
MONTGOMERY COUNTY ESD 9

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

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INDEPENDENT AUDITORS' REPORT

April 14, 2026

Board of Commissioners
Montgomery County ESD 9
Montgomery County, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County ESD 9, as of and for the year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County ESD 9, as of September 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery County ESD 9, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County ESD 9's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County ESD 9's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County ESD 9's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 5 through 9 and 25 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County ESD 9's basic financial statements. The supplementary information on pages 31 and 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Breckhow & Co., P.C.

MONTGOMERY COUNTY ESD 9

MANAGEMENT DISCUSSION & ANALYSIS SEPTEMBER 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the Montgomery County ESD 9 (the "District") for the year ended September 30, 2025. The District consolidated their operations with Montgomery County Emergency Services District No. 5 on June 9, 2015. A new entity was formed on the merger date, and all assets and liabilities were transferred to the new entity. The District was discontinued upon the merger and transferred to the new entity. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

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

Government-Wide Financial Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about costs of service, operating results, and financial position of the District as an economic entity. The Statement of Net Position and Statement of Activities, which appear first in the District's financial statements, report 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 current year's revenues and expenses are taken into account even if cash has not yet changed hands.

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

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

Fund Financial Statements

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

MONTGOMERY COUNTY ESD 9

MANAGEMENT DISCUSSION & ANALYSIS

SEPTEMBER 30, 2025

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

Notes to the Financial Statements

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

Other Information

In addition to basic financial statements, this Management's Discussion & Analysis, and accompanying notes, this report also contains certain Required Supplementary Information (RSI). The RSI that is required by GASB Statement No. 103, *Financial Reporting Model Improvements*, is the inclusion of a budgetary comparison schedule for the general fund. The RSI can be found after the notes to the financial statements within this report.

MONTGOMERY COUNTY ESD 9

MANAGEMENT DISCUSSION & ANALYSIS
 SEPTEMBER 30, 2025
 (Continued)

FINANCIAL SUMMARY

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$12,196,361 as of September 30, 2025.

Summary of Net Position
 As of September 30,

	<u>2025</u>	<u>2024</u>	<u>Change \$</u>	<u>Change</u>
Current assets	\$ 6 790 442	\$ 4 791 858	\$ 1 998 584	41.71 %
Noncurrent assets	205 700	219 000	(13 300)	(6.07)%
Capital assets, net of accumulated depreciation	<u>7 865 653</u>	<u>7 797 616</u>	<u>68 037</u>	<u>0.87 %</u>
Total assets	<u>\$14 861 795</u>	<u>\$ 12 808 474</u>	<u>\$ 2 053 321</u>	<u>16.03 %</u>
Deferred outflows of resources	<u>\$ 387 385</u>	<u>\$ 158 547</u>	<u>\$ 228 838</u>	<u>144.33 %</u>
Current liabilities	\$ 888 840	\$ 772 706	\$ 116 134	15.03 %
Long term liabilities	<u>2 146 793</u>	<u>2 261 997</u>	<u>(115 204)</u>	<u>(5.09)%</u>
Total liabilities	<u>\$ 3 035 633</u>	<u>\$ 3 034 703</u>	<u>\$ 930</u>	<u>0.03 %</u>
Deferred inflows of resources	<u>\$ 17 186</u>	<u>\$ 15 218</u>	<u>\$ 1 968</u>	<u>12.93 %</u>
Net position:				
Net investment in capital assets	\$ 5 603 656	\$ 5 418 233	\$ 185 423	3.42 %
Unrestricted	<u>6 592 705</u>	<u>4 498 867</u>	<u>2 093 838</u>	<u>46.54 %</u>
Total net position	<u>\$12 196 361</u>	<u>\$ 9 917 100</u>	<u>\$ 2 279 261</u>	<u>22.98 %</u>

Summary of Changes in Net Position
 Fiscal Year Ended September 30,

	<u>2025</u>	<u>2024</u>	<u>Change \$</u>	<u>Change %</u>
Revenues:				
Property taxes	\$ 2 995 267	\$ 2 571 613	\$ 423 654	16.47 %
Sales tax	5 341 133	4 879 028	462 105	9.47 %
Other revenues	<u>1 073 793</u>	<u>1 152 866</u>	<u>(79 073)</u>	<u>(6.86)%</u>
Total Revenues	<u>9 410 193</u>	<u>8 603 507</u>	<u>806 686</u>	<u>9.38 %</u>
Expenses:				
Depreciation	597 140	562 581	34 559	6.14 %
Interest	40 815	42 696	(1 881)	(4.41)%
Expenses for services	<u>6 492 977</u>	<u>5 729 842</u>	<u>763 135</u>	<u>13.32 %</u>
Total Expenses	<u>7 130 932</u>	<u>6 335 119</u>	<u>795 813</u>	<u>12.56 %</u>
Change in net position	2 279 261	2 268 388	10 873	0.48 %
Net position, beginning of year	<u>9 917 100</u>	<u>7 648 712</u>	<u>2 268 388</u>	<u>29.66 %</u>
Net position, end of year	<u>\$ 12 196 361</u>	<u>\$ 9 917 100</u>	<u>\$ 2 279 261</u>	<u>22.98 %</u>

MONTGOMERY COUNTY ESD 9

MANAGEMENT DISCUSSION & ANALYSIS
 SEPTEMBER 30, 2025
 (Continued)

DETAILED ANALYSES

The District’s current assets increased \$1,998,584. This increase was largely due to the increase in cash due to increased sales tax collections. In addition, Property taxes receivable increased \$47,363, and sales tax receivable decreased \$107,746.

Current liabilities increased by \$116,134 or 15.03%. This was primarily due to the recording of accrued compensated absences.

The District’s total net position was \$12,196,361. Of the total net position, \$6,592,705 was unrestricted and may be used to meet the District’s ongoing emergency service operations. The total net position increased by \$2,279,261 from prior fiscal year, or 22.98%.

The Statement of Activities presents the operating results of the District. The net position of these funds increased by \$2,279,261, or by 22.98% from those of fiscal year 2024 as explained below. In the narrative that follows, the detailed factors causing changes are discussed:

- Property taxes increased by \$423,654 from that of prior fiscal year because both real property and personal property valuations increased from the prior fiscal year.
- Sales tax revenue increased by \$462,105. This represents an increase of 9.47% of prior fiscal years sales tax revenue due to increased retail sales in the District.
- Other income decreased by \$79,073 primarily due to a smaller gain on sale of capital assets that in the prior fiscal year.

Compared with the prior fiscal year, total expenses increased \$795,813, or 12.56%. This variance is made up of a combination of offsetting factors, as detailed below:

- Depreciation increased by \$34,559. This was largely due to the purchase of assets during the year and completion of large assets in construction in process.
- Interest expense decreased by \$1,881. This is due to the loan’s outstanding principal decreasing.
- Expenses for services increased \$763,135. This increase was largely due to the increase in personnel and accrued compensated absences along with small equipment purchases such as radios.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

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

	<u>September 30,</u>		Change \$	Change %
	<u>2025</u>	<u>2024</u>		
Construction in progress	\$ 1 170 110	\$ 1 182 997	\$ (12 887)	(1.09)%
Land	121 037	119 954	1 083	0.90 %
Building and improvements	5 883 661	5 818 412	65 249	1.12 %
Office equipment	14 286	14 286	-	0.00 %
Vehicles	4 238 256	4 139 006	99 250	2.40 %
Equipment	689 844	689 844	-	0.00 %
Accumulated depreciation	<u>(4 251 541)</u>	<u>(4 166 883)</u>	<u>(84 658)</u>	<u>2.03 %</u>
Total capital assets	<u>\$ 7 865 653</u>	<u>\$ 7 797 616</u>	<u>\$ 68 037</u>	<u>0.87 %</u>

Additional information on the District’s capital assets can be found in the notes to the financial statements per the table of contents.

MONTGOMERY COUNTY ESD 9

**MANAGEMENT DISCUSSION & ANALYSIS
SEPTEMBER 30, 2025
(Continued)**

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY (Continued)

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2025 are summarized as follows:

Notes Payable, beginning of year	\$ 2 379 383
Note Proceeds	-
Retirements of principal	<u>(117 386)</u>
Notes Payable, end of year	<u>\$ 2 261 997</u>

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District entered into an agreement with a local municipal utility district for Station 83, located in River Plantation. This agreement required renovations of the station and the addition of six new firefighters. The increase in personnel resulted in additional costs, including the purchase of bunker gear for the new fire fighters. There was a delay in delivery of the bunker gear. The gear that should have been included in prior years expense was rolled into current years expense, impacting the actual expense against the budget.

Station 83, located at 610 River Plantation Drive, incurred unforeseen expenses. Additional concrete work was required to ensure apparatus could safely and efficiently exit the station. Further costs were necessary to make the facility safe and suitable for personnel staffing.

The Board approved a new vehicle purchase to replace an aging vehicle with the purchase of a 2025 F-250 equipped with a utility body. The truck is outfitted with tools and equipment to support both station maintenance and light vehicle maintenance operations.

The 2009 Dodge truck with 145,000 miles began experiencing transmission issues. After a couple of attempts to fix the issues, it was determined that the continued maintenance costs were becoming excessive. As a result, the decision was made to replace the truck. It was sent to Bates Auction site to be sold.

In 2010, the District received a county wide grant to supply handheld radios, along with a small surplus. Over the past five years, the District has applied for FEMA grants to replace and upgrade these radios but has been unsuccessful. In the past two years, Command Staff also pursued ARPA funding throughout the county for this purpose, without success. Due to increasing safety concerns and the inability to obtain replacement parts for the aging radios, the District elected to purchase 38 new handheld radios at a cost of \$258,684. This decision was made to ensure the safety of personnel after multiple unsuccessful attempts to secure external funding.

The Board has elected to increase the District's note payable payments to \$160,000 per year with the intent to decrease the overall interest paid on the note.

MONTGOMERY COUNTY ESD 9

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2025**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 6 168 398	\$ -	\$ 6 168 398
Receivables:			
Property Taxes Receivable	253 120	-	253 120
Sales Tax Receivable	366 678	-	366 678
Due From Tax Assessor	2 150	-	2 150
Due from Employee	96	-	96
Lease Receivable	-	205 700	205 700
Capital Assets			
Land	-	121 037	121 037
Property and Equipment (Net of Accumulated Depreciation of \$4,251,496)	-	6 574 506	6 574 506
Construction in progress	-	1 170 110	1 170 110
Total Assets	<u>6 790 442</u>	<u>8 071 353</u>	<u>14 861 795</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pensions	-	387 385	387 385
Total Deferred Outflows of Resources	-	387 385	387 385
Total Assets and Deferred Outflows of Resources	<u>\$ 6 790 442</u>	<u>\$ 8 458 738</u>	<u>\$ 15 249 180</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 9 945	\$ -	\$ 9 945
Accrued Interest Payable	-	37 429	37 429
Accrued Compensated Absences	-	251 768	251 768
Net Pension Liability	-	267 494	267 494
Unearned Lease Revenue	-	207 000	207 000
Notes Payable			
Due within One Year	-	115 204	115 204
Due after One Year	-	2 146 793	2 146 793
Total Liabilities	<u>9 945</u>	<u>3 025 688</u>	<u>3 035 633</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pensions	-	17 186	17 186
Deferred Property Tax Revenues	253 120	(253 120)	-
Total Deferred Inflows of Resources	<u>253 120</u>	<u>(235 934)</u>	<u>17 186</u>
<u>FUND BALANCE/NET POSITION</u>			
Unassigned Fund Balance	<u>6 527 377</u>	<u>(6 527 377)</u>	<u>-</u>
Total Fund Balance	<u>6 527 377</u>	<u>(6 527 377)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6 790 442</u>		
Net Position			
Net Investment in Capital Assets		5 603 656	5 603 656
Unrestricted		<u>6 592 705</u>	<u>6 592 705</u>
Total Net Position		<u>12 196 361</u>	<u>12 196 361</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 8 458 738</u>	<u>\$ 15 249 180</u>

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

MONTGOMERY COUNTY ESD 9

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Tax Revenues	\$ 2 947 904	\$ 47 363	\$ 2 995 267
Sales Tax Revenues	5 341 133	-	5 341 133
Penalty and Interest Revenues	57 270	-	57 270
Reimbursement Revenues	373 752	-	373 752
Contract Revenues	13 300	(1 300)	12 000
Interest Revenue	210 265	-	210 265
Gain/(Loss) on Disposal of Capital Assets	429 751	(11 297)	418 454
Miscellaneous Revenues	<u>2 052</u>	<u>-</u>	<u>2 052</u>
Total Revenues	<u>9 375 427</u>	<u>34 766</u>	<u>9 410 193</u>
Expenses			
Service Operations			
Accounting	7 400	-	7 400
Appraisal District Fees	26 351	-	26 351
Attorney Fee - Tax Revenue	19 590	-	19 590
Audit	14 917	-	14 917
Auto Repair/Maintenance	307 633	-	307 633
Building Repair/Maintenance	141 093	-	141 093
Collection Fees - Property Tax	10 504	-	10 504
Communication	403 235	-	403 235
Dues and Conferences	8 976	-	8 976
Equipment Repair/Maintenance	177 017	-	177 017
Fire Prevention Program	3 172	-	3 172
Fuel	59 550	-	59 550
Gear and Uniforms	129 022	-	129 022
Insurance	168 357	-	168 357
Legal Fees	29 648	-	29 648
Miscellaneous	16 011	-	16 011
Office and Printing	85 471	-	85 471
Payroll and Related Expense	4 603 151	149 063	4 752 214
Telephone	31 136	-	31 136
Training	43 749	-	43 749
Utilities	57 931	-	57 931
Capital Outlay	676 474	(676 474)	-
Debt Service			
Note Payable Principal	117 386	(117 386)	-
Note payable Interest	42 614	(1 799)	40 815
Depreciation	<u>-</u>	<u>597 140</u>	<u>597 140</u>
Total Expenses	<u>7 180 388</u>	<u>(49 456)</u>	<u>7 130 932</u>
Excess(Deficiency) of Revenues over Expenses	2 195 039	84 222	
Change in Net Position			2 279 261
Fund Balance/Net Position			
Beginning of Year	<u>4 332 338</u>	<u>5 584 762</u>	<u>9 917 100</u>
End of Year	<u>\$ 6 527 377</u>	<u>\$ 5 668 984</u>	<u>\$ 12 196 361</u>

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

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

NOTE (1) CREATION OF DISTRICT

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

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

B. BASIS OF PRESENTATION

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

The District uses the following fund type:

a. Governmental Funds

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

MONTGOMERY COUNTY ESD 9

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)**

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Balances

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

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

The District uses the following classifications for net position:

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

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

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

C. BASIS OF ACCOUNTING

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

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

The District has adopted GASB Statement No. 34, *Basic Financial Statements and management’s Discussion and Analysis for State and Local Governments*. In compliance with GASB Statement No. 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended September 30, 2025. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The “Adjustments” column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

D. BUDGET

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

E. CASH EQUIVALENTS

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

F. CAPITAL ASSETS

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

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

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

G. CAPITAL LEASES

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021, with early adoption permitted.

MONTGOMERY COUNTY ESD 9

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)**

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. USE OF ESTIMATES

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

I. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

J. RECONCILIATION OF GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS

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

Total Fund Balance at September 30, 2025	<u>\$ 6 527 377</u>
Capital assets used in governmental activities are not financial and are not reported in the funds	7 865 653
Deferred inflows of resources related to property tax revenues for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.	253 120
Compensated absences are not due and payable in the current period.	(251 768)
Interest paid on long term debt is adjusted to accrual basis	(37 429)
Post employment liabilities (pension) and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.	
Deferred Outflow of Resources	387 385
Deferred Inflows of Resources	(17 186)
Net Pension Liability	(267 494)
Note payable obligations are not due and payable in the current period and are not reported in the funds.	(2 261 997)
Net lease receivable and unearned lease revenue are not reported in the funds.	<u>(1 300)</u>
Adjustment to fund balance to arrive at net position	<u>5 668 984</u>
Total Net Position at September 30, 2025	<u>\$ 12 196 361</u>

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025
 (Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (Continued)

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

Total excess of revenue over expenditures at September 30, 2025	\$ 2 195 039
Governmental funds report capital outlays as expenditures. However, for government-wide financials statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and gain on sale of assets exceeded depreciation in the current period.	68 037
Interest paid on long term debt is adjusted to accrued basis	1 799
Principal payments on debt are reported as expenditures in the fund. However, they do not affect net position.	117 386
Conversion of contract revenues to full accrual basis	(1 300)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures on the governmental funds.	
Compensated Absences	(251 768)
Deferred Inflows - Difference between Expected and Actual	(11 900)
Deferred Outflows - Difference between Expected and Actual	138 507
Deferred Inflows - Change in assumptions	(1 133)
Deferred Outflows - Change in assumptions	45 896
Deferred Outflows - Subsequent Contributions	202 982
Deferred Inflows - Difference between Projected and Actual Earnings	(4 153)
Net Pension Liability	(267 494)
Conversion of property tax assessments to full accrual basis	<u>47 363</u>
Change in net position of governmental activities at September 30, 2025	<u>\$ 2 279 261</u>

NOTE (3) AD VALOREM TAX

During the year ended September 30, 2025, the District levied an ad valorem tax at the rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$2,980,006 for the 2024 tax year, on the taxable valuation of \$2,980,006,243 for the 2024 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1 of the subsequent year, at which time penalties and interest were assessed. The levy date of the tax was September 1, or as soon after September 1 as it took to set the tax rate. The lien date was January 1 of the subsequent year from the delinquent date. In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2025 include collections during the current period or within 60 days of year-end related to the 2024 and prior years' tax levies.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

(Continued)

NOTE (4) DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

The contracted depository bank used for operations, payroll, sales tax, government capital, and property tax revenue by the District was First Financial Bank. The largest cash, savings, and time deposit combined account balance for First Financial Bank was \$7,627,288, which occurred in August 2025. The balances at First Financial Bank were insured by FDIC coverage up to \$250,000. Additional securities were pledged.

At the balance sheet date, deposits with a carrying value of \$6,167,835 were held by First Financial Bank, and funds were fully secured by FDIC coverage and pledged securities.

Investment Policies

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has complied with the Act's provisions during its fiscal year ended September 30, 2025.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the state, or any county, school district, or other political subdivision of the state. Funds of the District may also be placed in certificates of deposit of state or national banks or savings associations within the state. The District did not have any temporary investments during the year ended September 30, 2025.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025
 (Continued)

NOTE (5) CAPITAL ASSETS

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

	Beginning Balance <u>09/30/24</u>	Increases	Decreases	Ending Balance <u>09/30/25</u>
Capital assets not being depreciated:				
Construction in Progress	\$ 1 182 997	\$ 37 110	\$ (49 997)	\$ 1 170 110
Land	<u>119 954</u>	<u>1 083</u>	<u>-</u>	<u>121 037</u>
Total capital assets not being depreciated	<u>1 302 951</u>	<u>38 193</u>	<u>(49 997)</u>	<u>1 291 147</u>
Capital assets being depreciated:				
Building and Improvements	5 818 412	71 989	(6 740)	5 883 661
Office equipment	14 286	-	-	14 286
Equipment	689 844	-	-	689 844
Vehicles	<u>4 139 006</u>	<u>616 289</u>	<u>(517 039)</u>	<u>4 238 256</u>
Total capital assets being depreciated	<u>10 661 548</u>	<u>688 278</u>	<u>(523 779)</u>	<u>10 826 047</u>
Less accumulated depreciation for:				
Building and Improvements	(1 169 018)	(258 666)	2 771	(1 424 913)
Office Equipment	(12 381)	(952)	-	(13 333)
Equipment	(525 540)	(41 715)	-	(567 255)
Vehicles	<u>(2 459 944)</u>	<u>(295 807)</u>	<u>509 711</u>	<u>(2 246 040)</u>
Total accumulated depreciation	<u>(4 166 883)</u>	<u>(597 140)</u>	<u>512 482</u>	<u>(4 251 541)</u>
Capital assets, net	<u>\$ 7 797 616</u>	<u>\$ 129 331</u>	<u>\$ (61 294)</u>	<u>\$ 7 865 653</u>

The District placed a tanker and responder vehicles in service during the year and made improvements at station no. 83. At September 30, 2025, construction in progress included a new pumper and engine refurbishment. The District disposed of two old engines and a portable building.

NOTE (6) NOTES PAYABLE

On October 29, 2021, the District entered into a promissory note and security agreement with an interest rate of 1.794% with Government Capital Corporation for \$2,600,000. The note was transferred to TIB National Association. Principal and interest payments of \$155,864 are due annually beginning October 29, 2022 through October 29, 2041. The note is secured by ad valorem tax revenues. The proceeds were used to construct new fire station no. 81. The balance on the note at October 1, 2024 was \$2,379,383. During the year ended September 30, 2025, the District paid \$117,386 in principal and \$42,614 in interest. The balance on the note was \$2,261,997 at September 30, 2025.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025
 (Continued)

NOTE (6) NOTES PAYABLE (Continued)

Future maturities of the balance outstanding are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
September 30, 2026	\$ 115 204	\$ 40 660
September 30, 2027	117 271	38 593
September 30, 2028	119 375	36 489
September 30, 2029	121 517	34 348
September 30, 2030	123 697	32 167
September 30, 2031-2035	652 576	126 744
September 30, 2036-2040	713 251	66 069
September 30, 2041-2042	299 106	8 192
	<u>\$ 2 261 997</u>	<u>\$ 383 262</u>

NOTE (7) DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies. Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The District's deferred compensation plan is administered by a private corporation under contract with the District. During the year ended September 30, 2025, the District contributed \$112,793 (3% of payroll) to the plan.

NOTE (8) RETIREMENT PLAN

Plan Description

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

Note that the GASB Statement No. 68 Report for TCERS furnished by Milliman to the District for the year ended September 30, 2025 was based on the evaluation date of December 31, 2024. This is due to the difference in dates between the District fiscal year end and Milliman annual evaluation.

Employee membership data related to the Plan, as of September 30, 2025 based on December 31, 2024 evaluation was as follows:

Inactive employees entitled but not yet receiving benefits	62
Active Plan members	<u>75</u>
	<u>137</u>

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

(Continued)

NOTE (8) RETIREMENT PLAN (Continued)

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

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

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

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

For the year ended September 30, 2025, the District's total payroll for all employees was \$3,809,565. Total covered payroll was \$3,479,300, based on TCDRS December 31, 2024 evaluation. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan and was calculated by the actuary based on contributions as reported to the Plan.

Contributions

Employees of the District are required to contribute 7% of covered compensation to the Plan. The contributions are deducted from the employee's wages or salary and remitted by the District to the Plan on a monthly basis. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The District's contractually required contribution rate for the year ended December 31, 2025 was 7.28% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contributions to the Plan for the year ended September 30, 2025 were \$233,394 but \$248,352, based on TCDRS December 31, 2024 evaluation.

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

For the year ended September 30, 2025, the District reported a liability of \$267,494 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2024, the District's proportion was 7.69%.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025
 (Continued)

NOTE (8) RETIREMENT PLAN (Continued)

For the year ended September 30, 2025, the District recognized net pension expense of \$127,271. At September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual results	\$ 11 900	\$ 138 507
Changes of assumptions	1 133	45 896
Net difference between projected and actual earnings	4 153	-
Contributions subsequent to the measurement date	-	202 982
Total	\$ 17 186	\$ 387 385

Deferred outflows of \$202,982 related to pensions, resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	
2025	23 793
2026	50 616
2027	10 375
2028	13 132
2029	21 576
Thereafter	47 725

Actuarial Assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation.

135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2017-December 31, 2020. As a result of the 2021 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2024 actuarial valuation to more closely reflect actual experience.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025
 (Continued)

NOTE (8) RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined by adding expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by the Plan's investment consultant, Cliffwater, LLC. The numbers shown are based on January 2025 information for a 10-year time horizon.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	13.00%	5.35%
Global Equities	4.00%	5.15%
International Equities - Developed	6.00%	4.75%
International Equities - Emerging	0.00%	4.75%
Investment - Grade Bonds	3.00%	2.55%
Strategic Credit	9.00%	3.70%
Direct Lending	16.00%	6.85%
Distressed Debt	4.00%	6.80%
REIT Equities	2.00%	3.95%
Master Limited Partnerships	2.00%	4.95%
Commodities	2.00%	1.00%
Private Real Estate Partnerships	6.00%	5.75%
Private Equity	25.00%	8.15%
Hedge Funds	6.00%	3.60%
Cash Equivalents	<u>2.00%</u>	1.10%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MONTGOMERY COUNTY ESD 9

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025
 (Continued)

NOTE (8) RETIREMENT PLAN (Continued)

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

Changes in the District's net pension liability/(asset) for the year ended September 30, 2025 were as follows:

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2023	\$ 2 288 977	\$ 1 939 248	\$ 349 729
Changes for the year:			
Service cost	352 712	-	352 712
Interest on total pension liability	199 106	-	199 106
Effect of Plan changes	-	-	-
Effect of economic/demographic gains or losses	88 770	-	88 770
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(44 571)	(44 571)	-
Benefit payments	-	-	-
Administrative expenses	-	(1 425)	1 425
Member contributions	-	243 551	(243 551)
Net investment income	-	207 150	(207 150)
Employer contributions	-	248 352	(248 352)
Other	-	25 195	(25 195)
Balances as of December 31, 2024	\$ 2 884 994	\$ 2 617 500	\$ 267 494

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

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

	Discount Rate	Net Pension Liability/(Asset)
1% Decrease	6.60%	\$ 961 173
Current Discount Rate	7.60%	\$ 267 494
1% Increase	8.60%	\$ (271 822)

Plan Fiduciary Net Position

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

MONTGOMERY COUNTY ESD 9

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(Continued)**

NOTE (8) RETIREMENT PLAN (Continued)

Payable to the Plan

At September 30, 2025, the District did not have a payable to the plan.

NOTE (9) SALES TAX REVENUES

Effective October 1, 2007, the residents of the District authorized the District to impose a 2% sales tax where eligible within the District. During the year ended September 30, 2025, the District earned \$5,341,133 in sales tax revenue.

NOTE (10) HOUSING AGREEMENT

On July 23, 2021 the District entered into an agreement with Montgomery County Hospital District (MCHD). The term of the agreement is 20 years. The District agrees to lease 2,148 square feet of crew housing space and one apparatus bay for \$1,000 receivable in advance on the first day of each month. The agreement shall automatically renew and be extended for successive 12-month terms unless one of the parties provides written notice of termination at least 90 days before the expiration of the then current term. Payments on this lease did not commence until January 1, 2023 when the construction was complete on the new fire station where the leased facilities are located. Lease income is included in contract revenues.

The following is an analysis of the maturity of the undiscounted operating lease payments to be received:

<u>Year ending September 30,</u>	
2026	\$ 10 700
2027	12 000
2028	12 000
2029	12 000
2030	12 000
2031-2035	60 000
2036-2040	60 000
2041-2043	<u>27 000</u>
	<u>\$ 205 700</u>

NOTE (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 14, 2026, (the date the financial statements were available to be issued) and concluded no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

MONTGOMERY COUNTY ESD 9

REQUIRED SUPPLEMENTARY INFORMATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Original and Final Budget*	Actual	Variance Positive (Negative)
Revenues			
Property Tax Revenues	\$ 2 875 000	\$ 2 947 904	\$ 72 904
Sales Tax Revenues	4 270 500	5 341 133	1 070 633
Penalty and Interest Revenues	-	57 270	57 270
Reimbursement Revenues	180 000	373 752	193 752
Contract Revenues	12 000	13 300	1 300
Interest Income	25 000	210 265	185 265
Miscellaneous Revenues	<u>290 000</u>	<u>431 803</u>	<u>141 803</u>
Total Revenues	<u>7 652 500</u>	<u>9 375 427</u>	<u>1 722 927</u>
Expenses			
Accounting	12 000	7 400	4 600
Appraisal District Fees	12 000	26 351	(14 351)
Attorney Fee - Tax Collection	-	19 590	(19 590)
Audit	18 500	14 917	3 583
Auto Repair/Maintenance	227 000	307 633	(80 633)
Building Repair/Maintenance	150 000	141 093	8 907
Collection Fees - Property Tax	2 500	10 504	(8 004)
Communication	150 000	403 235	(253 235)
Dues and Conferences	8 000	8 976	(976)
Equipment Repair/Maintenance	285 000	177 017	107 983
Fire Prevention Program	7 500	3 172	4 328
Fuel	75 000	59 550	15 450
Gear and Uniforms	195 000	129 022	65 978
Insurance	190 000	168 357	21 643
Legal Fees	20 000	29 648	(9 648)
Miscellaneous	30 000	16 011	13 989
Office and Printing	90 000	85 471	4 529
Payroll	5 215 294	4 603 151	612 143
Telephone	30 000	31 136	(1 136)
Training	65 000	43 749	21 251
Utilities	67 400	57 931	9 469
Capital Outlay	434 000	676 474	(242 474)
Capital Lease Principal	323 703	117 386	206 317
Capital Lease Interest	<u>44 603</u>	<u>42 614</u>	<u>1 989</u>
Total Expenses	<u>7 652 500</u>	<u>7 180 388</u>	<u>472 112</u>
Excess(Deficiency) of Revenues over Expenditures	-	2 195 039	2 195 039
Fund Balance/Net Position			
Beginning of year	<u>4 332 338</u>	<u>4 332 338</u>	<u>-</u>
End of year	<u>\$ 4 332 338</u>	<u>\$ 6 527 377</u>	<u>\$ 2 195 039</u>

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

See Independent Auditors' Report.

MONTGOMERY COUNTY ESD 9

REQUIRED SUPPLEMENTARY INFORMATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
(Continued)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY INFORMATION**

Significant variances in the budgetary comparison include the following:

Sales tax revenue was more than expected due to increased retail spending in the District.

Reimbursement revenue was more than expected as this is hard to budget because it is generally unknown if deployments happen until they actually occur.

Interest income is difficult to budget for as the income depends on the performance of the market. The District had more cash on hand during the year generating more interest income than expected.

Miscellaneous revenue was far more than expected due to the nature of the account. Gain on sale of capital assets accounts for the majority of the variance as this is not a budgeted account.

Payroll was less than budgeted. The District expected to spend more on wages. However, they overallocated to this account.

Capital outlay expenses are difficult to project. While the District has a pretty good idea about the estimated amount they will spend on large capital items, they cannot predict the timing of the projects.

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MONTGOMERY COUNTY ESD 9

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>Year Ended December 31</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total Pension Liability			
Service cost	\$ 352 712	\$ 293 740	\$ 234 206
Interest on total pension liability	199 106	141 071	107 674
Effect of plan changes	-	301 154	-
Effect of assumption changes or inputs	-	-	-
Effect of economic/demographic (gains) or losses	88 770	(1 252)	52 516
Benefit payments/refunds of contributions	<u>(44 571)</u>	<u>(16 086)</u>	<u>(12 981)</u>
Net change in total pension liability	596 017	718 627	381 415
Total pension liability, beginning	<u>2 288 978</u>	<u>1 570 351</u>	<u>1 188 936</u>
Total pension liability, ending	<u>2 884 995</u>	<u>2 288 978</u>	<u>1 570 351</u>
Fiduciary Net Position			
Employer contributions	248 352	126 411	110 270
Member contributions	243 551	201 188	171 531
Investment income net of investment expenses	207 150	162 452	(95 546)
Benefit payments/refunds of contributions	(44 571)	(16 086)	(12 981)
Administrative expenses	(1 425)	(1 013)	(850)
Other	<u>25 195</u>	<u>16 176</u>	<u>38 882</u>
Net change in fiduciary net position	678 252	489 128	211 306
Fiduciary net position, beginning	<u>1 939 249</u>	<u>1 450 121</u>	<u>1 238 815</u>
Fiduciary net position, ending	<u>2 617 501</u>	<u>1 939 249</u>	<u>1 450 121</u>
Net pension liability/(asset), ending	<u>\$ 267 494</u>	<u>\$ 349 729</u>	<u>\$ 120 230</u>
Fiduciary net position as a % of total pension liability/(asset)	84.72%	84.72%	92.34%
Pensionable covered payroll	\$ 3 479 300	\$ 2 874 110	\$ 2 450 449
Net pension liability/(asset) as a % of covered payroll	7.69%	12.17%	4.91%

See Independent Auditors' Report.

<u>Year Ended December 31</u>						
<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 209 814	\$ 179 954	\$ 171 766	\$ 158 986	\$ 139 786	\$ 20 809	N/A
81 407	58 429	42 857	28 148	13 077	826	N/A
-	-	-	-	-	-	N/A
8 161	84 794	-	-	(2 949)	-	N/A
28 683	(1 872)	(17 650)	(2 417)	21 127	18	N/A
(896)	(1 817)	(23 601)	(8 504)	-	-	N/A
<u>327 169</u>	<u>319 488</u>	<u>173 372</u>	<u>176 213</u>	<u>171 041</u>	<u>21 653</u>	<u>N/A</u>
<u>861 767</u>	<u>542 279</u>	<u>368 907</u>	<u>192 694</u>	<u>21 653</u>	<u>-</u>	<u>N/A</u>
<u>1 188 936</u>	<u>861 767</u>	<u>542 279</u>	<u>368 907</u>	<u>192 694</u>	<u>21 653</u>	<u>N/A</u>
60 921	58 062	53 832	50 874	52 279	7 602	N/A
144 380	131 104	123 554	114 507	111 572	16 223	N/A
204 590	59 535	58 248	(1 904)	6 166	-	N/A
(896)	(1 817)	(23 601)	(8 504)	-	-	N/A
(670)	(603)	(436)	(286)	(131)	-	N/A
<u>6 018</u>	<u>5 601</u>	<u>5 344</u>	<u>4 694</u>	<u>2 196</u>	<u>361</u>	<u>N/A</u>
<u>414 343</u>	<u>251 882</u>	<u>216 941</u>	<u>159 381</u>	<u>172 082</u>	<u>24 186</u>	<u>N/A</u>
<u>824 472</u>	<u>572 590</u>	<u>355 649</u>	<u>196 268</u>	<u>24 186</u>	<u>-</u>	<u>N/A</u>
<u>1 238 815</u>	<u>824 472</u>	<u>572 590</u>	<u>355 649</u>	<u>196 268</u>	<u>24 186</u>	<u>N/A</u>
<u>\$ (49 879)</u>	<u>\$ 37 295</u>	<u>\$ (30 311)</u>	<u>\$ 13 258</u>	<u>\$ (3 574)</u>	<u>\$ (2 533)</u>	<u>N/A</u>
104.20%	95.67%	105.59%	96.41%	101.85%	111.70%	N/A
\$ 2 062 569	\$ 1 872 920	\$ 1 765 051	\$ 1 635 819	1 593 881	\$ 231 760	N/A
-2.42%	1.99%	-1.72%	0.81%	-0.22%	-1.09%	N/A

See Independent Auditors' Report.

MONTGOMERY COUNTY ESD 9

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015					
2016	\$ 7 602	\$ 7 602	\$ -	\$ 231 760	3.30%
2017	52 279	52 279	-	1 593 881	3.30%
2018	50 874	50 874	-	1 635 819	3.10%
2019	53 832	53 832	-	1 765 051	3.05%
2020	58 062	58 062	-	1 872 920	3.10%
2021	60 846	60 921	(75)	2 062 569	3.00%
2022	110 270	110 270	-	2 450 449	4.50%
2023	126 173	126 411	(238)	2 874 110	4.39%
2024	\$ 248 352	\$ 248 352	\$ -	\$3 479 300	7.14%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE (1) VALUATION DATE

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

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15.9 years (based on contribution rate calculated in 12/31/24 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Plan Provisions Reflected in the Schedule	2015-2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018-2023: No changes in plan provisions were reflected in the Schedule. 2024: Employer Contributions reflect that the current service matching rate was increased to 150% of future benefits.

See Independent Auditors' Report.

MONTGOMERY COUNTY ESD 9

SUPPLEMENTARY INFORMATION

ANALYSIS OF TAXES RECEIVABLE
SEPTEMBER 30, 2025

Taxes Receivable - Beginning of Year	\$ 205 757
2024 Tax Roll	2 980 006
Adjustments to prior year taxes	<u>15 261</u>
Total to be Accounted for	<u>3 201 024</u>
2024 Tax Collections Received from Tax Collector	2 888 268
Prior-Year Collections Received from Tax Collector	<u>59 636</u>
Total Tax Collections	<u>2 947 904</u>
Taxes Receivable - End of Year	<u>\$ 253 120</u>
Taxes Receivable - By Years	
2024	\$ 92 399
2023	47 007
2022	34 326
2021	14 234
2020	13 133
2019 and prior	<u>52 021</u>
Taxes Receivable - End of Year	<u>\$ 253 120</u>

Assessed Valuation Summary

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations					
Real Property	\$ 2 487 058 864	\$ 2 150 270 372	\$ 1 689 996 655	\$ 1 170 831 410	\$ 1 003 151 380
Personal Property	<u>492 947 379</u>	<u>420 462 868</u>	<u>384 641 294</u>	<u>341 545 809</u>	<u>339 223 341</u>
Total Property Valuations	<u>\$ 2 980 006 243</u>	<u>\$ 2 570 733 240</u>	<u>\$ 2 074 637 949</u>	<u>\$ 1 512 377 219</u>	<u>\$ 1 342 374 721</u>
Tax Rate per \$100 Valuations	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>	<u>\$ 0.10000</u>
Tax Rolls	<u>\$ 2 980 006</u>	<u>\$ 2 570 733</u>	<u>\$ 2 074 638</u>	<u>\$ 1 512 377</u>	<u>\$ 1 342 375</u>
Percent of Taxes Collected to Taxes Levied	<u>96.9%</u>	<u>98.2%</u>	<u>98.3%</u>	<u>99.1%</u>	<u>99.0%</u>

See Independent Auditors' Report.

MONTGOMERY COUNTY ESD 9

**BOARD MEMBERS AND CONSULTANTS
SEPTEMBER 30, 2025**

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

District Telephone Number: (936) 231-3527

Names	Term of office (Elected or Appointed) or Date Hired	Fees of Office Paid * FYE 09/30/25	Expense Reimbursements FYE 09/30/25	Title at Year End
<u>Board Members</u>				
Scott Guillote	(Appointed) 01/24 - 12/25	\$ -	\$ -	President
Michael Lee	(Appointed) 01/23 - 12/24 01/25 - 12/26	\$ -	\$ -	Vice President
Lois Lindgren	(Appointed) 01/23 - 12/24 01/25 - 12/26	\$ -	\$ -	Treasurer
Jamie Nash	(Appointed) 01/23 - 12/24 01/25 - 12/25	\$ -	\$ -	Secretary
Danny Moss	(Appointed) 11/24 - 12/25	\$ -	\$ -	Assistant Treasurer
<u>Consultants</u>				
Thompson & Horton LLP	2023	\$ 23 789	\$ -	Legal Counsel
Tammy McRae	2015	\$ 10 504	\$ -	Tax Collector
Breedlove & Co., P.C.	2016	\$ 14 917	\$ -	Auditor
Montgomery Central Appraisal District	2015	\$ 26 351	\$ -	Appraisal District
Julie Gilmer, CPA, PLLC	2019	\$ 7 400	\$ -	Bookkeeper

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