> | <u>\$ 10,862,451</u> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |
| Contributions - employer  | \$ 1,113,896         | \$ 705,503           | \$ 635,881           |
| Contributions - members   | 723,309              | 598,609              | 550,206              |
| Net investment income (loss)  | (930,955)            | 2,296,105            | 809,084              |
| Benefit payments, including refunds of<br>participant contributions             | (124,410)            | (28,732)             | (45,792)             |
| Administrative expenses   | (8,447)              | (7,244)              | (7,161)              |
| Other   | 252,336              | 38,828               | 34,516               |
| <b>Net change in plan fiduciary net position</b>                                | <u>1,025,729</u>     | <u>3,603,069</u>     | <u>1,976,734</u>     |
| <b>Plan fiduciary net position - beginning</b>                                  | <u>13,389,111</u>    | <u>9,786,042</u>     | <u>7,809,308</u>     |
| <b>Plan fiduciary net position - ending (b)</b>                                 | <u>\$ 14,414,840</u> | <u>\$ 13,389,111</u> | <u>\$ 9,786,042</u>  |
| <b>Fund's net pension liability - ending (a) - (b)</b>                          | <u>\$ 3,269,006</u>  | <u>\$ (31,830)</u>   | <u>\$ 1,076,409</u>  |
| <b>Plan fiduciary net position as a percentage of the<br/>pension liability</b> | 81.51%               | 100.24%              | 90.09%               |
| <b>Covered payroll</b>  | \$ 11,931,839        | \$ 8,551,553         | \$ 7,860,089         |
| <b>Fund's net position as a percentage of<br/>covered payroll</b>               | 27.40%               | -0.37%               | 13.69%               |

**Notes to schedule:**

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



| <u>2019</u>         | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         | <sup>1</sup> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|
| \$ 975,961          | \$ 891,091          | \$ 732,593          | \$ 711,053          | \$ 569,713          | \$ 512,481          |              |
| 603,456             | 478,968             | 353,933             | 244,478             | 192,348             | 140,238             |              |
| -                   | -                   | -                   | -                   | (151,356)           | -                   |              |
| 38,788              | 125,738             | 367,068             | 54,931              | (61,208)            | 80,620              |              |
| -                   | -                   | (54,348)            | -                   | 9,410               | -                   |              |
| (85,352)            | (3,809)             | (24,005)            | (61,570)            | (47,133)            | (49,756)            |              |
| <u>1,532,853</u>    | <u>1,491,988</u>    | <u>1,375,241</u>    | <u>948,892</u>      | <u>511,774</u>      | <u>683,583</u>      |              |
| <u>6,515,953</u>    | <u>5,023,965</u>    | <u>3,648,724</u>    | <u>2,699,832</u>    | <u>2,188,058</u>    | <u>1,504,475</u>    |              |
| \$ <u>8,048,806</u> | \$ <u>6,515,953</u> | \$ <u>5,023,965</u> | \$ <u>3,648,724</u> | \$ <u>2,699,832</u> | \$ <u>2,188,058</u> |              |
| \$ 582,695          | \$ 582,027          | \$ 519,629          | \$ 435,331          | \$ 394,090          | \$ 326,871          |              |
| 511,777             | 488,512             | 445,215             | 348,663             | 311,007             | 258,834             |              |
| 954,138             | (77,500)            | 503,505             | 180,095             | (28,640)            | 78,594              |              |
| (85,352)            | (3,809)             | (24,005)            | (61,570)            | (47,133)            | (49,756)            |              |
| (5,951)             | (4,672)             | (3,193)             | (1,958)             | (1,521)             | (1,132)             |              |
| 35,637              | 32,263              | 12,579              | 64,799              | (182)               | (82)                |              |
| <u>1,992,944</u>    | <u>1,016,821</u>    | <u>1,453,730</u>    | <u>965,360</u>      | <u>627,621</u>      | <u>613,329</u>      |              |
| <u>5,816,364</u>    | <u>4,799,543</u>    | <u>3,345,813</u>    | <u>2,380,453</u>    | <u>1,752,832</u>    | <u>1,139,503</u>    |              |
| \$ <u>7,809,308</u> | \$ <u>5,816,364</u> | \$ <u>4,799,543</u> | \$ <u>3,345,813</u> | \$ <u>2,380,453</u> | \$ <u>1,752,832</u> |              |
| \$ <u>239,498</u>   | \$ <u>699,589</u>   | \$ <u>224,422</u>   | \$ <u>302,911</u>   | \$ <u>319,379</u>   | \$ <u>435,226</u>   |              |
| 97.02%              | 89.26%              | 95.53%              | 91.70%              | 88.17%              | 80.11%              |              |
| \$ 7,311,100        | \$ 6,978,742        | \$ 6,360,212        | \$ 4,980,902        | \$ 4,442,951        | \$ 3,697,632        |              |
| 3.28%               | 10.02%              | 3.53%               | 6.08%               | 7.19%               | 11.77%              |              |

# Montgomery County

## Emergency Services District No. 8

### SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

For The Fiscal Years Ended

|   | <u>9/30/2023</u>    | <u>9/30/2022</u>    | <u>9/30/2021</u>  | <u>9/30/2020</u>  |
|---|---------------------|---------------------|-------------------|-------------------|
| Actuarially determined employer contributions                           | \$ 1,531,115        | \$ 1,032,609        | \$ 679,103        | \$ 617,396        |
| Contributions in relation to the<br>actuarially determined contribution | <u>\$ 1,531,115</u> | <u>\$ 1,032,609</u> | <u>\$ 679,103</u> | <u>\$ 617,396</u> |
| Contribution deficiency (excess)  | \$ -                | \$ -                | \$ -              | \$ -              |
| Annual covered payroll  | \$ 11,931,839       | \$ 10,183,812       | \$ 8,276,198      | \$ 7,662,810      |
| Employer contributions as a percentage<br>of covered payroll            | 12.83%              | 10.14%              | 8.21%             | 8.06%             |

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

#### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

##### Valuation Date:

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

##### Methods and Assumptions Used to Determine Contribution Rates:

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age   |
| Amortization Method           | Level percentage of payroll, closed   |
| Remaining Amortization Period | 17.6 years (based on contribution rate calculated in 12/31/2022 valuation)  |
| Asset Valuation Method        | 5-year smoothed market  |
| Inflation                     | 2.50%   |
| Salary Increases              | Varies by age of service. 4.7% average over career including inflation.   |
| Investment Rate of Return     | 7.50%, net of investment expenses, including inflation  |
| Retirement Age                | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality                     | 110% of the MP-2014 Ultimate Scale after 2014.  |

##### Other Information:

Notes On January 1, 2023, the District changed their retirement benefits for matching amounts for employee contributions from 2 to 1 to 2.5 to 1.

| <u>9/30/2019</u>  | <u>9/30/2018</u>  | <u>9/30/2017</u>  | <u>9/30/2016</u>  | <u>9/30/2015</u>  | <sup>1</sup> |
|-------------------|-------------------|-------------------|-------------------|-------------------|--------------|
| \$ 581,548        | \$ 566,816        | \$ 496,614        | \$ 419,994        | \$ 366,438        |              |
| <u>\$ 581,548</u> | <u>\$ 566,816</u> | <u>\$ 496,614</u> | <u>\$ 419,994</u> | <u>\$ 366,438</u> |              |
| \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |              |
| \$ 7,203,981      | \$ 6,867,752      | \$ 5,960,927      | \$ 4,787,328      | \$ 4,147,730      |              |
| 8.07%             | 8.25%             | 8.33%             | 8.77%             | 8.83%             |              |