

---

**MONTGOMERY COUNTY ESD 9**

---

REPORT ON FINANCIAL STATEMENTS  
(WITH SUPPLEMENTAL MATERIAL)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

**BREEDLOVE & CO., P.C.**  
*CERTIFIED PUBLIC ACCOUNTANTS*

## **TABLE OF CONTENTS**

Independent Auditors' Report.....	1-2
Management Discussion & Analysis .....	3-6

### FINANCIAL STATEMENTS

Statement of Net Position and Governmental Funds Balance Sheet .....	7
Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance .....	8
Notes to Financial Statements.....	9-21

### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	23
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios .....	24-25
Schedule of Employer Contributions.....	26

### SUPPLEMENTARY INFORMATION

Analysis of Taxes Receivable .....	27
Board Members and Consultants .....	28

# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**17014 Seven Pines Drive**  
**Spring, Texas 77379**  
**(281) 379-1065**  
(281) 379-6322 (fax)

RICHARD W. BREEDLOVE, CPA  
President

JILL A. HENZE, CPA  
Vice President

NICOLE BREEDLOVE HUNT, CPA  
Vice President

## INDEPENDENT AUDITORS' REPORT

February 29, 2020

Board of Commissioners  
Montgomery County ESD 9  
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County ESD 9 as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County ESD 9 as of September 30, 2019, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 23 through 26 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Montgomery County ESD 9's basic financial statements. The Supplementary Information on pages 27 and 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Breallone & Co., P.C.*

## **MONTGOMERY COUNTY ESD 9**

### **MANAGEMENT DISCUSSION & ANALYSIS SEPTEMBER 30, 2019**

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 ESD 9 (the "District") for the year ended September 30, 2019. The District consolidated their operations with Montgomery County Emergency Services District No. 5 on June 9, 2015. A new entity was formed on the merger date, and all assets and liabilities were transferred to the new entity. The District was discontinued upon the merger and transferred to the new entity. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities 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.

#### **USING THIS ANNUAL REPORT**

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

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,687,335 as of September 30, 2019.

**MONTGOMERY COUNTY ESD 9**

MANAGEMENT DISCUSSION & ANALYSIS

SEPTEMBER 30, 2019

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position  
September 30,

	<u>2019</u>	<u>2018</u>
Current assets	\$ 1 692 853	\$ 1 692 431
Capital assets, net of accumulated depreciation	<u>2 315 725</u>	<u>2 395 222</u>
Total assets	<u>\$ 4 008 578</u>	<u>\$ 4 087 653</u>
Deferred outflows of resources	<u>\$ 39 070</u>	<u>\$ 21 999</u>
Current liabilities	\$ 528 482	\$ 389 524
Long term liabilities	<u>827 105</u>	<u>563 002</u>
Total liabilities	<u>\$ 1 355 587</u>	<u>\$ 952 526</u>
Deferred inflows of resources	<u>\$ 4 726</u>	<u>\$ 2 722</u>
Net position:		
Net investment in capital assets	\$ 1 235 318	\$ 1 117 377
Unrestricted	<u>1 452 017</u>	<u>2 037 027</u>
Total net position	<u>\$ 2 687 335</u>	<u>\$ 3 154 404</u>

Summary of Changes in Net Position  
September 30,

	<u>2019</u>	<u>2018</u>
Revenues:		
Property taxes	\$ 1 068 677	\$ 1 001 915
Sales tax	1 765 967	1 935 575
Other revenues	<u>76 624</u>	<u>60 024</u>
Total Revenues	<u>2 911 268</u>	<u>2 997 514</u>
Expenses:		
Depreciation	341 470	528 007
Interest and fees	27 348	23 983
Expenses for services	<u>3 009 519</u>	<u>2 676 427</u>
Total Expenses	<u>3 378 337</u>	<u>3 228 417</u>
Change in net position	( 467 069)	( 230 903)
Net position, beginning of year	<u>3 154 404</u>	<u>3 385 307</u>
Net position, end of year	<u>\$ 2 687 335</u>	<u>\$ 3 154 404</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of the end of the fiscal year ended September 30, 2019 was \$1,240,573.

# MONTGOMERY COUNTY ESD 9

## MANAGEMENT DISCUSSION & ANALYSIS

SEPTEMBER 30, 2019

(Continued)

### FUND FINANCIAL STATEMENTS

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

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

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

### NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of government-wide and fund financial statements. The notes to the financial statements follow the financial statements in this annual report.

### OTHER INFORMATION

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

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the fiscal year. Actual excess of revenues over expenditures was \$175,442 less than the budgeted excess of revenues over expenditures because (1) the actual operating and capital expenditures for the District were greater than expected, and (2) the actual total revenues were only slightly greater than expected. The operating and capital expenditures were greater than expected due to an air conditioner replacement, a blown apparatus engine, a leaking roof and mold repairs, unbudgeted lease payment to pay off a capital lease, and a mandated sprinkler system installation from the fire marshal. The revenues were only slightly greater than expected due to the state comptroller withholding and asking for large repayment of sales tax monies without notice to the District.

**MONTGOMERY COUNTY ESD 9**

**MANAGEMENT DISCUSSION & ANALYSIS  
SEPTEMBER 30, 2019  
(Continued)**

**CAPITAL ASSETS AND RELATED DEBT**

Capital Assets

Capital assets held by the District at the end of the current year is summarized below.

Capital Assets (Net of Accumulated Depreciation)

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 119 954	\$ 119 954
Building and improvements	1 098 106	658 077
Office equipment	7 783	9 294
Vehicles	961 347	989 248
Equipment	128 535	188 995
Construction in progress	-	429 654
Total capital assets	<u>\$ 2 315 725</u>	<u>\$ 2 395 222</u>

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2019 are summarized as follows:

Long term debt, beginning of year	\$ 728 237
Note Proceeds	510 000
Retirements of principal	<u>( 277 784)</u>
Long term debt, end of year	<u>\$ 960 453</u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County ESD 9, 16723 FM 2090, Conroe, Texas 77306, telephone (936) 231-3527.



**MONTGOMERY COUNTY ESD 9**

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash	\$ 1 340 696	\$ -	\$ 1 340 696
Property Taxes Receivable	104 132	-	104 132
Sales Tax Receivable	198 736	-	198 736
Due From Tax Assessor	722	-	722
Prepaid Expense	48 567	-	48 567
Capital Assets			
Land	-	119 954	119 954
Property and Equipment (Net of Accumulated Depreciation of \$7,421,139)	-	2 195 771	2 195 771
Total Assets	<u>1 692 853</u>	<u>2 315 725</u>	<u>4 008 578</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources	<u>39 070</u>	-	<u>39 070</u>
Total Deferred Outflows of Resources	<u>39 070</u>	-	<u>39 070</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1 731 923</u>	<u>\$ 2 315 725</u>	<u>\$ 4 047 648</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$ 29 960	\$ 12 642	\$ 42 602
Retirement Plan Payable	5 293	-	5 293
Payroll Liabilities	333 981	-	333 981
Net Pension Liability	13 258	-	13 258
Long Term Liabilities			
Due within One Year	-	133 348	133 348
Due after One Year	-	827 105	827 105
Total Liabilities	<u>382 492</u>	<u>973 095</u>	<u>1 355 587</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources	4 726	-	4 726
Deferred Property Tax Revenues	<u>104 132</u>	<u>( 104 132)</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>108 858</u>	<u>( 104 132)</u>	<u>4 726</u>
<u>FUND BALANCE/NET POSITION</u>			
Unassigned Fund Balance	<u>1 240 573</u>	<u>(1 240 573)</u>	<u>-</u>
Total Fund Balance	<u>1 240 573</u>	<u>(1 240 573)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1 731 923</u>		
Net Position			
Net Investment in Capital Assets		1 235 318	1 235 318
Unrestricted		<u>1 452 017</u>	<u>1 452 017</u>
Total Net Position		<u>2 687 335</u>	<u>2 687 335</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 2 315 725</u>	<u>\$ 4 047 648</u>

See the accompanying Independent Auditors' Report and Notes to Financial Statements

**MONTGOMERY COUNTY ESD 9**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Tax Revenues	\$ 1 051 241	\$ 17 436	\$ 1 068 677
Sales Tax Revenues	1 765 967	-	1 765 967
Penalty and Interest Revenues	22 939	-	22 939
Rent Revenues	8 500	-	8 500
Interest Revenue	13 176	-	13 176
Miscellaneous Revenues	<u>32 009</u>	<u>-</u>	<u>32 009</u>
Total Revenues	<u>2 893 832</u>	<u>17 436</u>	<u>2 911 268</u>
<b>Expenses</b>			
<b>Service Operations</b>			
Accounting	6 025	-	6 025
Appraisal District Fees	9 365	-	9 365
Attorney Fee - Tax Revenue	6 474	-	6 474
Audit	13 685	-	13 685
Auto Repair/Maintenance	18 407	-	18 407
Building Repair/Maintenance	59 819	-	59 819
Collection Fees - Property Tax	5 259	-	5 259
Consulting Fees - Sales Tax	12 000	-	12 000
Communication	87 394	-	87 394
Dues and Conferences	3 080	-	3 080
Equipment Repair/Maintenance	117 923	-	117 923
Fire Prevention Program	1 379	-	1 379
Fuel	45 827	-	45 827
Gear and Uniforms	54 919	-	54 919
Grace Accountability	755	-	755
Insurance	79 180	-	79 180
Legal Fees	530	-	530
Miscellaneous	11 973	-	11 973
Office and Printing	50 656	-	50 656
Payroll and Related Expense	2 335 910	-	2 335 910
Telephone	26 591	-	26 591
Training	5 314	-	5 314
Utilities	53 054	-	53 054
Volunteer Incentive	4 000	-	4 000
Capital Outlay	261 973	( 261 973)	-
<b>Debt Service</b>			
Capital Lease Principal	277 784	( 277 784)	-
Capital Lease Interest	29 998	( 2 650)	27 348
Depreciation	<u>-</u>	<u>341 470</u>	<u>341 470</u>
Total Expenses	<u>3 579 274</u>	<u>( 200 937)</u>	<u>3 378 337</u>
Excess(Deficiency) of Revenues over Expenses	( 685 442)	218 373	( 467 069)
<b>Other financing sources/uses:</b>			
Debt proceeds	<u>510 000</u>	<u>( 510 000)</u>	<u>-</u>
Excess(Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	( 175 442)	( 291 627)	
Change in Net Position			( 467 069)
<b>Fund Balance/Net Position</b>			
Beginning of Year	<u>1 416 015</u>	<u>1 738 389</u>	<u>3 154 404</u>
End of Year	<u>\$ 1 240 573</u>	<u>\$ 1 446 762</u>	<u>\$ 2 687 335</u>

See the accompanying Independent Auditors' Report and Notes to Financial Statements

## MONTGOMERY COUNTY ESD 9

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019

#### NOTE (1) CREATION OF DISTRICT

After a merger between Montgomery County Emergency Services District No. 9 and Montgomery County Emergency Services District No. 5, a new entity was formed on June 9, 2015 under the name Montgomery County ESD 9 (the District). The District operates under Chapter 775, *Health and Safety Code*, of the Constitution of Texas. The District was established to protect life and property from fire and to conserve natural and human resources to a portion of Montgomery County.

#### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

##### A. REPORTING ENTITY

The District is an Emergency Services District with a five-member board of commissioners, who are appointed by the Montgomery County Commissioners Court. The Commissioners are appointed to serve two-year terms.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be components units of the District.

The District is a special-purpose government that is governed by a separately appointed governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

##### B. BASIS OF PRESENTATION

The financial transactions of the District are recorded in an individual fund. The funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The funds are reported by generic classification within the financial statements.

The District uses the following fund type:

###### a. Governmental Funds

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

## MONTGOMERY COUNTY ESD 9

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 (Continued)

#### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### b. Fund Balances

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for specific purposes. Intent can be expressed by the board of commissioners or by an official or body to which the board of commissioners delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose.

The District uses the following classifications for net position:

Net Investment in Capital Assets – To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted – To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The Board must approve any changes in the restriction of this fund balance.

Unrestricted – To indicate net position that is available for use in future periods.

#### C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

**MONTGOMERY COUNTY ESD 9**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**  
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

The District has adopted GASB Statement No. 34, "Basic Financial Statements and management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended September 30, 2019. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

D. BUDGET

The District annually adopts a budget for the General Fund in accordance with the accounting principles applicable to this fund. The Board of Commissioner's approval is required for revisions that alter the total expenditures. Reported budgeted amounts are as final adopted. Budgeted amounts lapse annually.

E. CASH EQUIVALENTS

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. CAPITAL ASSETS

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

Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings and improvements	6-30
Furniture and equipment	7
Vehicles	5-15

G. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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.

**MONTGOMERY COUNTY ESD 9**

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019  
 (Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Management considers property and sales taxes receivable to be fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the Statement of Net Position and Governmental Fund Balance Sheet are different because of the following:

Total Fund Balance at September 30, 2019	\$ 1 240 573
Capital assets used in governmental activities are not financial and are not reported in the funds	2 315 725
Conversion of property tax assessments to full accrual basis	104 132
Interest paid on long term debt is adjusted to accrual basis	( 12 642)
Lease payable obligations are not due and payable in the current period and are not reported in the funds	<u>( 960 453)</u>
Adjustment to fund balance to arrive at net position	<u>1 446 762</u>
Total Net Position at September 30, 2019	<u>\$ 2 687 335</u>

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Total excess of revenue over expenditures at September 30, 2019	\$ ( 685 442)
Governmental funds report capital outlays as expenditures. However, for government-wide financials statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	( 79 497)
Interest paid on long term debt is adjusted to accrued basis	2 650
Principal payments on debt are reported as expenditures in the fund. However, they do not affect net position.	277 784
Conversion of property tax assessments to full accrual basis	<u>17 436</u>
Change in net position of governmental activities	<u>\$ ( 467 069)</u>

## MONTGOMERY COUNTY ESD 9

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 (Continued)

#### NOTE (3) AD VALOREM TAX

During the year ended September 30, 2019, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$1,070,790 for the 2018 tax year, on the taxable valuation of \$1,070,790,124 for the 2018 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1 of the subsequent year, at which time penalties and interest were assessed. The levy date of the tax was September 1, or as soon after September 1 as it took to set the tax rate. The lien date was January 1 of the subsequent year from the delinquent date.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2019 include collections during the current period or within 60 days of year-end related to the 2018 and prior years' tax levies.

#### NOTE (4) DEPOSITS AND INVESTMENTS

##### Custodial Credit Risk – Deposits

The contracted depository bank used for operations, payroll and property tax revenue by the District was First Financial Bank, Bank of America and Icon Bank. The largest cash, savings, and time deposit combined account balance for First Financial Bank was \$1,821,798, which occurred in September 2019. The balances at First Financial Bank were insured by FDIC coverage up to \$250,000. Additional securities were pledged. The largest cash, savings, and time deposit combined account balance for Bank of America was \$28,856, which occurred in June 2019. The balances at Bank of America were insured by FDIC coverage up to \$250,000. No additional securities were pledged. The largest cash, savings, and time deposit combined account balance for Icon Bank was \$1,710,066, which occurred in November 2018. The balances at Icon Bank were insured by FDIC coverage up to \$250,000. Additional securities were pledged. The District closed bank accounts at Bank of America and Icon Bank during the year ended September 30, 2019.

The contracted depository bank for sales tax revenue was BBVA Compass Bank. The largest cash, savings, and time deposit combined account balance for BBVA Compass bank was \$859,728, which occurred in June 2019. The balance at BBVA Compass Bank was adequately insured by FDIC coverage of \$250,000 and additional pledged securities throughout the year. The District closed bank accounts at BBVA Compass Bank during the year ended September 30, 2019.

At the balance sheet date, deposits with a carrying value of \$1,340,696 were held by First Financial Bank, and funds were fully secured by FDIC coverage and pledged securities.

##### Investment Policies

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has complied with the Act's provisions during its fiscal year ended September 30, 2019.

**MONTGOMERY COUNTY ESD 9**

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019  
 (Continued)

NOTE (4) DEPOSITS AND INVESTMENTS (Continued)

Statutes authorize the District to invest in direct or indirect obligations of the United States, the state, or any county, school district, or other political subdivision of the state. Funds of the District may also be placed in certificates of deposit of state or national banks or savings associations within the state. The District did not have any temporary investments during the year ended September 30, 2019.

NOTE (5) CAPITAL ASSETS

The changes in capital assets for the year are as follows:

	Balances at Beginning of Year	Additions/ Deletions	Disposals	Depreciation Expense	Balances at End of Year
Land	\$ 119 954	\$ -	\$ -	\$ -	\$ 119 954
Building and improvements	1 598 578	498 691	-	-	2 097 269
Office equipment	72 825	-	-	-	72 825
Vehicles	4 927 930	173 471	( 61 204)	-	5 040 197
Equipment	2 387 154	19 465	-	-	2 406 619
	8 986 487	691 627	( 61 204)	-	9 616 910
Less: accumulated depreciation	(7 140 873)	-	61 204	( 341 470)	(7 421 139)
Net book value	1 845 614	691 627	-	( 341 470)	2 195 771
Construction in progress	429 654	51 737	( 481 391)	-	-
Totals	<u>\$ 2 395 222</u>	<u>\$ 743 364</u>	<u>\$ ( 481 391)</u>	<u>\$ ( 341 470)</u>	<u>\$ 2 315 725</u>

The District purchased three vehicles and replaced air conditioning systems at station no. 82 and roof at station no. 86 during the year ended September 30, 2019. Construction in progress for fire station no. 84 remodeling was completed during the year ended September 30, 2019.

NOTE (6) CAPITAL LEASES

On October 15, 2010 the old Emergency Services District No. 9, which created the new District on June 9, 2015, entered into a capital lease agreement with interest rate of 3.344% with Leasing 2, Inc. The proceeds were used to pay for four Ferrara Intruder II custom pumpers, and one Ferrara Intruder custom rescue. The first interest payment of \$14,054 was due on March 15, 2011. Thereafter, the principal and interest payments of \$119,534 are due annually beginning March 15, 2012 through March 15, 2021. During the year ended September 30, 2019, the District paid \$220,225 in principal and \$18,843 in interest.



**MONTGOMERY COUNTY ESD 9**

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019  
 (Continued)

NOTE (6) CAPITAL LEASES (Continued)

On June 25, 2014, the old Emergency Services District No. 5, which merged into the old Emergency Services District No. 9 on June 9, 2015 to form the District, entered into a capital lease agreement with an interest rate of 2.69% with Leasing 2, Inc. The proceeds were used to pay for one Ferrara custom cinder pumper. The first principal payment of \$33,149 was due on June 25, 2014. Thereafter, principal and interest payment of \$33,149 were due annually beginning June 25, 2015 through June 25, 2023. During the year ended September 30, 2019, the District paid \$27,906 in principal and \$7,033 in interest.

On March 1, 2016, the District entered into a capital lease agreement with an interest rate of 2.85% with Tax-Exempt Leasing Corporation. The proceeds were used to pay for one Ferrara custom tanker mounted on a 2016 Ferrara cinder chassis. The district paid \$200,000 down payment in February 2016. The remaining \$300,337 was financed through the capital lease. Principal and interest payments of \$34,938 are due annually beginning March 1, 2017 through March 1, 2026. During the year ended September 30, 2019, the District paid \$29,653 in principal and \$4,122 in interest.

The following is an analysis of the leased assets included in Capital Assets:

Vehicles	\$ 1 915 102
Less Accumulated Depreciation	<u>(1 327 148)</u>
	<u>\$ 587 954</u>

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
September 30, 2020	\$ 187 621
September 30, 2021	68 087
September 30, 2022	68 087
September 30, 2023	68 087
September 30, 2024	34 938
Thereafter	<u>69 876</u>
Total minimum payments	496 696
Less amount representing interest	37 983
Less current maturities of present value of minimum lease payments	<u>58 509</u>
Present value of minimum lease payments-net of current maturities	<u>\$ 400 204</u>

**MONTGOMERY COUNTY ESD 9**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019  
(Continued)**

**NOTE (7) NOTE PAYABLE**

On September 26, 2019, the District entered into a promissory note and security agreement with an interest rate of 2.94% with Government Capital Corporation. Principal and interest payments of \$80,170 are due annually beginning February 5, 2020 through February 5, 2026. The note is secured by an apparatus. The proceeds were used to make payments towards two capital leases and purchase several self-contained breathing apparatuses. During the year ended September 30, 2019, the District did not make payments for principal and interest.

Future maturities of the balance outstanding is as follows:

<u>Year Ending</u>	<u>Amount</u>
September 30, 2020	\$ 74 839
September 30, 2021	67 376
September 30, 2022	69 357
September 30, 2023	71 396
September 30, 2024	73 495
Thereafter	<u>153 537</u>
	<u>\$ 510 000</u>

**NOTE (8) DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies. Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The District's deferred compensation plan is administered by a private corporation under contract with the District. Effective November 2016, the District ceased to contribute to the plan, but participants were allowed to enter and contribute to the plan. Effective November 1, 2016, the District began participation in a new plan mentioned in Note 9.

**NOTE (9) RETIREMENT PLAN**

Plan Description

The District contributes to the Texas County & District Retirement System (TCDRS) which is a statewide, agent multiple-employer, public employee retirement system. All full- and part-time non-temporary employees participate in the Plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Note that the GASB 68 Report for TCERS furnished by Milliman to the District for the year ended September 30, 2019 was based on the evaluation date of December 31, 2018. This is due to the difference in dates between the District fiscal year end and Milliman annual evaluation.

Employee membership data related to the Plan, as of September 30, 2019 based on December 31, 2018 evaluation was as follows:

**MONTGOMERY COUNTY ESD 9**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019  
(Continued)**

**NOTE (9) RETIREMENT PLAN (Continued)**

Inactive employees entitled to but not yet receiving benefits	9
Active plan members	<u>66</u>
	<u>75</u>

Any participant over 60 years old, with 8 or more years of continuous employment, or any participant with 20 or more years of continuous employment, or any participant whose years of continuous employment, when added to the participant's age equals or exceeds 75, may retire without a reduction in the monthly benefit.

By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.

Plan provisions include death benefits for the surviving spouse if the employee had 4 or more years of service. The Plan provides a monthly income for disabled participants who have 5 or more years of service. Benefits vest at 100% after five years of service.

Generally, plan participants earn TCDRS service time for every month a deposit is made into a TCDRS account. The plan also allows to earn service time for military service performed at any time before working for the District. There are no automatic cost-of-living adjustments (COLAs). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.

For the year ended September 30, 2019, the District's total payroll for all employees was \$1,794,184. Total covered payroll was \$1,635,819, based on TCDRS December 31, 2018 evaluation. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan and was calculated by the actuary based on contributions as reported to the Plan.

Contributions

Employees of the District are required to contribute 7% of covered compensation to the Plan. The contributions are deducted from the employee's wages or salary and remitted by the District to the Plan on a monthly basis. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The District's contractually required contribution rate for the year ended September 30, 2019 was 3.05% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contributions to the Plan for the year ended September 30, 2019 were \$51,219, but \$50,874, based on TCDRS December 31, 2018 evaluation.

Pension Assets, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the District reported a liability of \$13,258 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31,

**MONTGOMERY COUNTY ESD 9**

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019  
 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At September 30, 2019, the District's proportion was 0.81%.

For the year ended September 30, 2019, the District recognized net pension expense of \$52,639. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual results	\$ 2 231	\$ 17 890
Changes of assumptions	2 495	-
Net difference between projected and actual earnings	-	21 180
Contributions subsequent to the measurement date	N/A	Employer determined
Total	<u>\$ 4 726</u>	<u>\$ 39 070</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	
2019	\$ 6 723
2020	6 723
2021	6 533
2022	6 057
2023	1 214
Thereafter	7 094

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of administrative and investment expenses, including inflation

130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an

**MONTGOMERY COUNTY ESD 9**

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019  
 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

actuarial experience study for the period January 1, 2013-December 31, 2016. As a result of the 2016 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2017 actuarial valuation to more closely reflect actual experience.

The long-term expected rate of return on pension plan investments was determined by adding expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by the Plan's investment consultant, Cliffwater, LLC. The numbers shown are based on January 2019 information for a 7 -10 year time horizon.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment - Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	<u>13.00%</u>	3.90%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in District's Net Pension Liability/(Asset)

Changes in the District's net pension liability/(asset) for the year ended September 30, 2019 was as follows:

**MONTGOMERY COUNTY ESD 9**

NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019  
 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2017	\$ 192 693	\$ 196 267	\$ ( 3 574)
Changes for the year:			
Service cost	158 986	-	158 986
Interest on total pension liability	28 148	-	28 148
Effect of Plan changes	-	-	-
Effect of economic/demographic gains or losses	( 2 417)	-	( 2 417)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	( 8 504)	( 8 504)	-
Benefit payments	-	-	-
Administrative expenses	-	( 286)	286
Member contributions	-	114 507	( 114 507)
Net investment income	-	( 1 904)	1 904
Employer contributions	-	50 874	( 50 874)
Other	-	4 694	( 4 694)
Balances as of December 31, 2018	<u>\$ 368 906</u>	<u>\$ 355 648</u>	<u>\$ 13 258</u>

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's net pension liability calculated using the discount rate of 8.10%, 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 (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

	Net Pension	
	Discount Rate	Liability/(Asset)
1% Decrease	7.10%	\$ 101 923
Current Discount Rate	8.10%	\$ 13 258
1% Increase	9.10%	\$ ( 55 357)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Plan financial report.

**MONTGOMERY COUNTY ESD 9**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019  
(Continued)**

**NOTE (9) RETIREMENT PLAN (Continued)**

Payable to the Plan

At September 30, 2019, the District reported a payable of \$4,442 for the outstanding amount of contributions due to the Plan for the year.

**NOTE (10) SALES TAX REVENUES**

Effective October 1, 2007, the residents of the District authorized the District to impose a 2% sales tax where eligible within the District. During the year ended December 31, 2019, the District earned \$1,765,967 in sales tax revenue.

**NOTE (11) SUBSEQUENT EVENTS**

In September 2019 the District incurred significant damage to buildings and equipment due to tropical storm Imelda. The District filed insurance claims and subsequent to year end had received \$356,582 in insurance proceeds as of this report date for repairs to be made in fiscal year ended September 30, 2020.

Management has evaluated subsequent events through February 29, 2020, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred, other than mentioned in the above paragraph, that would require recognition in the financial statements or disclosure in the notes to the financial statements.

*This page intentionally left blank.*



**MONTGOMERY COUNTY ESD 9**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original and Final Budget*	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Tax Revenues	\$ 1 087 240	\$ 1 051 241	\$ ( 35 999)
Sales Tax Revenues	1 725 375	1 765 967	40 592
Penalty and Interest Revenues	20 000	22 939	2 939
Rent Revenues	10 200	8 500	( 1 700)
Interest Income	4 000	13 176	9 176
Miscellaneous Revenues	<u>6 500</u>	<u>32 009</u>	<u>25 509</u>
Total Revenues	<u>2 853 315</u>	<u>2 893 832</u>	<u>40 517</u>
<b>Expenses</b>			
Accounting	31 500	6 025	25 475
Appraisal District Fees	8 950	9 365	( 415)
Attorney Fee - Tax Collection	-	6 474	( 6 474)
Audit	12 500	13 685	( 1 185)
Auto Repair/Maintenance	155 000	18 407	136 593
Building Repair/Maintenance	43 000	59 819	( 16 819)
Collection Fees - Property Tax	-	5 259	( 5 259)
Consulting Fees - Sales Tax	14 400	12 000	2 400
Communication	80 400	87 394	( 6 994)
Dues and Conferences	4 500	3 080	1 420
Equipment Repair/Maintenance	126 303	117 923	8 380
Fire Prevention Program	5 000	1 379	3 621
Fuel	55 000	45 827	9 173
Gear and Uniforms	59 000	54 919	4 081
Grace Accountability	4 200	755	3 445
Insurance	70 000	79 180	( 9 180)
Legal Fees	3 600	530	3 070
Miscellaneous	27 300	11 973	15 327
Office and Printing	52 000	50 656	1 344
Payroll	1 813 614	2 335 910	( 522 296)
Tax Assessor Fees	2 500	-	2 500
Telephone	19 800	26 591	( 6 791)
Training	25 000	5 314	19 686
Utilities	44 300	53 054	( 8 754)
Volunteer Incentive	7 200	4 000	3 200
Capital Outlay	-	261 973	( 261 973)
Capital Lease Principal	188 248	277 784	( 89 536)
Capital Lease Interest	<u>-</u>	<u>29 998</u>	<u>( 29 998)</u>
Total Expenses	<u>2 853 315</u>	<u>3 579 274</u>	<u>( 725 959)</u>
Excess(Deficiency) of Revenues over Expenditures	-	( 685 442)	( 685 442)
Other financing sources/uses:			
Debt proceeds	-	510 000	510 000
<b>Fund Balance/Net Position</b>			
Beginning of year	<u>1 416 015</u>	<u>1 416 015</u>	<u>-</u>
End of year	<u>\$ 1 416 015</u>	<u>\$ 1 240 573</u>	<u>\$ ( 175 442)</u>

\* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

See Independent Auditors' Report.

**MONTGOMERY COUNTY ESD 9**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS**

	<u>Year Ended December 31</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 158 986	\$ 139 786	20 809
Interest on total pension liability	28 148	13 077	826
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	( 2 949)	-
Effect of economic/demographic (gains) or losses	( 2 417)	21 127	18
Benefit payments/refunds of contributions	( 8 504)	-	-
Net change in total pension liability	<u>176 213</u>	<u>171 041</u>	<u>21 653</u>
Total pension liability, beginning	<u>192 694</u>	<u>21 653</u>	-
Total pension liability, ending	<u>368 907</u>	<u>192 694</u>	<u>21 653</u>
 Fiduciary Net Position			
Employer contributions	50 874	52 279	7 602
Member contributions	114 507	111 572	16 223
Investment income net of investment expenses	( 1 904)	6 166	-
Benefit payments/refunds of contributions	( 8 504)	-	-
Administrative expenses	( 286)	( 131)	-
Other	4 694	2 196	361
Net change in fiduciary net position	<u>159 381</u>	<u>172 082</u>	<u>24 186</u>
Fiduciary net position, beginning	<u>196 268</u>	<u>24 186</u>	-
Fiduciary net position, ending	<u>355 649</u>	<u>196 268</u>	<u>24 186</u>
 Net pension liability/(asset), ending	<u>\$ 13 258</u>	<u>\$ ( 3 574)</u>	<u>( 2 533)</u>
 Fiduciary net position as a % of total pension liability/(asset)	96.41%	101.85%	111.70%
 Pensionable covered payroll	\$ 1 635 819	\$ 1 593 881	231 760
 Net pension liability/(asset) as a % of covered payroll	0.81%	-0.22%	-1.09%

See Independent Auditors' Report.

Year Ended December 31

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

See Independent Auditors' Report.

**MONTGOMERY COUNTY ESD 9**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016	\$ 7 602	\$ 7 602	\$ -	\$ 231 760	3.30%
2017	52 279	52 279	-	1 593 881	3.30%
2018	50 874	50 874	-	1 635 819	3.10%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE (1) VALUATION DATE

Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

NOTE (2) METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.6 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2018: No changes in plan provisions were reflected in the Schedule.

See Independent Auditors' Report.

**MONTGOMERY COUNTY ESD 9**

SUPPLEMENTARY INFORMATION

ANALYSIS OF TAXES RECEIVABLE  
SEPTEMBER 30, 2019

Taxes Receivable - Beginning of Year	\$ 86 696
2018 Tax Roll	1 070 790
Adjustments to prior year taxes	<u>( 2 113)</u>
Total to be Accounted for	<u>1 155 373</u>
2018 Tax Collections Received from Tax Collector	1 034 376
Prior-Year Collections Received from Tax Collector	<u>16 865</u>
Total Tax Collections	<u>1 051 241</u>
Taxes Receivable - End of Year	<u><u>\$ 104 132</u></u>
Taxes Receivable - By Years	
2018	\$ 36 629
2017	14 763
2016 and prior	<u>52 740</u>
Taxes Receivable - End of Year	<u><u>\$ 104 132</u></u>

Assessed Valuation Summary

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations				
Real Property	\$ 762 810 753	\$ 741 059 424	\$ 699 905 638	\$ 702 812 102
Personal Property	<u>307 979 371</u>	<u>292 997 281</u>	<u>292 870 967</u>	<u>307 438 581</u>
Total Property Valuations	<u><u>\$ 1 070 790 124</u></u>	<u><u>\$ 1 034 056 705</u></u>	<u><u>\$ 992 776 605</u></u>	<u><u>\$ 1 010 250 683</u></u>
Tax Rate per \$100 Valuations	<u><u>\$ 0.10000</u></u>	<u><u>\$ 0.09720</u></u>	<u><u>\$ 0.10000</u></u>	<u><u>\$ 0.10000</u></u>
Tax Rolls	<u><u>\$ 1 070 790</u></u>	<u><u>\$ 1 005 103</u></u>	<u><u>\$ 992 777</u></u>	<u><u>\$ 1 010 251</u></u>
Percent of Taxes Collected to Taxes Levied	<u><u>96.6%</u></u>	<u><u>98.6%</u></u>	<u><u>98.9%</u></u>	<u><u>99.3%</u></u>

See Independent Auditors' Report.

**MONTGOMERY COUNTY ESD 9**

**BOARD MEMBERS AND CONSULTANTS  
SEPTEMBER 30, 2019**

District Mailing Address: Montgomery County ESD 9  
16723 FM 2090  
Conroe, Texas 77306

District Telephone Number: (936) 231-3527

<u>Names</u>	<u>Term of office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * FYE 09/30/19</u>	<u>Expense Reimbursements FYE 09/30/19</u>	<u>Title at Year End</u>
<u>Board Members</u>				
Michael Zepeda	(Appointed) 01/18 - 12/19	\$ -	\$ 617	President
Scott Guillote	(Appointed) 01/18 - 12/19	\$ -	\$ -	Vice President
Paul Babb	(Appointed) 01/17 - 12/18 01/19 - 12/20	\$ -	\$ 299	Secretary
Lois Clancy	(Appointed) 01/17 - 12/18 01/19 - 12/20	\$ -	\$ -	Treasurer
Mike Lee	(Appointed) 01/19 - 12/20	\$ -	\$ -	-
<u>Consultants</u>				
Darden, Fowler and Creighton, LLP	2015	\$ 380	\$ -	Legal Counsel
Tammy McRae	2015	\$ -	\$ -	Tax Collector
Breedlove & Co., P.C.	2016	\$ 13 685	\$ -	Auditor
Montgomery County Appraisal District	2015	\$ 9 365	\$ -	Appraisal District

\* Fees of Office are the amounts actually paid to a commissioner/consultant during the district's fiscal year.