

ANNUAL FINANCIAL REPORT

of the

Montgomery County Emergency Services District No. 8

For the Year Ended
September 30, 2014



(This page intentionally left blank.)

Montgomery County Emergency Services District No. 8

TABLE OF CONTENTS

For the Year Ended September 30, 2014

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	5
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Position	13
Statement of Activities	15
Balance Sheet and Reconciliation to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Change in Fund Balance	18
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	19
Notes to Financial Statements	21
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule – General Fund	39
Schedule of Funding Progress – Texas County & District Retirement System	41

(This page intentionally left blank.)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Montgomery County Emergency Services District No. 8 (the "District"), as of and for the year ended September 30, 2014, 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 governmental activities and the major fund as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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.

Respectfully,

A handwritten signature in cursive script that reads "Brooks Cardiel, PLLC".

BrooksCardiel, PLLC
The Woodlands, Texas
April 29, 2015

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

(This page intentionally left blank.)

Montgomery County Emergency Services District No. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2014

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the Montgomery County Emergency Services District No. 8 (the "District") for the year ended September 30, 2014. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

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

Government-Wide Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

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

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

Montgomery County Emergency Services District No. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2014

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

Montgomery County Emergency Services District No. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2014

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

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund. The RSI can be found after the notes to the financial statements within this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For the District, assets exceeded liabilities by \$12,172,953 as of yearend. Unrestricted net position, \$5,790,836, may be used to meet the District's ongoing emergency service operations.

Montgomery County Emergency Services District No. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2014

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2014	2013
Current and other assets	\$ 7,940,778	\$ 6,389,030
Capital assets, net	15,715,314	12,249,935
Total Assets	23,656,092	18,638,965
Accounts payable and accrued expenses	2,149,942	512,481
Long-term liabilities	9,333,197	8,090,587
Total Liabilities	11,483,139	8,603,068
Net Position:		
Net investment in capital assets	6,382,117	4,159,348
Unrestricted	5,790,836	5,876,549
Total Net Position	\$ 12,172,953	\$ 10,035,897

Current and other assets increased as a result of the increased cash on hand, which can be attributed to timing of cash outflows subsequent to yearend. Additionally, receivables increased primarily because of the sales tax revenue growth during the current year. Long-term liabilities increased as a result of loan proceeds received that were utilized to finance the construction of a new fire station. The District opened a term loan and allows the District to draw funds as needed, as the construction work progresses. These construction expenses are the primary reason for the increase in the capital assets.

Current liabilities increased primarily due to accrued construction expenses for the new fire station. The funds to pay these expenses had not yet been drawn from the term loan.

The overall net position of the District increased primarily because of the increase in capital assets. Major capital asset additions occurring in the current year were as follows:

- Construction expenses for new fire station amounted to \$3,373,984
- Fire department equipment totaling \$146,927

Montgomery County Emergency Services District No. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2014

Statement of Activities:

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

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenue:		
Operating grant income	\$ 58,280	\$ -
General revenues:		
Property taxes	3,750,801	3,659,945
Sales taxes	5,610,050	5,057,461
Other	125,270	615,843
Investment income	9,211	8,561
Total Revenues	<u>9,553,612</u>	<u>9,341,810</u>
Expenses		
Public safety	7,175,537	5,825,435
Interest and fiscal charges	241,019	231,992
Total Expenses	<u>7,416,556</u>	<u>6,057,427</u>
Change in Net Position	2,137,056	3,284,383
Beginning Net Position	<u>10,035,897</u>	<u>6,751,514</u>
Ending Net Position	<u>\$ 12,172,953</u>	<u>\$ 10,035,897</u>

The District reported an increase in net position of \$2,137,056. This is primarily due to an increase in sales tax of \$552,589 and property tax of \$109,445. Tax revenue increased due to increased development within the District. The decrease in other revenues is a result of the significant gain on sale of assets recognized in prior year. No capital assets were sold in the current year. The increase in general government expenses is primarily due to an increase in salaries and health insurance costs as a result of the new employee hires and pay raises occurring in the current year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Montgomery County Emergency Services District No. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2014

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

The District's general fund reflects a fund balance of \$5,792,654. There was a decrease in the fund balance of \$56,122 over the prior year. This decrease is attributed to the increase in general and administrative expenditures compared to the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were more than final budgeted revenues by \$1,396,663 during the year. Actual general fund expenditures were over the final budget by \$4,422,457. This is primarily due to \$4,805,534 in capital outlay expenditures not being budgeted for. Additionally, other financing sources of \$2,083,954 were not budgeted for. These variances were the primary reasons for a net negative overall variance of \$941,840.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District is located in Montgomery County, Texas. The overall continued development within the District will continue to fuel increased sales tax receipts in the coming year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be directed to Municipal Accounts & Consulting, LP, 200 River Pointe, Suite 240, Conroe, Texas, 77304, telephone (936) 647-4068.

FINANCIAL STATEMENTS

(This page is intentionally left blank.)

Montgomery County

Emergency Services District No. 8

STATEMENT OF NET POSITION

September 30, 2014

	Governmental Activities
<u>Assets</u>	
Current Assets	
Cash	\$ 4,021,508
Investments	2,785,000
Receivables:	
Property taxes	84,921
Sales taxes	1,019,010
Accrued interest	2,092
Other	28,247
Total Assets	7,940,778
 Non-Current Assets	
Capital assets:	
Capital assets - non-depreciable	5,633,390
Capital assets - net depreciable	10,081,924
Total Non-Current Assets	15,715,314
Total Assets	23,656,092
 <u>Liabilities</u>	
Current Liabilities	
Accounts payable	633,920
Accrued expenses	1,429,283
Accrued interest	86,739
Total Current Liabilities	2,149,942
 Long-term liabilities	
Due within a year	1,367,373
Due in more than one year	7,965,824
Total Liabilities	11,483,139
 <u>Net Position</u>	
Net investment in capital assets	6,382,117
Unrestricted	5,790,836
Total Net Position	\$ 12,172,953

See Notes to Financial Statements.

(This page is intentionally left blank.)

Montgomery County

Emergency Services District No. 8

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

	Governmental Activities
<u>Program Revenue</u>	
Operating grant income	\$ 58,280
<u>General Revenue</u>	
Property taxes	3,750,801
Sales taxes	5,610,050
Other revenues	125,270
Investment income	9,211
Total Revenues	9,553,612
<u>Expenses</u>	
Public safety	7,175,537
Interest and fiscal charges	241,019
Total Expenses	7,416,556
Change in Net Position	2,137,056
Beginning Net Position	10,035,897
Ending Net Position	\$ 12,172,953

See Notes to Financial Statements.

(This page is intentionally left blank.)

Montgomery County Emergency Services District No. 8

BALANCE SHEET AND RECONCILIATION TO THE STATEMENT OF NET POSITION September 30, 2014

	<u>General Fund</u>
<u>Assets</u>	
Cash	\$ 4,021,508
Investments	2,785,000
Receivables:	
Property taxes	84,921
Sales taxes	1,019,010
Accrued interest	2,092
Other	28,247
Total Assets	\$ 7,940,778
 <u>Liabilities</u>	
Accounts payable	\$ 633,920
Accrued expenses	1,429,283
Total Liabilities	2,063,203
 <u>Deferred Inflows of Resources</u>	
Unavailable revenue - property taxes	84,921
Total Deferred Inflows of Resources	84,921
 <u>Fund balance</u>	
Fund Balance:	
Unassigned	5,792,654
Total Fund Balance	\$ 5,792,654
 Amounts reported for governmental activities in the Statement of Net Position:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, non-depreciable	5,633,390
Capital assets, net depreciable	10,081,924
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property taxes receivable	84,921
Long-term liabilities are not due in payable in the current period (i.e. note payables, capital leases, and compensated balances) and, therefore, are not reported as liabilities in the government funds	
Accrued interest	(86,739)
Non-current liabilities due in one year	(1,367,373)
Non-current liabilities due in more than one year	(7,965,824)
Net Position of Governmental Activities	\$ 12,172,953

See Notes to Financial Statements.

Montgomery County

Emergency Services District No. 8

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

For the Year Ended September 30, 2014

	General Fund
Program Revenue	
Operating grant income	\$ 58,280
General Revenue	
Property taxes	3,768,205
Sales taxes	5,610,050
Other revenues	125,270
Investment income	9,211
Total Revenues	9,571,016
Expenditures	
General and administrative	5,700,109
Capital outlay	4,920,534
Debt service:	
Principal	861,617
Interest	228,832
Total Expenditures	11,711,092
Other Financing Sources	
Loan proceeds	2,083,954
Net Change in Fund Balance	(56,122)
Beginning Fund Balance	5,848,776
Ending Fund Balance	\$ 5,792,654

See Notes to Financial Statements.

Montgomery County

Emergency Services District No. 8

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

For the Year Ended September 30, 2014

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

Net change in fund balance	\$	(56,122)
----------------------------	----	----------

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

Capital outlays		4,641,406
Depreciation		(1,176,027)

Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the funds.		(17,404)
--	--	----------

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

Accrued interest		(12,187)
Compensated absences		(20,273)

The issuance of long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issuance		(2,083,954)
Principal payments		861,617

Net Change in Net Position	\$	<u>2,137,056</u>
-----------------------------------	-----------	-------------------------

See Notes to Financial Statements.

(This page is intentionally left blank.)

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

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

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

The government reports the following governmental funds:

Governmental Funds

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

General Fund

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

C. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

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

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

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

1. Cash and Investments

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

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

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

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

2. Property Taxes

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

3. Capital Assets

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

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

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

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

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

4. Deferred Outflows/Inflows of Resources

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

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

5. Net Position Flow Assumption

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

6. Fund Balance Flow Assumptions

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

7. Fund Balance

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

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

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

8. Compensated Absences

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

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

9. Long-Term Obligations

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

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

10. Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term assets, such as property tax receivable, are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

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

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A budget is prepared by fund and function. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

1. Excess of Expenditures Over Appropriations:

For the year ended September 30, 2014, actual general fund expenditures exceeded appropriations by \$4,422,457. This variance primarily relates to actual capital outlays being over the budgeted amount by \$4,805,534.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2014, the primary government had the following investments:

<u>Investments Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 2,785,000	0.49
External investment pools	3,441,897	-
Total fair value	<u>\$ 6,226,897</u>	
Portfolio weighted average maturity		0.22

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

Custodial Credit Risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires funds on deposit at the depository bank to be collateralized by securities when in excess of FDIC coverage. As of September 30, 2014, checking deposits were collateralized by an amount over and above the yearend balances.

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

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.

TexPool operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of their shares.

The District holds additional external investment pools in the form of a money market account at Deutsche Bank. As of September 30, 2014, the balance was \$91,441.

B. Receivables

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

	General	
	Fund	Total
Property taxes	\$ 84,921	\$ 84,921
Sales taxes	1,019,010	1,019,010
Accrued interest	2,092	2,092
Other	28,247	28,247
Total	\$ 1,134,270	\$ 1,134,270

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

C. Capital Assets

The following is a summary of changes in capital assets for the year ended:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,126,003	\$ -	\$ -	\$ 1,126,003
Construction in progress	562,299	4,420,257	(475,169)	4,507,387
Total capital assets not being depreciated	<u>1,688,302</u>	<u>4,420,257</u>	<u>(475,169)</u>	<u>5,633,390</u>
Capital assets, being depreciated:				
Buildings	7,593,581	46,725	-	7,640,306
Vehicles and equipment	6,298,540	174,424	475,169	6,948,133
Total capital assets being depreciated	<u>13,892,121</u>	<u>221,149</u>	<u>475,169</u>	<u>14,588,439</u>
Less accumulated depreciation				
Buildings	(595,819)	(277,055)	-	(872,874)
Vehicles and equipment	(2,734,669)	(898,972)	-	(3,633,641)
Total accumulated depreciation	<u>(3,330,488)</u>	<u>(1,176,027)</u>	<u>-</u>	<u>(4,506,515)</u>
Net capital assets being depreciated	<u>10,561,633</u>	<u>(954,878)</u>	<u>-</u>	<u>10,081,924</u>
Total capital assets	<u><u>\$ 12,249,935</u></u>	<u><u>\$ 3,465,379</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,715,314</u></u>

The majority of the capital asset additions occurring during the year relates to the construction of a new fire station. The construction had not completed as of September 30, 2014. Therefore, the additions are classified within construction in progress.

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

D. Long-Term Obligations

The following is a summary of long-term obligations for the year ended September 30, 2014:

	Balance at 9/30/2013	Increases	Decreases	Balance at 9/30/2014	Due within a year
Governmental Activities:					
Capital leases:					
2010 Fire Trucks, due in quarterly installments through 2019, interest at 4.30%	\$ 1,538,517	\$ -	\$ (219,395)	\$ 1,319,122	\$ 228,979
2012 Ferrara Trucks, due in quarterly installments through 2022, interest at 3.25%	964,508	-	(105,952)	858,556	108,684
Note Payable:					
2011 Birnham Woods, due in annual installments through 2021, interest at 2.65%	2,370,063	-	(236,306)	2,133,757	242,655
2012 Station 2, due in semi-annual installments through 2022, interest at 2.54%	3,180,422	-	(299,964)	2,880,458	307,644
2014 Station 3 (Robinson Road), due in annual installments through 2024, interest at 2.28%	-	2,083,954	-	2,083,954	427,796
Compensated absences:					
Accumulated sick time	37,077	23,284	(3,011)	57,350	51,615
	<u>\$ 8,090,587</u>	<u>\$ 2,107,238</u>	<u>\$ (864,628)</u>	<u>\$ 9,333,197</u>	<u>\$ 1,367,373</u>
			Due in more than one year	<u>\$ 7,965,824</u>	

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

As of September 30, 2014, the debt service requirements are as follows:

Year ending September 30,	Capital Leases		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 337,663	\$ 73,824	\$ 978,095	\$ 238,473	\$ 1,315,758	\$ 312,297
2016	350,466	61,020	1,446,323	307,852	1,796,789	368,872
2017	363,778	44,708	1,027,713	272,984	1,391,491	317,692
2018	377,621	33,865	920,788	163,298	1,298,409	197,163
2019	392,016	19,470	610,180	68,784	1,002,196	88,254
2020	193,192	6,781	626,144	52,820	819,336	59,601
2021	126,621	2,849	642,482	36,481	769,103	39,330
2022	36,321	205	659,334	19,630	695,655	19,835
2023	-	-	187,110	2,380	187,110	2,380
Total	\$ 2,177,678	\$ 242,722	\$ 7,098,169	\$ 1,162,702	\$ 9,275,847	\$ 1,405,424

On March 28, 2014, the District entered into a term loan agreement with Wells Fargo Bank, N.A. to finance the construction of a new fire station. The maximum amount to be funded by the bank is \$9,137,434. As of September 30, 2014, a total of \$2,083,954 was funded. The stated interest rate on the loan is 2.28%. Principal and interest are not due until the loan is fully funded. The bank expects to fully fund the loan by April 2015. Semi-annual payments of \$537,605 will be paid on April 10 and October 10 through April 2024. The first principal and interest payment is due April 10, 2015. A principal amount of \$427,796 has been classified as long-term debt due within one year.

In accordance with the loan terms, the District must maintain a Debt Coverage Ratio not less than 1.1 to 1.0. As of September 30, 2014, the District was in compliance with this financial covenant.

V. OTHER INFORMATION

A. Risk Management

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

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

C. Restatement

As a result of the correction in accounting errors, the District restated its beginning net position within government activities in order to recognize an accrual for accumulated sick time balances. The restatement of beginning net position is as follows:

	Governmental Activities
Prior year ending net position, as reported	\$ 10,072,974
Recognition of accumulated sick time	(37,077)
Restated beginning net position	<u>\$ 10,035,897</u>

D. Retirement Plan

The District provides retirement, disability, and death benefits for all its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined contribution benefit plans. TCDRS, in the aggregate, issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2014

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.

Funding Policy

The District has elected the annually determined contribution rate (ACDR) 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 8.84% for calendar year 2014 and 9.05% for calendar year 2013.

The District adopted the rate of 7% as the contribution rate payable by the employee members for calendar year 2014. The District may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

Three-Year Contribution Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Determined Contribution Cost (ADRC)	\$ 320,041	\$ 236,978	\$ 260,190
Actual Contributions Made	\$ (320,041)	\$ (236,978)	\$ (260,190)
Percentage of APC Made	100%	100%	100%
Net Pension Obligation/Asset	-	-	-
NPO at End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Annual Pension Cost

The required contribution was determined as part of the Dec. 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at Dec. 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at Dec. 31, 2013 was 20 years.

Montgomery County Emergency Services District No. 8

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2014

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 and 2013 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of payroll, closed	Level Percent of payroll, closed	Level Percent of payroll, closed
Amortization Period in years	20 years	20 years	20 years
Asset Valuation Method	10-year Smoothed Fund	10-year Smoothed Fund	10-year Smoothed Fund
Actuarial Assumptions:			
Investment Rate of Return *	8%	8%	8%
Projected Salary Increases *	5.4%	5.4%	5.4%
* Includes Inflation at stated-rate	3.5%	3.5%	3.5%
Cost-of Living Adjustments	0.0%	0.0%	0.0%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	\$ 1,084,324
Actuarial Accrued Liability	\$ 1,474,950
Percentage Funded	73.52%
Annual Covered Payroll	\$ 3,169,510
Unfunded Actuarial Accrued Liability	\$ 390,626
(UAAL) % of Covered Payroll	12.32%

E. Subsequent Events

Subsequent to September 30, 2014, the District drew an additional \$7,053,480 on the Wells Fargo Bank, N.A. term loan and continued the construction of the new fire station. The term loan was fully funded on March 25, 2015. There were no additional material subsequent events through the date the financial statements were issued.

(This page is intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page is intentionally left blank.)

Montgomery County
Emergency Services District No. 8
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 3,787,753	\$ 3,787,753	\$ 3,768,205	\$ (19,548)
Sales tax	4,300,000	4,300,000	5,610,050	1,310,050
Other revenues	63,600	63,600	125,270	61,670
Operating grant income	-	-	58,280	58,280
Investment earnings	23,000	23,000	9,211	(13,789)
Total Revenues	<u>8,174,353</u>	<u>8,174,353</u>	<u>9,571,016</u>	<u>1,396,663</u>
Expenditures				
Public safety	6,225,035	6,225,035	5,700,109	524,926
Capital outlay	415,000	115,000	4,920,534	(4,805,534) *
Debt service:				
Principal	569,621	569,621	861,617	(291,996) *
Interest	378,979	378,979	228,832	150,147
Total Expenditures	<u>7,588,635</u>	<u>7,288,635</u>	<u>11,711,092</u>	<u>(4,422,457) *</u>
Other Financing Sources				
Loan proceeds	-	-	2,083,954	2,083,954
Net Change in Fund Balance	<u>\$ 585,718</u>	<u>\$ 885,718</u>	(56,122)	<u>\$ (941,840)</u>
Beginning Fund Balance			<u>5,848,776</u>	
Ending Fund Balance			<u>\$ 5,792,654</u>	

Notes to Required Supplementary Information:

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

* 2. Expenditures exceeded appropriations at the legal level of control

(This page is intentionally left blank.)

Montgomery County
Emergency Services District No. 8
SCHEDULE OF FUNDING PROGRESS-
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

The District's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the District makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the District's Schedule of Funding Progress.

Actuarial Valuation Date	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Actuarial Value of Assets	\$ 1,084,324	\$ 535,981	\$ 244,886
Actuarial Accrued Liability	\$ 1,474,950	\$ 863,509	\$ 438,077
Percentage Funded	74%	62%	56%
Unfunded Actuarial			
Accrued Liability	\$ 390,626	\$ 327,528	\$ 193,191
Annual Covered Payroll	\$ 3,169,510	\$ 2,548,983	\$ 1,604,061
Unfunded Actuarial Accrued Liability			
(UAAL) % of Covered Payroll	12%	13%	12%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ -	\$ -	\$ -
Annual Det. Contributions (ADC)	\$ 320,041	\$ 236,978	\$ 260,190
Contributions Made	\$ 320,041	\$ 236,978	\$ 260,190
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(This page is intentionally left blank.)