
MONTGOMERY COUNTY ESD 9

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CEO

INDEPENDENT AUDITORS' REPORT

May 26, 2022

Board of Commissioners
Montgomery County ESD 9
Montgomery County, Texas

Opinion

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, 2021 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 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 9, 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 opinion.

Responsibilities of Management 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.

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 Montgomery County ESD 9's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Montgomery County ESD 9'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 Montgomery County ESD 9'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 4 through 7 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Brechner & Co., P.C.

MONTGOMERY COUNTY ESD 9

MANAGEMENT DISCUSSION & ANALYSIS SEPTEMBER 30, 2021

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, 2021. 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 \$4,629,650 as of September 30, 2021.

MONTGOMERY COUNTY ESD 9

MANAGEMENT DISCUSSION & ANALYSIS
 SEPTEMBER 30, 2021
 (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position
 September 30,

	<u>2021</u>	<u>2020</u>
Current assets	\$ 2 343 137	\$ 2 203 936
Capital assets, net of accumulated depreciation	<u>2 984 098</u>	<u>2 289 534</u>
Total assets	<u>\$ 5 327 235</u>	<u>\$ 4 493 470</u>
Deferred outflows of resources	<u>\$ 90 951</u>	<u>\$ 16 263</u>
Current liabilities	\$ 461 680	\$ 516 598
Long term liabilities	<u>298 428</u>	<u>367 785</u>
Total liabilities	<u>\$ 760 108</u>	<u>\$ 884 383</u>
Deferred inflows of resources	<u>\$ 28 428</u>	<u>\$ 23 332</u>
Net position:		
Net investment in capital assets	\$ 2 616 313	\$ 1 854 373
Unrestricted	<u>2 013 337</u>	<u>1 747 645</u>
Total net position	<u>\$ 4 629 650</u>	<u>\$ 3 602 018</u>

Summary of Changes in Net Position
 September 30,

	<u>2021</u>	<u>2020</u>
Revenues:		
Property taxes	\$ 1 344 162	\$ 1 160 356
Sales tax	2 676 778	2 464 666
Other revenues	<u>148 412</u>	<u>256 207</u>
Total Revenues	<u>4 169 352</u>	<u>3 881 229</u>
Expenses:		
Depreciation	349 684	266 324
Interest and fees	11 508	32 297
Expenses for services	<u>3 269 943</u>	<u>2 667 925</u>
Total Expenses	<u>3 631 135</u>	<u>2 966 546</u>
Change in net position	<u>538 217</u>	<u>914 683</u>
Net position, beginning of year	3 602 018	2 687 335
Prior period adjustment	<u>489 415</u>	<u>-</u>
Net position, beginning of year, restated	<u>4 091 433</u>	<u>2 687 335</u>
Net position, end of year	<u>\$ 4 629 650</u>	<u>\$ 3 602 018</u>

MONTGOMERY COUNTY ESD 9

MANAGEMENT DISCUSSION & ANALYSIS

SEPTEMBER 30, 2021

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of the end of the fiscal year ended September 30, 2021 was \$1,895,669.

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 amended the budget during the fiscal year. Actual excess of revenues over expenditures was \$682,351 more than the budgeted excess of revenues over expenditures because (1) the actual operating and capital expenditures for the District were slightly greater than expected, (2) the actual total revenues were much greater than expected, and (3) beginning fund balance/fund position was restated to properly state capital assets. The revenues were much more than expected due to the state tax revenues being much higher than expected from the comptroller report. The sale of various capital assets during the year also contributed to the increase of revenue.

MONTGOMERY COUNTY ESD 9

**MANAGEMENT DISCUSSION & ANALYSIS
SEPTEMBER 30, 2021
(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>2021</u>	<u>2020</u>
Land	\$ 119 954	\$ 119 954
Building and improvements	1 033 818	1 063 713
Office equipment	4 762	6 273
Vehicles	1 092 419	810 480
Equipment	178 312	233 007
Construction in progress	554 833	56 107
Total capital assets	<u>\$ 2 984 098</u>	<u>\$ 2 289 534</u>

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2021 are summarized as follows:

Long term debt, beginning of year	\$ 435 161
Note Proceeds	-
Retirements of principal	<u>(67 376)</u>
Long term debt, end of year	<u>\$ 367 785</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, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash	\$ 1 841 044	\$ -	\$ 1 841 044
Property Taxes Receivable	124 689	-	124 689
Sales Tax Receivable	264 704	-	264 704
Due From Tax Assessor	1 422	-	1 422
Prepaid Expense	111 278	-	111 278
Capital Assets			
Land	-	119 954	119 954
Property and Equipment (Net of Accumulated Depreciation of \$5,909,074)	-	2 309 311	2 309 311
Construction in progress	-	554 833	554 833
Total Assets	<u>2 343 137</u>	<u>2 984 098</u>	<u>5 327 235</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources	<u>90 951</u>	-	<u>90 951</u>
Total Deferred Outflows of Resources	<u>90 951</u>	-	<u>90 951</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2 434 088</u>	<u>\$ 2 984 098</u>	<u>\$ 5 418 186</u>
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$ 8 313	\$ 7 021	\$ 15 334
Payroll Liabilities	57 991	-	57 991
Net Pension Liability	37 295	-	37 295
Unearned Revenue	281 703	-	281 703
Long Term Liabilities			
Due within One Year	-	69 357	69 357
Due after One Year	-	298 428	298 428
Total Liabilities	<u>385 302</u>	<u>374 806</u>	<u>760 108</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources	28 428	-	28 428
Deferred Property Tax Revenues	<u>124 689</u>	<u>(124 689)</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>153 117</u>	<u>(124 689)</u>	<u>28 428</u>
<u>FUND BALANCE/NET POSITION</u>			
Unassigned Fund Balance	<u>1 895 669</u>	<u>(1 895 669)</u>	<u>-</u>
Total Fund Balance	<u>1 895 669</u>	<u>(1 895 669)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2 434 088</u>		
Net Position			
Net Investment in Capital Assets		2 616 313	2 616 313
Unrestricted		<u>2 013 337</u>	<u>2 013 337</u>
Total Net Position		<u>4 629 650</u>	<u>4 629 650</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 2 984 098</u>	<u>\$ 5 418 186</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, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Tax Revenues	\$ 1 327 107	\$ 17 055	\$ 1 344 162
Sales Tax Revenues	2 676 778	-	2 676 778
Penalty and Interest Revenues	27 903	-	27 903
Rent Revenues	10 200	-	10 200
Interest Revenue	809	-	809
Gain Sale of Assets	<u>109 500</u>	<u>-</u>	<u>109 500</u>
Total Revenues	<u>4 152 297</u>	<u>17 055</u>	<u>4 169 352</u>
Expenses			
Service Operations			
Accounting	3 700	-	3 700
Appraisal District Fees	10 465	-	10 465
Attorney Fee - Tax Revenue	8 282	-	8 282
Audit	14 308	-	14 308
Auto Repair/Maintenance	193 689	-	193 689
Building Repair/Maintenance	79 445	-	79 445
Collection Fees - Property Tax	6 354	-	6 354
Communication	133 089	-	133 089
Dues and Conferences	3 579	-	3 579
Equipment Repair/Maintenance	142 451	-	142 451
Fire Prevention Program	2 006	-	2 006
Fuel	35 230	-	35 230
Gear and Uniforms	48 812	-	48 812
Insurance	100 987	-	100 987
Legal Fees	1 649	-	1 649
Miscellaneous	19 715	-	19 715
Office and Printing	50 565	-	50 565
Payroll and Related Expense	2 317 042	-	2 317 042
Telephone	29 899	-	29 899
Training	13 219	-	13 219
Utilities	55 457	-	55 457
Capital Outlay	1 044 248	(1 044 248)	-
Debt Service			
Note Payable Principal	67 376	(67 376)	-
Note payable Interest	12 794	(1 286)	11 508
Depreciation	<u>-</u>	<u>349 684</u>	<u>349 684</u>
Total Expenses	<u>4 394 361</u>	<u>(763 226)</u>	<u>3 631 135</u>
Excess(Deficiency) of Revenues over Expenses	<u>(242 064)</u>	<u>780 281</u>	
Change in Net Position			<u>538 217</u>
Fund Balance/Net Position			
Beginning of Year	1 648 318	1 953 700	3 602 018
Prior Period Adjustment	<u>489 415</u>	<u>-</u>	<u>489 415</u>
Beginning of Year, Restated	<u>2 137 733</u>	<u>1 953 700</u>	<u>4 091 433</u>
End of Year	<u>\$ 1 895 669</u>	<u>\$ 2 733 981</u>	<u>\$ 4 629 650</u>

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

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

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, 2021
(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, 2021
(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, 2021. 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. Land is not a depreciable 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, 2021
 (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, 2021	<u>\$ 1 895 669</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	2 984 098
Conversion of property tax assessments to full accrual basis	124 689
Interest paid on long term debt is adjusted to accrual basis	(7 021)
Note payable obligations are not due and payable in the current period and are not reported in the funds	<u>(367 785)</u>
Adjustment to fund balance to arrive at net position	<u>2 733 981</u>
Total Net Position at September 30, 2021	<u><u>\$ 4 629 650</u></u>

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

Total deficiency of revenue over expenditures at September 30, 2021	\$ (242 064)
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 capital outlay exceeded depreciation in the current period.	694 564
Interest paid on long term debt is adjusted to accrued basis	1 286
Principal payments on debt are reported as expenditures in the fund. However, they do not affect net position.	67 376
Conversion of property tax assessments to full accrual basis	<u>17 055</u>
Change in net position of governmental activities	<u><u>\$ 538 217</u></u>

MONTGOMERY COUNTY ESD 9

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)**

NOTE (3) AD VALOREM TAX

During the year ended September 30, 2021, 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 \$1,342,375 for the 2020 tax year, on the taxable valuation of \$1,342,374,721 for the 2020 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, 2021 include collections during the current period or within 60 days of year-end related to the 2020 and prior years' tax levies.

NOTE (4) DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

The contracted depository bank used for operations, payroll, sales tax, government capital, and property tax revenue by the District was First Financial Bank. The largest cash, savings, and time deposit combined account balance for First Financial Bank was \$3,017,162, which occurred in February 2021. The balances at First Financial Bank were insured by FDIC coverage up to \$250,000. Additional securities were pledged.

At the balance sheet date, deposits with a carrying value of \$1,841,044 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, 2021.

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, 2021.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE (5) CAPITAL ASSETS

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

	Balances at Beginning of Year	Additions	Disposals	Depreciation Expense	Balances at End of Year
Land	\$ 119 954	\$ -	\$ -	\$ -	\$ 119 954
Building and improvements	2 146 669	58 042	-	-	2 204 711
Office equipment	72 825	-	-	-	72 825
Vehicles	4 900 403	-	(1 514 282)	-	3 386 121
Equipment	2 554 728	-	-	-	2 554 728
	9 674 625	58 042	(1 514 282)	-	8 218 385
Less: accumulated depreciation	(7 563 087)	-	2 003 697	(349 684)	(5 909 074)
Net book value	2 111 538	58 042	489 415	(349 684)	2 309 311
Construction in progress	58 042	496 791	-	-	554 833
Totals	<u>\$ 2 289 534</u>	<u>\$ 554 833</u>	<u>\$ 489 415</u>	<u>\$ (349 684)</u>	<u>\$ 2 984 098</u>

The District placed in service fire station no. 86 remodeling and bay doors during the year ended September 30, 2021. Construction in progress consists of three booster trucks that had not been placed in service, fire station nos. 82 and 86 generators that had not been placed in service, station no. 85 water well, and fire station no. 81 construction at September 30, 2021.

NOTE (6) UNEARNED REVENUE

In the prior fiscal year, the District received insurance reimbursements for damage caused by hurricane Imelda totaling \$429,379. These funds are considered unearned revenue until they are spent. During the year ended September 30, 2020 \$98,276 was spent on repair and maintenance items and \$49,400 was spent on a capitalized building. The balance at the end of the year for unearned revenue is \$281,703.

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, 2021, the District paid \$67,376 in principal and \$12,794 in interest.

Future maturities of the balance outstanding are as follows:

Year Ending	Amount
September 30, 2022	\$ 69 357
September 30, 2023	71 396
September 30, 2024	73 495
September 30, 2025	75 656
September 30, 2026	77 881
	<u>\$ 367 785</u>

MONTGOMERY COUNTY ESD 9

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)**

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. During the year ended September 30, 2021, the District contributed \$61,159 (3% of payroll) to the plan.

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 TCDRS furnished by Milliman to the District for the year ended September 30, 2021 was based on the evaluation date of December 31, 2020. 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, 2021 based on December 31, 2020 evaluation was as follows:

Inactive employees entitled to but not yet receiving benefits	26
Active plan members	<u>63</u>
	<u>89</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.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

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, 2021, the District's total payroll for all employees was \$1,975,461. Total covered payroll was \$1,872,920, based on TCDRS December 31, 2020 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, 2021 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, 2021 were \$58,793, but \$58,062, based on TCDRS December 31, 2020 evaluation.

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

For the year ended September 30, 2021, the District reported an asset of \$37,295 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability 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, 2021, the District's proportion was 1.99%.

For the year ended September 30, 2021, the District recognized net pension expense of \$58,793. At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021
 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual results	\$ 18 252	\$ 14 636
Changes of assumptions	2 041	76 315
Net difference between projected and actual earnings	8 135	-
Contributions subsequent to the measurement date	N/A	<u>Employer determined</u>
Total	\$ 28 428	\$ 90 951

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>	
2021	\$ 7 623
2022	7 147
2023	2 305
2024	6 930
2025	8 035
Thereafter	30 483

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by age and service. 4.6% average over career including inflation.
Investment rate of return	7.50%, 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, 2020 valuation were based on the results of an 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, 2020 actuarial valuation to more closely reflect actual experience.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021
 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

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 2021 information for a 7 -10 year time horizon.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	11.50%	4.25%
Private Equity	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities - Developed	5.00%	4.25%
International Equities - Emerging	6.00%	4.75%
Investment - Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	<u>2.00%</u>	-0.70%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. 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.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021
 (Continued)

NOTE (9) RETIREMENT PLAN (Continued)

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

Changes in the District's net pension liability/(asset) for the year ended September 30, 2021 was as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2019	\$ 542 278	\$ 572 589	\$ (30 311)
Changes for the year:			
Service cost	179 954	-	179 954
Interest on total pension liability	58 429	-	58 429
Effect of Plan changes	-	-	-
Effect of economic/demographic gains or losses	(1 872)	-	(1 872)
Effect of assumptions changes or inputs	84 794	-	84 794
Refund of contributions	(1 817)	(1 817)	-
Benefit payments	-	-	-
Administrative expenses	-	(603)	603
Member contributions	-	131 104	(131 104)
Net investment income	-	59 535	(59 535)
Employer contributions	-	58 062	(58 062)
Other	-	5 601	(5 601)
Balances as of December 31, 2020	<u>\$ 861 766</u>	<u>\$ 824 471</u>	<u>\$ 37 295</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 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:

	Net Pension	
	Discount Rate	Liability/(Asset)
1% Decrease	6.60%	\$ 247 631
Current Discount Rate	7.60%	\$ 37 295
1% Increase	8.60%	\$ (124 303)

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, 2021
(Continued)**

NOTE (9) RETIREMENT PLAN (Continued)

Payable to the Plan

At September 30, 2021, the District reported did not have a payable 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 September 30, 2021, the District earned \$2,676,778 in sales tax revenue.

NOTE (11) HOUSING AGREEMENT

On July 23, 2021 the District entered into an agreement with Montgomery County Hospital District (MCHD). The term of the agreement is 20 years. The District agrees to lease 2,148 square feet of crew housing space and one apparatus bay for \$1,000 receivable in advance on the first day of each month. The agreement shall automatically renew and be extended for successive 12-month terms unless one of the parties provides written notice of termination at least 90 days before the expiration of the then current term.

In addition, MCHD agrees to pay the District a one-time contribution payment of \$600,000 towards the construction cost of fire station no. 81. MCHD shall pay 50% to the District before October 31, 2021 with the remainder due at the time of completion and acceptance of the District's new facility. The new station will remain the property of the District.

NOTE (12) PRIOR PERIOD ADJUSTMENT

The beginning fund balance and net position of the Statement of Net Position and Governmental Funds Balance Sheet has been restated on the fund basis financial statements to record a prior period adjustment to correct the cost of vehicles and accumulated depreciation. The beginning fund balance increased \$489,415 due to the correction.

NOTE (13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2022, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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MONTGOMERY COUNTY ESD 9

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues				
Tax Revenues	\$ 1 449 732	\$ 1 449 732	\$ 1 327 107	\$ (122 625)
Sales Tax Revenues	2 385 244	2 385 244	2 676 778	291 534
Penalty and Interest Revenues	20 000	20 000	27 903	7 903
Rent Revenues	10 200	10 200	10 200	-
Interest Income	8 000	8 000	809	(7 191)
Miscellaneous Revenues	<u>15 000</u>	<u>15 000</u>	<u>109 500</u>	<u>94 500</u>
Total Revenues	<u>3 888 176</u>	<u>3 888 176</u>	<u>4 152 297</u>	<u>264 121</u>
Expenses				
Accounting	10 000	10 000	3 700	6 300
Appraisal District Fees	9 000	9 000	10 465	(1 465)
Attorney Fee - Tax Collection	-	-	8 282	(8 282)
Audit	14 250	14 250	14 308	(58)
Auto Repair/Maintenance	180 000	230 000	193 689	36 311
Building Repair/Maintenance	105 000	105 000	79 445	25 555
Collection Fees - Property Tax	2 500	2 500	6 354	(3 854)
Communication	137 500	137 500	133 089	4 411
Dues and Conferences	4 500	4 500	3 579	921
Equipment Repair/Maintenance	158 000	158 000	142 451	15 549
Fire Prevention Program	5 000	5 000	2 006	2 994
Fuel	50 000	50 000	35 230	14 770
Gear and Uniforms	53 000	53 000	48 812	4 188
Insurance	120 000	120 000	100 987	19 013
Legal Fees	8 000	8 000	1 649	6 351
Miscellaneous	30 000	30 000	19 715	10 285
Office and Printing	80 000	80 000	50 565	29 435
Payroll	2 554 720	2 554 720	2 317 042	237 678
Telephone	30 000	30 000	29 899	101
Training	35 000	35 000	13 219	21 781
Utilities	51 400	96 400	55 457	40 943
Capital Outlay	125 000	510 000	1 044 248	(534 248)
Capital Lease Principal	67 512	67 512	67 376	136
Capital Lease Interest	<u>12 794</u>	<u>12 794</u>	<u>12 794</u>	<u>-</u>
Total Expenses	<u>3 843 176</u>	<u>4 323 176</u>	<u>4 394 361</u>	<u>(71 185)</u>
Excess(Deficiency) of Revenues over Expenditures	<u>45 000</u>	<u>(435 000)</u>	<u>(242 064)</u>	<u>192 936</u>
Fund Balance/Net Position				
Beginning of year	1 648 318	1 648 318	1 648 318	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>489 415</u>	<u>489 415</u>
Beginning of year, restated	<u>1 648 318</u>	<u>1 648 318</u>	<u>2 137 733</u>	<u>489 415</u>
End of year	<u>\$ 1 693 318</u>	<u>\$ 1 213 318</u>	<u>\$ 1 895 669</u>	<u>\$ 682 351</u>

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>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability			
Service cost	\$ 179 954	\$ 171 766	\$ 158 986
Interest on total pension liability	58 429	42 857	28 148
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	84 794	-	-
Effect of economic/demographic (gains) or losses	(1 872)	(17 650)	(2 417)
Benefit payments/refunds of contributions	<u>(1 817)</u>	<u>(23 601)</u>	<u>(8 504)</u>
Net change in total pension liability	319 488	173 372	176 213
Total pension liability, beginning	<u>542 279</u>	<u>368 907</u>	<u>192 694</u>
Total pension liability, ending	<u>861 767</u>	<u>542 279</u>	<u>368 907</u>
 Fiduciary Net Position			
Employer contributions	58 062	53 832	50 874
Member contributions	131 104	123 554	114 507
Investment income net of investment expenses	59 535	58 248	(1 904)
Benefit payments/refunds of contributions	(1 817)	(23 601)	(8 504)
Administrative expenses	(603)	(436)	(286)
Other	<u>5 601</u>	<u>5 344</u>	<u>4 694</u>
Net change in fiduciary net position	251 882	216 941	159 381
Fiduciary net position, beginning	<u>572 590</u>	<u>355 649</u>	<u>196 268</u>
Fiduciary net position, ending	<u>824 472</u>	<u>572 590</u>	<u>355 649</u>
 Net pension liability/(asset), ending	<u>\$ 37 295</u>	<u>\$ (30 311)</u>	<u>\$ 13 258</u>
 Fiduciary net position as a % of total pension liability/(asset)	95.67%	105.59%	96.41%
 Pensionable covered payroll	\$ 1 872 920	\$ 1 765 051	\$ 1 635 819
 Net pension liability/(asset) as a % of covered payroll	1.99%	-1.72%	0.81%

See Independent Auditors' Report.

<u>Year Ended December 31</u>						
<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 139 786	\$ 20 809	N/A	N/A	N/A	N/A	N/A
13 077	826	N/A	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A	N/A
(2 949)	-	N/A	N/A	N/A	N/A	N/A
21 127	18	N/A	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A	N/A
<u>171 041</u>	<u>21 653</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>21 653</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>192 694</u>	<u>21 653</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
52 279	7 602	N/A	N/A	N/A	N/A	N/A
111 572	16 223	N/A	N/A	N/A	N/A	N/A
6 166	-	N/A	N/A	N/A	N/A	N/A
-	-	N/A	N/A	N/A	N/A	N/A
(131)	-	N/A	N/A	N/A	N/A	N/A
2 196	361	N/A	N/A	N/A	N/A	N/A
<u>172 082</u>	<u>24 186</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>24 186</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>196 268</u>	<u>24 186</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ (3 574)</u>	<u>\$ (2 533)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
101.85%	111.70%	N/A	N/A	N/A	N/A	N/A
\$ 1 593 881	231 760	N/A	N/A	N/A	N/A	N/A
-0.22%	-1.09%	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
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%
2019	53 832	53 832	-	1 765 051	3.05%
2020	58 062	58 062	-	1 872 920	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	20.0 years (based on contribution rate calculated in 12/31/20 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% 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	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. 2018-2020: 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, 2021

Taxes Receivable - Beginning of Year	\$ 107 634
2020 Tax Roll	1 342 375
Adjustments to prior year taxes	<u>1 787</u>
Total to be Accounted for	<u>1 451 796</u>
2020 Tax Collections Received from Tax Collector	1 303 860
Prior-Year Collections Received from Tax Collector	<u>23 247</u>
Total Tax Collections	<u>1 327 107</u>
Taxes Receivable - End of Year	<u>\$ 124 689</u>
Taxes Receivable - By Years	
2020	\$ 40 702
2019	18 195
2018	17 588
2017	9 195
2016	7 531
2015 and prior	<u>31 478</u>
Taxes Receivable - End of Year	<u>\$ 124 689</u>

Assessed Valuation Summary

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Property Valuations					
Real Property	\$ 1 003 151 380	\$ 827 813 929	\$ 762 810 753	\$ 741 059 424	\$ 699 905 638
Personal Property	<u>339 223 341</u>	<u>328 636 558</u>	<u>307 979 371</u>	<u>292 997 281</u>	<u>292 870 967</u>
Total Property Valuations	<u>\$ 1 342 374 721</u>	<u>\$ 1 156 450 487</u>	<u>\$ 1 070 790 124</u>	<u>\$ 1 034 056 705</u>	<u>\$ 992 776 605</u>
Tax Rate per \$100 Valuations	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.09720</u>	<u>\$ 0.10000</u>
Tax Rolls	<u>\$ 1 342 375</u>	<u>\$ 1 156 450</u>	<u>\$ 1 070 790</u>	<u>\$ 1 005 103</u>	<u>\$ 992 777</u>
Percent of Taxes Collected to Taxes Levied	<u>97.0%</u>	<u>98.6%</u>	<u>98.7%</u>	<u>99.3%</u>	<u>99.4%</u>

See Independent Auditors' Report.

MONTGOMERY COUNTY ESD 9

**BOARD MEMBERS AND CONSULTANTS
SEPTEMBER 30, 2021**

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 09/30/21</u>	<u>Expense Reimbursements FYE 09/30/21</u>	<u>Title at Year End</u>
<u>Board Members</u>				
Michael Zepeda	(Appointed) 01/20 - 12/21	\$ -	\$ -	President
Scott Guillote	(Appointed) 01/20 - 12/21	\$ -	\$ -	Vice President
Paul Babb	(Appointed) 01/19 - 12/20 01/21 - 03/21	\$ -	\$ -	-
Lois Lindgren	(Appointed) 01/19 - 12/20 01/21 - 12/22	\$ -	\$ -	Treasurer
Mike Lee	(Appointed) 01/19 - 12/20 01/21 - 12/22	\$ -	\$ -	-
<u>Consultants</u>				
Darden, Fowler and Creighton, LLP	2015	\$ 1 415	\$ -	Legal Counsel
Tammy McRae	2015	\$ 6 354	\$ -	Tax Collector
Breedlove & Co., P.C.	2016	\$ 14 308	\$ -	Auditor
Montgomery Central Appraisal District	2015	\$ 10 465	\$ -	Appraisal District
Julie Gilmer, CPA, PLLC	2019	\$ 3 700	\$ -	Bookkeeper
Gunda Corporation	2021	\$ 31 231	\$ -	Engineering Consultant
SLI Group, Inc.	2021	\$ 152 417	\$ -	Architecture, Engineering, Construction

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

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