

ANNUAL FINANCIAL REPORT

of the

Montgomery County Emergency Communication District

For the Year Ended

September 30, 2021

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Montgomery County Emergency Communication District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers of
Montgomery County Emergency Communication District:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Montgomery County Emergency Communication District (the "District"), 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.

Management's Responsibility for the Financial Statements

The District's 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 business-type activities as of September 30, 2021, and the respective changes in financial position and cash flows thereof 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, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liabilities and related ratios, as listed in the table of contents, 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 Emergency Communication District's basic financial statements. The accompanying other supplementary information, such as the budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule 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. 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Brooks Watson & Co.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
May 10, 2022

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

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Montgomery County Emergency Communication District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended 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 Emergency Communication District (the "District") for the year ended September 30, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

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

Financial Highlights

- The assets of the District exceeded its liabilities (net position) at September 30, 2021 by \$6,075,064. Of this amount, \$2,902,373 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The net pension liability as of September 30, 2021 was \$1,780,917, which represented a \$338,900 increase compared to prior year.
- The District's total net position decreased by \$217,091.

Financial Statements

The District is designated as a special-purpose government engaged only in business-type activities consistent with GASB 34. Governments engaged only in business-type activities should present only the financial statements required for enterprise funds. As a result, the financial statements presented within this report consist of the enterprise fund financial statements (i.e., the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows). The District has one enterprise fund.

Montgomery County Emergency Communication District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

Enterprise Fund Types

Enterprise funds are used to account for activities that are similar to those often found in the private sector. For the District this covers all activities. The measurement focus is on determination of net income, financial position, and cash flows. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Enterprise fund types follow Generally Accepted Accounting Principles "GAAP" as prescribed by the Governmental Accounting Standards Board "GASB".

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). The RSI that GASB Statement No. 34 requires includes a schedules for the District's pension liability and post-employment healthcare benefits. The RSI can be found after the notes to the financial statements within this report.

DISTRICT FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For the District, assets exceeded liabilities by \$6,075,064 as of year-end. Unrestricted net position, \$2,902,373, may be used to meet the District's ongoing emergency communication operations.

Montgomery County Emergency Communication District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position as of September 30:

	<u>Business-Type Activities</u>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 5,842,423	\$ 6,494,428
Capital assets, net	4,921,793	2,430,740
Total Assets	<u>10,764,216</u>	<u>8,925,168</u>
Deferred Outflows of resources	614,676	368,030
Accounts payable and accrued expenses	199,743	61,294
Compensated absences	39,194	42,901
Net pension liability	1,780,917	1,442,017
GTLF OPEB liability	53,934	45,815
OPEB liability	1,261,846	1,236,128
Long term debt	1,749,102	-
Total Liabilities	<u>5,084,736</u>	<u>2,828,155</u>
Deferred Inflows of resources	172,887	172,887
Net position:		
Net investment in capital assets	3,172,691	2,430,740
Unrestricted	2,902,373	3,861,416
Total Net Position	<u>\$ 6,075,064</u>	<u>\$ 6,292,156</u>

During the current year, current and other assets decreased \$652,005, and capital assets increased by \$2,491,053, primarily due to capital asset purchases during the year. Long term debt increased by \$1,749,102 due to a \$1,800,000 promissory note issued during the year, which was used to acquire land.

Montgomery County Emergency Communication District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

Statement of Revenues, Expenses, and Changes to Net Position:

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

	Business-Type Activities	
	2021	2020
Operating Revenues		
Service revenues	\$ 4,974,659	\$ 4,718,288
Total Operating Revenues	4,974,659	4,718,288
Operating Expenses		
Contract services	2,557,798	2,419,419
Salaries and benefits	1,620,885	1,582,977
Professional development	9,857	9,260
Communications	355,392	310,906
Supplies	36,332	57,218
Utilities and fees	43,561	42,282
Transportation	2,180	3,564
Depreciation	496,151	441,733
Total Operating Expenses	5,122,156	4,867,359
Nonoperating Revenues (Expenses)		
Grant expenses	(67,125)	(559,816)
Other income (losses)	2,301	2,311
Net increase (decrease) in the fair value of investments	(39,365)	(12,109)
Interest expense	(38,887)	-
Interest income	73,482	173,217
Total Nonoperating Revenues (Expenses)	(69,594)	(396,397)
Change in Net Position	(217,091)	(545,468)
Beginning Net Position	6,292,155	6,837,623
Ending Net Position	\$ 6,075,064	\$ 6,292,155

The District reported a decrease in net position of \$217,091.

Montgomery County Emergency Communication District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

Total Operating Expenses increased by \$254,797 primarily due to an increase in contract services of \$138,379 from an increase in costs associated with call-taking contracts.

BUDGETARY HIGHLIGHTS

Actual revenues were more than final budgeted revenues by \$341,659 during the year. Operating expenses were under the final budget by \$144,575. Non-operating revenues (expenses) were more than the budget by \$644,602. The net overall variance was a positive \$1,130,836. The positive variances in revenues and expenses were the result of conservative projections for revenues and management closely managing expenses to stay under budget. The positive variance in non-operating revenues/(expenses) was due to the debt financing during the year.

CAPITAL ASSETS

As of the end of the year, the District had invested \$4,921,793 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Land purchase of \$2,896,474
- Equipment purchases for \$90,730.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed officials and citizens considered many factors when setting the 2022 fiscal year budget. The economy, employment growth, cell phone and VOIP use, as well as other factors were all part of the factors used.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director at 150 Hilbig Road in Conroe, Texas.

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FINANCIAL STATEMENTS

Montgomery County Emergency Communication District

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2021

	Business-Type Activities
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 3,803,031
Receivables	545,660
Prepaid expenses	14,848
Investments, maturities in less than one year	1,198,719
Total Current Assets	5,562,258
Noncurrent Assets	
Investments, maturities in more than one year	280,165
Non-depreciable capital assets	2,896,474
Net depreciable capital assets	2,025,319
Total Noncurrent Assets	5,201,958
Total Assets	10,764,216
<u>Deferred Outflows of Resources</u>	
Pension deferrals	401,498
OPEB deferrals	213,178
Total Deferred Outflows of Resources	\$ 614,676

See Notes to Financial Statements.

Montgomery County Emergency Communication District

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2021

	Business-Type Activities
<u>Liabilities</u>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 199,743
Compensated absences	39,194
Long term debt, current portion	69,043
Total Current Liabilities	307,980
Noncurrent Liabilities	
Compensated absences, net of current portion	4,355
OPEB liability	1,261,846
GTLF OPEB liability	53,934
Net pension liability	1,780,917
Long term debt, noncurrent portion	1,680,059
Total Noncurrent Liabilities	4,781,111
Total Liabilities	5,089,091
<u>Deferred Inflows of Resources</u>	
Pension deferrals	154,889
OPEB deferrals	59,848
Total Deferred Inflows of Resources	214,737
<u>Net Position</u>	
Net investment in capital assets	3,172,691
Unrestricted	2,902,373
Total Net Position	\$ 6,075,064

See Notes to Financial Statements.

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Montgomery County Emergency Communication District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended September 30, 2021

	<u>Business-Type Activities</u>
<u>Operating Revenues</u>	
Landline/Primary	\$ 693,384
Landline/Resellers	171,373
Wireless/Contract	2,750,500
Wireless/Prepaid	357,172
VoIP	1,002,230
Total Operating Revenues	<u>4,974,659</u>
 <u>Operating Expenses</u>	
Contract services	2,557,798
Salaries & benefits	1,620,885
Professional development	9,857
Communications	355,392
Supplies	36,332
Utilities and fees	43,561
Transportation	2,180
Depreciation	496,151
Total Operating Expenses	<u>5,122,156</u>
Operating Income/(Loss)	<u>(147,497)</u>
 <u>Nonoperating Revenues (Expenses)</u>	
Grant expenses	(67,125)
Other income (loss)	2,301
Net increase (decrease) in the fair value of investments	(39,365)
Interest income	73,482
Interest expense	(38,887)
Total Nonoperating Revenues (Expenses)	<u>(69,594)</u>
Change in Net Position	<u>(217,091)</u>
Beginning Net Position	<u>6,292,155</u>
Ending Net Position	<u><u>\$ 6,075,064</u></u>

See Notes to Financial Statements.

Montgomery County Emergency Communication District

STATEMENT OF CASH FLOWS (Page 1 of 2)

For the Year Ended September 30, 2021

	<u>Business-Type Activities</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 4,911,076
Payments to suppliers	(2,841,383)
Payments for employees	(1,462,736)
Net Cash Provided (Used) by Operating Activities	<u>606,957</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(2,987,204)
Proceeds from debt issuance	1,800,000
Principal paid on capital debt	(50,898)
Interest paid on capital debt	(38,888)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,276,990)</u>
<u>Cash Flows from Investing Activities</u>	
Proceeds/purchase of investments, net	1,554,945
Interest received on investments	73,482
Net Cash Provided (Used) by Investing Activities	<u>1,628,427</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants paid	(67,125)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(67,125)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	891,269
Beginning cash and cash equivalents	<u>2,911,762</u>
Ending Cash and Cash Equivalents	<u><u>\$ 3,803,031</u></u>

See Notes to Financial Statements.

Montgomery County Emergency Communication District

STATEMENT OF CASH FLOWS (Page 2 of 2)

For the Year Ended September 30, 2021

	Business-Type Activities
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided (Used) by Operating Activities</u>	
Operating income	\$ (147,497)
Adjustments to reconcile operating income to net cash provided:	
Depreciation	496,151
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(63,583)
Deferred outflows of resources	(246,646)
Deferred inflows of resources	41,850
Increase (Decrease) in:	
Accounts payable and accrued liabilities	139,032
Net pension liability	338,900
Compensated absences	65
Post-employment benefits liability	25,718
GTLF OPEB liability	8,119
Net Cash Provided by Operating Activities	\$ 606,957
 <u>Schedule of Non-Cash Capital and Related Financing Activities</u>	
Decrease in fair value of investments - Unrealized loss	\$ 39,365

See Notes to Financial Statements.

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Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Financial Statements and Reporting Entity

The financial statements (i.e., the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows) report information on all activities of the primary government.

The Montgomery County Emergency Communication District (the "District") is a special purpose emergency communications district authorized under the provisions of the State of Texas Health Safety Code Section 772 entitled "Emergency Telephone Number Act" to facilitate the quick response to persons seeking police, fire, rescue and other emergency services. The District was created on November 5, 1985. User fee charges commenced in May 1986 and full service operations commenced in January 1988.

The District is not a taxing authority. Operations of the District are funded by charges to telephone users in the jurisdictions serviced by the District. User charges for traditional land line telephones and telephones using Voice over Internet Protocol (VoIP) are set by the District's Board of Managers. The land line fee is currently 6% of the user's basic telephone charge and the VoIP fee is \$0.50 per line per month. Such fees are collected by the telephone companies serving these jurisdictions and remitted directly to the District. Additionally, wireless customers pay a fee of \$0.50 per phone for monthly contract service or 2% of the total sale for prepaid service. The wireless providers pay these fees to the State of Texas and the State remits a monthly payment to the District based on the District's proportionate percentage of the state's population.

The financial objective of the District is to cover annual operating costs and actual and anticipated capital expenditure outlays.

The operational objective of the District is to improve emergency communications for those in need of help and as provided by those whose job is to provide efficient and effective responses to calls.

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

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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

B. Basis of Presentation of Financial Statements

Since the District is not a taxing authority and earns all revenue through services, no governmental funds exist for the District. The District is designated as a special-purpose government engaged only in business-type activities consistent with GASB 34. Governments engaged only in business-type activities should present only the financial statements required for enterprise funds. As a result, the financial statements presented within this report consist of the enterprise fund financial statements (i.e., the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows). The District has one enterprise fund.

Enterprise Fund Types

Enterprise funds are used to account for activities that are similar to those often found in the private sector. For the District this covers all activities. The measurement focus is on determination of net income, financial position, and cash flows. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Enterprise fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB).

C. Measurement Focus and Basis of Accounting

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

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The accrual basis of accounting is used for the enterprise fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

1. Deposits and Investments

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

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

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

- Direct obligations of the U.S. Government
- Direct obligations of a state or its agencies, instrumentalities, and political subdivisions
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Capital Assets

Capital assets, which include the District's building, office equipment, furniture and fixtures, and vehicles, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 years
Furniture and equipment	5 - 10 years
Buildings and improvements	15 - 30 years

3. Net Position

Net position is displayed in three components:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net position consists of constraints placed on use either by (1) external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or (2) law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

4. Estimates

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred expense on the net pension liability reported in the statement of net position. This expense is deferred pursuant to GASB 68 and is later amortized to expense in subsequent accounting periods.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government may have deferred gains that are considered deferred inflows of resources on the statement of net position. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave for proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees. The balance for compensated absences as of September 30, 2019 was \$34,015.

7. Pensions

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

8. Other Postemployment Benefits ("OPEB")

The District has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. For the Texas County & District Retirement System (TCERS), the retiree death benefit paid from the Group Term Life (GTL) program is an OPEB benefit. The OPEB program is treated as an unfunded trust, because the GTL trust covers both actives and retirees and is not segregated. The District also implemented GASB Statement No. 75 for the retiree healthcare benefits.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

The TCDRS Group Term Life program has been determined to be an unfunded OPEB plan as the GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, because the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. For GASB 75 purposes, the OPEB plan is not a cost sharing plan, so the annual benefit payments are treated as being equal to the employer's actual retiree GTL contributions for the year.

9. Fair Value

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with the modified accrual basis. The original budget is adopted by the Board of Managers prior to the beginning of the year. The legal level of control is the fund level.

Actual expenditures exceeded budget at the legal level of control as follows:

- Capital expenses \$1,447,204
- Interest expense \$38,887

The District's investment policy requires full collateralization of all time and bank deposits consistent with Chapter 2257 of the Public Funds Collateral Act. As of September 30, 2021, the District's time and bank deposits were fully insured by the FDIC.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the District had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)	Credit Rating
Certificates of deposit	\$ 248,928	0.12	n/a
Municipal bonds	1,229,956	0.80	(A2 - AAA)
External investment pools	929,179	0.11	AAAm
Total value	\$ 2,408,063		
Portfolio weighted average maturity		0.43	

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk. The District's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of September 30, 2021, the District's investments in TexPool and Texas Class were rated AAAm by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the District's time and bank deposits were fully insured by FDIC.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the District's safekeeping account prior to the release of funds.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

Texas CLASS

Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects consultants for Texas CLASS, including the Program Administrator and the Custodian. Texas CLASS is rated AAAM by Standard & Poor. There were no limitations or restrictions on withdrawals.

B. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The following table sets forth by level, within the fair value hierarchy, the District's fair value measurements at September 30, 2021:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Municipal bonds	\$ 1,229,956	\$ 1,229,956	\$ -	\$ -
Total Assets at fair value	<u>\$ 1,229,956</u>	<u>\$ 1,229,956</u>	<u>\$ -</u>	<u>\$ -</u>

C. Receivables

The following comprises the receivable balance of the District at year end:

	<u>9/30/2021</u>
Owed from telecommunication companies for 911 services	\$ 545,660
Total	<u>\$ 545,660</u>

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

D. Capital Assets

A summary of changes in the District's capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 2,896,474	\$ -	\$ 2,896,474
Total capital assets not being depreciated	<u>-</u>	<u>2,896,474</u>	<u>-</u>	<u>2,896,474</u>
Capital assets, not being depreciated:				
Buildings & Improvements	2,217,300	-	-	2,217,300
Equipment	5,120,361	90,730	-	5,211,091
Furniture and Fixtures	314,994	-	-	314,994
Vehicles	90,377	-	-	90,377
Total capital assets being depreciated	<u>7,743,032</u>	<u>90,730</u>	<u>-</u>	<u>7,833,762</u>
Less accumulated depreciation				
Buildings & Improvements	(1,456,155)	(87,868)	-	(1,544,023)
Equipment	(3,478,466)	(404,942)	-	(3,883,408)
Furniture and Fixtures	(314,994)	-	-	(314,994)
Vehicles	(62,677)	(3,341)	-	(66,018)
Total accumulated depreciation	<u>(5,312,292)</u>	<u>(496,151)</u>	<u>-</u>	<u>(5,808,443)</u>
Net capital assets being depreciated	<u>2,430,740</u>	<u>(405,421)</u>	<u>-</u>	<u>2,025,319</u>
Total capital assets	<u>\$ 2,430,740</u>	<u>\$ 2,491,053</u>	<u>\$ -</u>	<u>\$ 4,921,793</u>

Depreciation expense was \$496,151 for the year ended September 30, 2021.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

D. Long-Term Obligations

The following is a summary of long-term obligations for the year ended September 30, 2021:

Description	Beginning			Ending	Due within
	Balances	Increases	Decreases	Balances	a year
First Financial note through 2033, interest at 3.00%	-	1,800,000	(50,898)	1,749,102	69,043
	<u>\$ -</u>	<u>\$ 1,800,000</u>	<u>\$ (50,898)</u>	<u>\$ 1,749,102</u>	<u>\$ 69,043</u>
			Due in more than one year	<u>\$ 1,680,059</u>	

The note is secured by the land purchased with the related proceeds. In the potential event the City is unable to make payments as scheduled, forfeiture of the land held as collateral could be a potential remedy taken by the lender.

The annual requirements to amortize notes payable outstanding as of September 30, 2021 were as follows:

Year ending September 30,	First Financial Bank	
	Principal	Interest
2022	\$ 69,043	\$ 69,043
2023	71,107	71,107
2024	1,608,952	1,608,953
Total	<u>\$ 1,749,102</u>	<u>\$ 1,749,103</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

B. Contingent Liabilities

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

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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

C. Interlocal Agreements

Texas 9-1-1 Alliance - The District has joined other Emergency Communication Districts for the purpose of maintaining a group presence before the Texas Legislative and Executive branches of government, maintaining a group presence before all applicable state agencies, monitoring and reporting on all legislative activity affecting the group and monitoring and reporting on state rulemaking initiatives. It is also a goal to identify key issues, develop group positions on those issues and develop and implement a related strategy. The costs to the District will be approximately \$30,000 per year.

The City of Conroe, Texas - The City of Conroe, Texas ("Conroe") and the District have entered into an agreement for 9-1-1 call taking within Conroe. Conroe's Police Department shall have the responsibility and function of answering all 9-1-1 calls within its limits. The District shall reimburse Conroe for compensation and benefits for five 9-1-1 call operators.

Montgomery County - Montgomery County and the District have entered into an agreement for 9-1-1 call taking within Montgomery County but outside the District of Conroe. Montgomery County Sheriff's Office will perform 9-1-1 call taking at the District's facility. The District shall reimburse the County for compensation for each 9-1-1 call operator and 9-1-1 supervisor employed and assigned by the MCSO to perform their duties up to a total of fourteen 9-1-1 call operators and four 9-1-1 supervisors. In addition, the District will pay an administrative fee to the County of five percent of the compensation and benefits package for each employee.

Montgomery County - Montgomery County has agreed to utilize the District's facility for its Sheriff's 9-1-1 call taking and dispatch operations center for a minimum of five years. The District is providing 9-1-1 equipment and networks and the County is providing its own dispatch pertinent equipment, software and services for their use. The County has agreed to provide janitorial services for the Communication Center. In the past, the County and District have shared the costs of such services. The County has also agreed to pay an annual rental fee of \$10 and a pro-rata share of the total utilities for each month that the utilities exceed \$7,500. The District pays the County \$10 per year for the 99-year site lease initiated June 1998.

D. Concentrations

All of the District's operating revenues are from charges to telephone users in the jurisdictions serviced by the District.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The District receives a significant portion of their revenue from the State Comptroller via the Commission on State Emergency Communications (CSEC), an agency of the State of Texas. This agency has authority to administer the State's 9-1-1 Service Program and the Statewide Poison Control Program. These funds are distributed by the state based on the District's population as a percentage of the entire state population. The District recognized revenue of \$3,092,945 or 62% of total revenues from the CSEC for the year ended September 30, 2021.

The District had concentrations of receivables at yearend of 32%, 18%, and 10%, owed from three customers.

E. Pension Plans

1. Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report on a calendar year basis. The annual report is available upon request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

2. Benefits Provided

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

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

3. Funding Policy

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

The District contributed using the ADCR of 19.58% for calendar year 2021 and 18.55% for calendar year 2020.

The District adopted the rate of 7% as the contribution rate payable by the employee members for calendar years 2021 & 2020. The District may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

4. Contributions

Year ended:

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Annual Determined Contribution Cost (ADCC)	\$ 181,801	\$ 170,253	\$ 161,836
Actual Contributions Made	\$ (181,801)	\$ (170,253)	\$ (161,836)
Percentage of ADCC Made	100%	100%	100%
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The required contribution rates for fiscal year 2021 were determined as part of the December 31, 2020 actuarial valuations.

Additional information as of the latest actuarial valuation, December 31, 2019, also follows:

Valuation Date	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Actuarial Cost	Entry Age	Entry Age	Entry Age
Amortization	Level Percent payroll, closed	Level Percent payroll, closed	Level Percent payroll, closed
Amortization Period in years	13.3	12.5	19.5
Asset Valuation Method	5-year smoothed	5-year smoothed	5-year smoothed

Actuarial Assumptions:

Investment Rate of Return	8.0%	8.0%	7.5%
Projected Salary Increases	4.9%	4.9%	4.6%
* Includes Inflation at stated-rate	2.8%	2.8%	2.5%
Cost of living adjustments	0.0%	0.0%	0.0%

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	9
Active employees	10
Total	30

5. Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 20, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 20 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.% per year
Overall payroll growth	0 - 5.25% per year depending on experience
Investment Rate of Return	7.60%, before pension plan investment expense

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2014 Combined Healthy Mortality Table.

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, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.60% gross of administrative expenses. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities – Developed Markets	MSCI World Ex USA (net)	5.00%	4.25%
International Equities – Emerging	MSCI Emerging Markets (net)	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day US Treasury	2.00%	-0.70%

(1) Target asset allocation adopted at the March 2021 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2021 capital market assumptions.

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

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

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

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 5,647,069	\$ 4,205,052	\$ 1,442,017
Changes for the year:			
Service Cost	153,986	-	153,986
Interest on total pension liability ⁽¹⁾	458,049	-	458,049
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	37,261	-	37,261
Changes of assumptions	353,581		353,581
Refund of contributions and Benefit payments	(298,071)	(298,071)	-
Administrative expense	-	(3,345)	3,345
Member contributions	-	64,248	(64,248)
Net investment income	-	434,280	(434,280)
Employer contributions		170,258	(170,258)
Other ⁽³⁾	-	(1,464)	1,464
Net changes	704,806	365,906	338,900
Balance at 12/31/20	\$ 6,351,875	\$ 4,570,958	\$ 1,780,917

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

(2) No plan changes valued.

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

Sensitivity of the net pension liability to changes in the discount rate:

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

1% Decrease 6.60%	Current Single Rate Assumption 7.60%	1% Increase 8.60%
\$ 2,611,237	\$ 1,780,917	\$ 1,086,490

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2021, the District recognized pension expense of \$297,811.

At September 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between projected and investment earnings	\$ -	\$ (154,889)
Differences between expected and actual economic experience	31,171	-
Contributions subsequent to the measurement date	134,606	-
Changes of assumptions	235,721	-
Total	<u>\$ 401,498</u>	<u>\$ (154,889)</u>

The District reported \$134,606 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022.

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

Year ended December 31:	
2021	\$ 83,686
2022	128,332
2023	(80,738)
2024	(19,277)
2025	-
Thereafter	-
	<u>\$ 112,003</u>

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

F. Other Postemployment Benefits

The District also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	6
Active employees	10
Total	24

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District contributions to the GTLF for the years ended September 30, 2021, 2020, and 2019, were \$1,960, \$2,114, and, \$2,309, respectively, which equaled the contractually required contributions each year.

Schedule of Contribution Rates (*RETIREE-only portion of the rate*)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.24%	0.24%	100.0%
2020	0.23%	0.23%	100.0%
2021	0.20%	0.20%	100.0%

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Total OPEB Liability

The District's Postemployment Benefits Other Than Pensions Liability for the Group Term Life Fund (GTLF OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuating Timing	Calculated on a calendar year basis as of December 31.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line amortization over Expected Working Life

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP-2014 Combined Healthy Mortality Tables, with rates multiplied by 90% to 130% depending on gender and type.

Discount Rate:

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.12% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.12%, as well as what the Montgomery County Emergency Communication District Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.12%) or 1 percentage point higher (3.12%) than the current rate.

1% Decrease 1.12%	Current Single Rate Assumption 2.12%	1% Increase 3.12%
\$ 67,218	\$ 53,934	\$ 44,040

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/19	\$ 45,815
Changes for the year:	
Service Cost	923
Interest	1,272
Difference between expected and actual experience	104
Changes of assumptions	6,462
Benefit payments	(642)
Net changes	8,119
Balance at 12/31/20	\$ 53,934

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the District recognized OPEB expense of \$5,026.

At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in assumptions	\$ 9,793	\$ -
Difference between expected and actual experience	-	(679)
Contributions subsequent to measurement date	481	-
Total	\$ 10,274	\$ (679)

The District reported \$481 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022.

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	\$ 2,831
2022	2,380
2023	3,903
2024	-
2025	-
Thereafter	-
	<u>\$ 9,114</u>

OPEB for Health Care Benefit Provided by Plan

In addition to other benefits, the District makes available health care benefits to all qualified employees who retire from the District. It is a single employer pay-as-you go plan. The plan provides the same medical coverage to that offered to current employees, dental, vision and life insurance.

A qualified retiree is defined as follows:

- 30 years of service at any age
- Age 60 and 8 years of service
- Rule of 75
- The retiree must have been enrolled in the District's insurance program for 3 years prior to retirement

The percentage of coverage is based on years of service with the District:

- 15 years – 70%
- 25 years – at least age 55 - 100%

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Actuarial assumptions:

The Total OPEB Liability in the September 30, 2021 was determined based on the 9/30/20 actuarial valuation. The actuarial valuation was determined using the following actuarial assumptions:

Actuarial Method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year
Discount Rate	2.25%; (-0.25% real rate of return + 2.50% inflation)
Average Per Capital Claim Cost	Ages 50 – 64 range from \$17,390 -\$26,303
Health Care Cost Trend	Level 4.50%
Mortality	RPH-2014 Total Table with Projection MP-2019

Employees covered by benefit terms

At the September 30, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active employees	10
Total	14

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

Net OPEB Liability (NOL)

	Net OPEB Liability
Balance at 9/30/20	\$ 1,236,128
Changes for the year:	
Service Cost	32,058
Interest	28,146
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(34,486)
Net changes	25,718
Balance at 9/30/21	\$ 1,261,846

Total OPEB Expense

	Total OPEB Expense
Service Cost	\$ 32,058
Interest	28,146
Difference between expected and actual experience	(8,993)
Changes of assumptions	30,836
Total OPEB Expense	\$ 82,047

Sensitivity Analysis of the Trend and Discount Rate

GASB 75 requires that a sensitivity analysis of the healthcare costs trend and discount rates used in the valuation. The sensitivity is plus or minus 1% from the base rates in the valuation. The valuation shown are as of September 30, 2021.

Healthcare costs trend		
1% Decrease	Current Trend	1% Increase
3.50%	4.50%	5.50%
\$ 1,124,009	\$ 1,261,846	\$ 1,433,678

Discount Rate		
1% Decrease	Current	1% Increase
1.25%	2.25%	3.25%
\$ 1,466,849	\$ 1,261,846	\$ 1,095,767

Montgomery County Emergency Communication District

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Changes in assumptions	\$ 202,904	\$ -
Difference between expected and actual experience	-	(59,169)
Total	<u>\$ 202,904</u>	<u>\$ (59,169)</u>

These amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2022	\$ 21,844
2023	21,844
2024	21,844
2025	21,844
2026	21,844
Thereafter	34,515
	<u>\$ 143,735</u>

G. Subsequent Events

There were no material subsequent events through May 10, 2022, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Montgomery County
Emergency Communication District
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Years ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability				
Service cost	\$ 153,986	\$ 158,360	\$ 133,886	\$ 137,948
Interest	458,049	432,962	409,641	389,337
Changes in benefit terms	-	-	-	-
Effect of economic/demographic gains or losses	37,261	13,697	(2,072)	(25,024)
Changes of assumptions	353,581	-	-	5,002
Benefit payments	(298,071)	(284,055)	(272,218)	(233,612)
Net change in total pension liability	<u>704,806</u>	<u>320,964</u>	<u>269,237</u>	<u>273,651</u>
Total pension liability - beginning	<u>5,647,069</u>	<u>5,326,105</u>	<u>5,056,868</u>	<u>4,783,217</u>
Total pension liability - ending (a)	<u>6,351,875</u>	<u>5,647,069</u>	<u>5,326,105</u>	<u>5,056,868</u>
Plan fiduciary net position				
Contributions - employer	\$ 170,258	\$ 167,612	\$ 149,578	\$ 121,476
Contributions - members	64,248	60,981	60,003	53,245
Net investment income (loss)	434,280	601,656	(71,530)	491,369
Benefit payments	(298,071)	(284,055)	(272,218)	(233,612)
Administrative expenses	(3,345)	(3,204)	(2,942)	(2,528)
Other	(1,464)	(1,313)	(1,484)	(815)
Net change in plan fiduciary net position	<u>365,906</u>	<u>541,677</u>	<u>(138,593)</u>	<u>429,135</u>
Plan fiduciary net position - beginning	<u>4,205,052</u>	<u>3,663,375</u>	<u>3,801,968</u>	<u>3,372,833</u>
Plan fiduciary net position - ending (b)	<u>\$ 4,570,958</u>	<u>\$ 4,205,052</u>	<u>\$ 3,663,375</u>	<u>\$ 3,801,968</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 1,780,917</u>	<u>\$ 1,442,017</u>	<u>\$ 1,662,730</u>	<u>\$ 1,254,900</u>
 Plan fiduciary net position as a percentage of the total pension liability				
	71.96%	74.46%	68.78%	75.18%
Covered payroll	\$ 917,832	\$ 871,162	\$ 857,182	\$ 760,648
Fund's net position as a percentage of covered payroll				
	194.04%	165.53%	193.98%	164.98%

Notes to schedule:

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

	<u>2016</u>	<u>2015</u>	¹
\$	133,111	\$ 136,107	
	353,202	328,757	
	-	(11,134)	
	84,713	(49,049)	
	-	81,136	
	(162,960)	(134,093)	
	<u>408,066</u>	<u>351,724</u>	
	<u>4,375,151</u>	<u>4,023,427</u>	
	<u>4,783,217</u>	<u>4,375,151</u>	
\$	110,644	\$ 123,431	
	52,940	52,269	
	230,961	(65,079)	
	(162,960)	(134,093)	
	(2,507)	(2,245)	
	35,303	18,823	
	<u>264,381</u>	<u>(6,894)</u>	
	<u>3,108,452</u>	<u>3,115,346</u>	
\$	<u>3,372,833</u>	<u>\$ 3,108,452</u>	
\$	<u>1,410,384</u>	<u>\$ 1,266,699</u>	

	70.51%	71.05%
\$	756,281	\$ 746,706
	186.49%	169.64%

Montgomery County

Emergency Communication District

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years ended September 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined employer contributions	\$ 181,801	\$ 170,253	\$ 161,836	\$ 137,085
Contributions in relation to the actuarially determined contribution	<u>\$ 181,801</u>	<u>\$ 170,253</u>	<u>\$ 161,836</u>	<u>\$ 137,085</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual covered payroll	\$ 941,889	\$ 908,682	\$ 863,226	\$ 800,950
Employer contributions as a percentage of covered payroll	19.30%	18.74%	18.75%	17.12%

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	19.0 years
Asset Valuation Method	5 Year smoothed value
Inflation	2.50%
Salary Increases	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

MP-2014 Ultimate scale after 2014.

Other Information:

Notes

Employer contributions reflect that a 70% CPI COLA was adopted

<u>2017</u>	<u>2016</u>	¹
\$ 119,393	\$ 112,357	
<u>\$ 119,393</u>	<u>\$ 112,357</u>	
<u>\$ -</u>	<u>\$ -</u>	
\$ 763,004	\$ 745,557	
15.65%	15.07%	

Montgomery County Emergency Communication District

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN Years ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	¹
Total OPEB liability					
Service cost	\$ 923	\$ 714	\$ 767	\$ 984	
Interest	1,272	1,373	1,363	1,350	
Differences between in experience	104	651	(3,111)	486	
Changes of assumptions	6,462	10,665	(4,515)	1,769	
Benefit payments, including refunds of participant contributions	(642)	(697)	(514)	(380)	
Net change in total OPEB liability	<u>8,119</u>	<u>12,706</u>	<u>(6,010)</u>	<u>4,209</u>	
Total OPEB liability - beginning	<u>\$ 45,815</u>	<u>\$ 33,109</u>	<u>\$ 39,119</u>	<u>\$ 34,910</u>	
Total OPEB liability - ending (a)	<u><u>\$ 53,934</u></u>	<u><u>\$ 45,815</u></u>	<u><u>\$ 33,109</u></u>	<u><u>\$ 39,119</u></u>	²
Covered payroll	\$ 917,832	\$ 871,162	\$ 857,182	\$ 760,648	
District's total OPEB liability as a	5.88%	5.26%	3.86%	5.14%	

Notes to schedule:

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

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

Montgomery County

Emergency Communication District

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS POST EMPLOYMENT HEALTHCARE BENEFITS September 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	¹
Total Net OPEB liability					
Service cost	\$ 32,058	\$ 30,668	\$ 30,668	\$ 29,471	
Interest	28,146	41,589	38,758	38,270	
Changes in benefit terms	-	-	-	-	
Difference in experience	-	(77,156)	-	-	
Changes of assumptions	-	264,578	-	-	
Benefit payments, including refunds of participant contributions	(34,486)	(34,486)	(26,248)	(26,248)	
Net change in total OPEB liability	<u>25,718</u>	<u>225,193</u>	<u>43,178</u>	<u>41,493</u>	
Total Net OPEB liability - beginning	<u>\$ 1,236,128</u>	<u>\$ 1,010,935</u>	<u>\$ 967,757</u>	<u>\$ 926,264</u>	
Total Net OPEB liability - ending (a)	<u><u>\$ 1,261,846</u></u>	<u><u>\$ 1,236,128</u></u>	<u><u>\$ 1,010,935</u></u>	<u><u>\$ 967,757</u></u>	²
Covered payroll	\$ 941,889	\$ 908,682	\$ 835,610	\$ 800,950	
Net OPEB Liability as a percentage of	133.97%	136.04%	120.98%	120.83%	

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

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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OTHER SUPPLEMENTARY INFORMATION

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Montgomery County
Emergency Communication District
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2021

	Original & Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Landline/Primary	\$ 664,200	\$ 693,384	\$ 29,184
Landline/Resellers	113,400	171,373	57,973
Wireless/Contract	2,550,000	2,750,500	200,500
Wireless/Prepaid	385,600	357,172	(28,428)
VoIP	919,800	1,002,230	82,430
Total Operating Revenues	4,633,000	4,974,659	341,659
Operating Expenses			
Salaries & benefits	1,756,400	1,620,885	135,515
Supplies	73,500	36,332	37,168
Contract services	2,485,300	2,557,798	(72,498)
Communications	340,880	355,392	(14,512)
Professional development	67,200	9,857	57,343
Utilities and fees	40,300	43,561	(3,261)
Transportation	7,000	2,180	4,820
Total Operating Expenses	4,770,580	4,626,005	144,575
Operating Income	(137,580)	348,654	486,234
Nonoperating Revenues (Expenses)			
Grant expenses	(500,000)	(67,125)	432,875
Capital expenses	(1,540,000)	(2,987,204)	(1,447,204) *
Debt issuance	-	1,800,000	1,800,000
Interest income	137,400	73,482	(63,918)
Interest expense	-	(38,887)	(38,887) *
Net (decrease) in the fair value of investments	-	(39,365)	(39,365)
Other income (loss)	1,200	2,301	1,101
Total Nonoperating Revenues (Expenses)	(1,901,400)	(1,256,798)	644,602
Change	\$ (2,038,980)	(908,144)	\$ 1,130,836
Beginning Net Position		6,292,155	
Ending Net Position - modified		5,384,011 ¹	
Capital expenses		2,987,204	
Depreciation expense		(496,151)	
Debt issuance		(1,800,000)	
Ending Net Position		\$ 6,075,064	

Notes to Supplementary Information:

¹ Budget presented on modified accrual basis.

* Expenditures exceeded budget at the legal level of control.

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