MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants

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(retired)

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Montgomery County Emergency
Services District No. 4
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Montgomery County Emergency Services District No. 4 (the "District") 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 and each major fund of the District as of September 30, 2025, 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.

Basis for Opinions

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 the District, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the District'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.

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Auditor's 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 auditor's 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 the District'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 the District'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.

Board of Commissioners
Montgomery County Emergency
Services District No. 4

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General and Debt Service Funds, the Schedule of Changes in Net Pension Asset and Liability and Related Ratios, and the Schedule of District Contributions 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.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

March 11, 2026

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Management's discussion and analysis of Montgomery County Emergency Services District No. 4's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The 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 Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all the District's assets, liabilities, and deferred inflows and outflows of resources 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 Statement of Activities reports how the District's net position changed during the current fiscal year. All current year 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, property tax revenues, sales tax revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

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 columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 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 financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. The budgetary comparison schedule is included as RSI for all combined governmental funds. The report also includes the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedule of District Contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $8,706,852 as of September 30, 2025.

A portion of the District's net position reflects its net investment in capital assets (capital assets less any debt used to acquire those assets that are still outstanding). The District uses these assets to provide firefighting services. The following is a comparative analysis of government-wide changes in net position:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2025	2024	Change Positive (Negative)
Current and Other Assets	$ 7,029,623	$ 5,500,182	$ 1,529,441
Capital Assets (Net of Accumulated Depreciation)	11,272,089	11,718,410	(446,321)
Total Assets	$ 18,301,712	$ 17,218,592	$ 1,083,120
Deferred Outflows of Resources	$ 609,289	$ 447,142	$ 162,147
Long-Term Liabilities	$ 9,031,072	$ 9,006,973	$ (24,099)
Other Liabilities	1,092,180	1,067,357	(24,823)
Total Liabilities	$ 10,123,252	$ 10,074,330	$ (48,922)
Deferred Inflows of Resources	$ 80,897	$ 94,515	$ 13,618
Net Position:			
Net Investment in Capital Assets	$ 3,092,571	$ 2,978,055	$ 114,516
Restricted	550,637	491,446	59,191
Unrestricted	5,063,644	4,027,388	1,036,256
Total Net Position	$ 8,706,852	$ 7,496,889	$ 1,209,963

The following table provides a summary of the District's operations for the years ended September 30, 2025 and September 30, 2024.

Summary of Changes in the Statement of Activities

	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	$ 4,231,594	$ 3,866,530	$ 365,064
Sales Tax Revenues	5,081,496	4,853,779	227,717
Other Revenues	1,332,181	1,571,340	(239,159)
Total Revenues	$ 10,645,271	$ 10,291,649	$ 353,622
Expenses for Services	9,435,308	8,838,863	(596,445)
Change in Net Position	$ 1,209,963	$ 1,452,786	$ (242,823)
Net Position, Beginning of Year	7,496,889	6,044,103	1,452,786
Net Position, End of Year	$ 8,706,852	$ 7,496,889	$ 1,209,963

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2025, were $6,565,954, an increase of $1,434,903 from the prior year.

The District's General Fund fund balance increased by $840,200, primarily due to property tax revenues and sales tax revenues exceeding operating and capital costs.

The District's Debt Service Fund fund balance increased by $9,767, primarily due to the structure of the District's outstanding debt.

The District's Capital Projects Fund fund balance increased by $584,936, primarily due to note proceeds exceeding capital outlay.

BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the current fiscal year increasing expected sales tax revenues, TIFMAS and miscellaneous revenues, firefighting operation costs, maintenance and repairs and capital outlay. Actual revenues were $1,552,922 more than budgeted revenues and actual expenditures were $20,502 more than budgeted expenditures, which resulted in a positive variance of $1,532,420. See budget versus actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2025, total $ 11,272,089 (net of accumulated depreciation) and include buildings, vehicles, equipment and land. The current year additions included the purchase of 2024 RAM Truck (Holser Truck), 2025 RAM Truck (Fire Chief's Truck), 2024 RAM 5500, SCBA Fill Station and Bottles, miscellaneous equipment and handheld radios.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 580,033	$ 580,033	$
Construction in Progress		108,100	(108,100)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	7,634,611	8,067,417	(432,806)
Machinery and Equipment	413,002	295,603	117,399
Office Equipment	7,499	11,352	(3,853)
Vehicles	2,636,944	2,655,905	(18,961)
Total Net Capital Assets	$ 11,272,089	$ 11,718,410	$ (446,321)

LONG-TERM DEBT ACTIVITY

As of September 30, 2025, the District had debt payable of $9,031,072. The changes in the debt position of the District during the current year ended September 30, 2025, are summarized as follows:

Long-Term Debt Payable, October 1, 2024	$ 9,006,973
Add: Note Proceeds	858,500
Less: Note Principal Paid	834,401
Long-Term Debt Payable, September 30, 2025	$ 9,031,072

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Montgomery County Emergency Services District No. 4, 17029 Firehouse Road, Conroe, Texas 77385.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 4,868,190	$ 34,689
Investments		40
Receivables:		
Property Taxes	69,505	35,786
Penalty and Interest on Delinquent Taxes		
Sales Tax Revenues	858,212	
Other	5,554	
Due from Other Funds		710,270
Due from Others	276,030	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 6,077,491	$ 780,785
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Plan Charges	$ - 0 -	$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 6,077,491	$ 780,785

The accompanying notes to the financial statements are an integral part of this report.

	Capital Projects Fund	Total	Adjustments	Statement of Net Position
	$ 851,554	$ 5,754,433	$	$ 5,754,433
		40		40
		105,291		105,291
			30,063	30,063
		858,212		858,212
		5,554		5,554
		710,270	(710,270)	
		276,030		276,030
			580,033	580,033
			10,692,056	10,692,056
	$ 851,554	$ 7,709,830	$ 10,591,882	$ 18,301,712
	$ - 0 -	$ - 0 -	$ 609,289	$ 609,289
	$ 851,554	$ 7,709,830	$ 11,201,171	$ 18,911,001

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 328,315	$
Accrued Interest Payable		
Due to Other Funds	710,270	
Compensated Absences		
Net Pension Liability		
Long-Term Liabilities:		
Notes Payable, Due Within One Year		
Notes Payable, Due After One Year		
TOTAL LIABILITIES	$ 1,038,585	$ - 0 -
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 69,505	$ 35,786
Pension Plan Income		
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 69,505	$ 35,786
FUND BALANCES		
Restricted for Debt Service	$	$ 744,999
Restricted for Construction		
Unassigned	4,969,401	
TOTAL FUND BALANCES	$ 4,969,401	$ 744,999
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 6,077,491	$ 780,785
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 328,315	$	$ 328,315
		230,148	230,148
	710,270	(710,270)	
		193,322	193,322
		340,395	340,395
		963,931	963,931
		8,067,141	8,067,141
$ - 0 -	$ 1,038,585	$ 9,084,667	$ 10,123,252
$	$ 105,291	$ (105,291)	$
		80,897	80,897
$ - 0 -	$ 105,291	$ (24,394)	$ 80,897
$	$ 744,999	$ (744,999)	$
851,554	851,554	(851,554)	
	4,969,401	(4,969,401)	
$ 851,554	$ 6,565,954	$ (6,565,954)	$ - 0 -
$ 851,554	$ 7,709,830		
		$ 3,092,571	$ 3,092,571
		550,637	550,637
		5,063,644	5,063,644
		$ 8,706,852	$ 8,706,852

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds		$ 6,565,954
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		11,272,089
Portions of the change in net pension liability that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources.		528,392
Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District.		135,354
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (230,148)	
Compensated Absences	(193,322)	
Net Pension Liability	(340,395)	
Notes Payable, Due Within One Year	(963,931)	
Notes Payable, Due After One Year	(8,067,141)	(9,794,937)
Total Net Position - Governmental Activities		$ 8,706,852

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 3,063,810	$ 1,138,746
Sales Tax Revenues	5,081,496	
Penalty and Interest	30,799	
Grant Revenues	1,084,074	
Sale of Assets	24,600	
Miscellaneous Revenues	179,182	
TOTAL REVENUES	$ 9,463,961	$ 1,138,746
EXPENDITURES/EXPENSES		
Service Operations:		
District Services - Needham Fire and Rescue Company	$ 575,000	$
Accounting and Auditing	20,750	
Appraisal District Fees	37,788	
Commissioner Fees	15,801	
Communications Fees	62,750	
Depreciation		
Insurance	161,236	
Legal Fees	60,660	
Salaries and Benefits	6,331,922	
Maintenance and Repairs	617,833	
Montgomery County Hospital District Fees	18,300	
Other	535,090	
Capital Outlay	186,631	
Debt Service:		
Note Principal		834,401
Note Interest		294,578
Debt Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	$ 8,623,761	$ 1,128,979
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 840,200	$ 9,767
OTHER FINANCING SOURCES (USES)		
Note Proceeds	$ - 0 -	$ - 0 -
NET CHANGE IN FUND BALANCES	$ 840,200	$ 9,767
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2024	4,129,201	735,232
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2025	$ 4,969,401	$ 744,999

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 4,202,556	$ 29,038	$ 4,231,594
	5,081,496		5,081,496
	30,799	3,521	34,320
	1,084,074		1,084,074
	24,600	(24,600)	
10,005	189,187	24,600	213,787
$ 10,005	$ 10,612,712	$ 32,559	$ 10,645,271
$	$ 575,000	$	$ 575,000
	20,750		20,750
	37,788		37,788
	15,801		15,801
	62,750		62,750
		908,021	908,021
	161,236		161,236
	60,660		60,660
	6,331,922	(170,116)	6,161,806
	617,833		617,833
	18,300		18,300
	535,090		535,090
275,069	461,700	(461,700)	
	834,401	(834,401)	
	294,578	(42,805)	251,773
8,500	8,500		8,500
$ 283,569	$ 10,036,309	$ (601,001)	$ 9,435,308
$ (273,564)	$ 576,403	$ 633,560	$ 1,209,963
$ 858,500	$ 858,500	$ (858,500)	$ - 0 -
$ 584,936	$ 1,434,903	$ (1,434,903)	$
		1,209,963	1,209,963
266,618	5,131,051	2,365,838	7,496,889
$ 851,554	$ 6,565,954	$ 2,140,898	$ 8,706,852

The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net Change in Fund Balances - Governmental Funds	$ 1,434,903
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	29,038
Governmental funds report delinquent tax penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when the penalty and interest are assessed.	3,521
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(908,021)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	461,700
The changes in the net pension liability and asset as well as deferred inflows and outflows of resources are recorded in the government-wide financial statements.	170,116
Governmental funds report principal payments on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, liabilities are reduced when principal payments are made and the Statement of Activities is not affected.	834,401
Governmental funds report interest payments on long-term liabilities as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on long-term liabilities through the fiscal year-end.	42,805
Governmental funds report note proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(858,500)
Change in Net Position - Governmental Activities	$ 1,209,963

The accompanying notes to the financial statements are an integral part of this report.

NOTE 1. CREATION OF DISTRICT

Montgomery County Emergency Services District No. 4 operates under Chapter 775 of the Health and Safety Code. The District was converted from a Rural Fire Prevention District on January 1, 1996. The District provides operating funds for the contracting of fire prevention and rescue services within the boundaries of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately appointed governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

<u>Financial Statement Presentation</u>

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has three governmental funds and considers each to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, sales tax revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing debt.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2025, the General Fund owed the Debt Service Fund $710,270 for tax collections net of debt payments.

Capital Assets

Capital assets 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 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 after completion.

All assets are capitalized if they have a cost of $500 or more, or a life expectancy of more than two years. 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:

	Years
Buildings and Improvements	20-40
Firefighting Equipment	4-15
Vehicles	5-15

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated combined budget is adopted for the General Fund and Debt Service Fund by the District's Board of Commissioners. The budget is prepared using the same method of accounting as for financial reporting. The original combined budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General and Debt Service Funds presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Compensated Absences

The District permits employees to accumulate earned but unused sick and vacation pay benefits up to certain limits. Upon resignation, an employee may receive pay for any unused accrued sick and vacation provided. See Note 15 for additional disclosure.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Pensions

The District has 52 employees. Payments are made into the Social Security System for their benefit, into an individual retirement account (see Note 10) and pension plan (see Note 11). The Internal Revenue Service determined that fees of office received by Commissioners are wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. TAX LEVY

During the year ended September 30, 2025, the District levied an ad valorem maintenance tax rate of $ 0.0719 per $100 of assessed valuation for the 2024 tax year. This resulted in a tax levy of $ 3,063,715 on the adjusted taxable valuation of $ 4,259,789,625 for the 2024 tax year.

During the year ended September 30, 2025, the District levied an ad valorem debt service tax rate of $ 0.0267 per $100 of assessed valuation for the 2024 tax year. This resulted in a tax levy of $ 1,137,708 on the adjusted taxable valuation of $ 4,259,789,625 for the 2024 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $ 5,754,433 and the bank balance was $4,908,526. Of the bank balance, $284,689 was covered by federal depository insurance and the balance was covered by a pledge of securities held in safekeeping by a third-party institution in the District's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2025, as listed below:

	Cash
GENERAL FUND	$ 4,868,190
DEBT SERVICE FUND	34,689
CAPITAL PROJECTS FUND	851,554
TOTAL DEPOSITS	$ 5,754,433

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. There are no limitations or restrictions on withdrawals from TexPool.

As of September 30, 2025, the District had the following investment and maturity:

		Maturities in Years
Fund and Investment Type	Fair Value	Maturity of Less Than 1 Year
DEBT SERVICE FUND		
TexPool	$ 40	$ 40

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2025, the District's investment in TexPool was rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 5. CAPITAL ASSETS

	October 1, 2024	Increases	Decreases	September 30, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 580,033	$	$	$ 580,033
Construction in Progress	108,100	461,700	569,800	
Total Capital Assets Not Being Depreciated	$ 688,133	$ 461,700	$ 569,800	$ 580,033
Capital Assets Subject to Depreciation				
Buildings and Improvements	$ 9,566,694	$	$	$ 9,566,694
Machinery and Equipment	959,532	204,604		1,164,136
Office Equipment	63,595			63,595
Vehicles	5,261,091	365,196	64,939	5,561,348
Total Capital Assets Subject to Depreciation	$ 15,850,912	$ 569,800	$ 64,939	$ 16,355,773
Less Accumulated Depreciation				
Buildings and Improvements	$ 1,499,277	$ 432,806	$	$ 1,932,083
Machinery and Equipment	663,929	87,205		751,134
Office Equipment	52,243	3,853		56,096
Vehicles	2,605,186	384,157	64,939	2,924,404
Total Accumulated Depreciation	$ 4,820,635	$ 908,021	$ 64,939	$ 5,663,717
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 11,030,277	$ (338,221)	$ - 0 -	$ 10,692,056
Total Capital Assets, Net of Accumulated Depreciation	$ 11,718,410	$ 123,479	$ 569,800	$ 11,272,089

NOTE 6. CONTRACT FOR FIRE PROTECTION AND RESCUE SERVICES

The District executed a contract, effective October 1, 2016 for personnel for the provision of emergency services, within areas specified by the District with Needham Fire Rescue Department (the “Department”). This contract was amended September 12, 2017 and September 11, 2019. The term of the contract is for two years effective October 1, 2019 through September 30, 2022 and is renewable for successive one-year periods by action of the District and Department. Under the terms of the contract, the Department agrees to provide personnel for providing firefighting protection and suppression; fire prevention education; identification and control of hazardous materials; and emergency medical first responder service. The District provides and maintains suitable firefighting and related apparatus; vehicles; equipment and supplies for the Departments performance of these services. The District agreed to provide periodic payments to the Department. Payments are determined during the annual budget meetings. For the year ended September 30, 2025, the District paid the Department $ 575,000 for operations and maintenance.

NOTE 7. AGREEMENT WITH TEXAS INTRASTATE FIRE MUTUAL AID SYSTEM

On May 28, 2020, the District was awarded a vehicle grant from the Texas Intrastate Fire Mutual Aid System ("TIFMAS") through the Texas A&M Forest Service ("TFS"). The grant will pay 100% of the cost of a Type 3 Apparatus, including an installed radio package and loose equipment complement. The TFS will order and pay the selected vendors for the completed truck on the District's behalf. The District entered into an agreement with TFS related to this apparatus. The District will insure, house, maintain, operate and repair to ensure a high state of readiness of this TIFMAS apparatus at all times. The District will staff the apparatus with trained and qualified personnel when dispatched to any regional or statewide assignments and will provide for personnel rotation or replacement when the TIFMAS apparatus is needed on assignments of extended duration. While not on assignment outside the District, the apparatus will be available for use within the District for certain incidents and activities. If the District does not fulfill its obligations under this agreement. TFS has the right to reclaim the apparatus and transfer title to another department of its choosing. The District had ownership of the truck as of February 25, 2022.

NOTE 8. 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. The District carries commercial insurance for its fidelity bonds and participates in the Volunteer Firefighter & EMS Insurance Services (VFIS) to provide property, portable equipment, general liability, management liabilities, errors and omissions, public employee dishonesty, automobile, and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by VFIS's management. As claims arise they are submitted and paid by VFIS. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. NOTES PAYABLE

On July 11, 2014, the District entered into a $900,000 promissory note with Government Capital Corporation to finance the construction of a fire station. This note is secured by ad valorem tax funds. Annual installments of $84,384.25 are due each July 1, beginning July 1, 2015, and ending July 1, 2028. The interest rate is 3.873%.

NOTE 9. NOTES PAYABLE (Continued)

On December 29, 2015, the District entered into a $650,000 promissory note with Government Capital Corporation to finance the construction of a fire station. This note is secured by ad valorem tax funds. Annual installments of $58,029.23 are due each January 1, beginning January 1, 2017, and ending July 1, 2031. The interest rate is 3.894%.

On September 5, 2018, the District entered into a $880,000 promissory note with Government Capital Corporation to finance the purchase of two Ferrara Pumper trucks. This note is secured by ad valorem tax funds. Payments of $50,000 and $75,000 are due March 1, 2019 and March 1, 2020, respectively. Beginning March 1, 2021 and ending March 1, 2028, annual installments of $120,707.62 are due each March 1. The interest rate is 4.14%.

On March 27, 2019, the District entered into a $700,000 promissory note with Government Capital Corporation to finance the purchase of various fire-fighting equipment. This note is secured by ad valorem tax funds. Beginning March 27, 2020 and ending March 27, 2026, annual installments of $114,310.31 are due each March 27. The interest rate is 3.46%.

On October 25, 2019, the District entered into a $560,000 promissory note with Government Capital Corporation to finance the purchase of a 2019 Pierce-Custom Saber FR Pumper truck. This note is secured with ad valorem tax funds. Beginning October 25, 2020 and ending October 25, 2029, annual installments of $66,219.90 are due each October 25. The interest rate is 3.17%.

On February 5, 2020, the District entered into a $466,270 promissory note with Government Capital Corporation to finance the purchase of a 2019 Pierce-Stock Fire truck. This note is secured with ad valorem tax funds. Beginning February 5, 2021 and ending February 5, 2030, annual installments of $55,136.37 are due each February 5. The interest rate is 3.17%.

On May 28, 2021, the District entered into a $6,000,000 promissory note with Government Capital Corporation to finance the construction of a fire station. This note is secured with ad valorem tax funds. Beginning May 28, 2022 and ending May 28, 2041, annual installments of $397,352.04 are due each May 28. The interest rate is 2.84%.

On November 7, 2022, the District entered into a $250,000 loan agreement with Truist Bank to fund the purchase of a fire truck for future fire protection. Annual installments of $41,499 are due every November 7, beginning November 7, 2023, and ending November 7, 2029. The interest rate is 3.90%.

On March 15, 2024, the District entered into a $1,518,500 loan agreement with Webster Bank to fund the purchase of a fire truck, radios and equipment for future fire protection. Annual installments of $191,341 are due every March 15, beginning March 15, 2025, and ending March 15, 2034. The interest rate is 4.44%.

On September 25, 2025, the District entered into a $858,000 loan agreement with Government Capital Corporation to fund the purchase of a fire truck and equipment for future fire protection. Annual installments of $146,030.54 are due every December 15, beginning December 15, 2026, and ending December 15, 2032. The interest rate is 4.16%.

NOTE 9. NOTES PAYABLE (Continued)

The following is a summary of transactions regarding notes payable for the year ended September 30, 2025:

	October 1, 2024	Additions	Retirements	September 30, 2025
Notes Payable	$ 9,006,973	$ 858,500	$ 834,401	$ 9,031,072

Amount Due Within One Year	$ 963,931
Amount Due After One Year	8,067,141
Notes Payable	$ 9,031,072

As of September 30, 2025, the debt service requirements on the notes payable were as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 963,931	$ 310,080	$ 1,274,011
2027	891,621	268,077	1,159,698
2028	904,414	235,585	1,139,999
2029	751,972	202,636	954,608
2030	766,380	175,954	942,334
2031-2035	2,545,535	538,063	3,083,598
2036-2040	1,777,614	209,146	1,986,760
2041	429,605	10,973	440,578
	$ 9,031,072	$ 1,950,514	$ 10,981,586

The assets acquired with these notes, are operated and maintained by the Department, and insured by the District.

NOTE 10. DEFERRED COMPENSATION PLANS

The District offers its employees two deferred compensation plans, a Section 457 plan and a Section 401(a) plan, both created in accordance with the Internal Revenue Service Codes, Section 457 and Section 414(d), respectively. The plans permit 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 both 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 plans are administered by a private corporation under contract with the District.

NOTE 11. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. The system serves over 850 participating counties and districts throughout Texas. 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 or www.tcdrs.org.

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 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 the District.

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

At December 31, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled but not yet receiving benefits	33
Active employees	45

Contributions

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 employer contributed using the actuarially determined rate of 9.33% for 2025 and 9.63% for 2024. The deposit rate payable by the employee members for calendar years 2024 was 7.00% and 2025 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

NOTE 11. PENSION PLAN (Continued)

For the District's accounting year ended September 30, 2025, the annual pension cost for the TCDRS plan for its employees was $505,948; the actual contributions were $505,948. The employees contributed $302,616 to the plan for the fiscal year ending September 30, 2025.

Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/24
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Amortization period	16.3
Asset Valuation Method:	
Subdivision Accumulation Fund	5-year smoothed market
Employees Saving Fund	Fund value
Actuarial Assumptions:	
Investment return[1]	7.5%
Projected salary increases[1]	4.7%
Inflation	2.50%
Cost-of-living adjustments	0.0%

[1]Includes inflation at the stated rate

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2024. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Mortality rates were based on the following:

Depositing members – 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

NOTE 11. PENSION PLAN (Continued)

Disabled retirees – 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Discount Rate

The discount rate used to measure the total pension liability was 7.6%. The discount rate did not change from the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

1) TCDRS has a funding policy where the Unfunded Actuarial Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2) Under the TCDRS Act, the District is legally required to make the contributions specified in the funding policy.

3) The District's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the District is still required to contribute at least the normal cost.

4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculation the total pension liability and net position liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 7.60%. This reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

NOTE 11. PENSION PLAN (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued completion with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	13.00 %	5.35 %
Private Equity	25.00	8.15
Global Equities	4.00	5.15
International Equities-Developed Markets	6.00	4.75
International Equities-Emerging Markets	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 (MLPs)	2.00	4.95
Commodities	2.00	1.00
Private Real Estate Partnerships	6.00	5.75
Hedge Funds	6.00	3.60
Cash Equivalents	2.00	1.10
	100.00 %	

NOTE 11. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2024 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2023	$ 2,532,196	$ 2,004,128	$ 528,068
Changes for the year:			
Service Costs	370,885		370,885
Interest on total pension liability	216,839		216,839
Effect of plan changes			
Effect of Econimic/Demographic gains or losses	211,335		211,335
Refund of contributions	(92,687)	(92,687)	
Benefit payments	(9,056)	(9,056)	
Administrative Expense		(1,573)	1,573
Member contributions		267,349	(267,349)
Net investment income		217,706	(217,706)
Employer contributions		467,795	(467,795)
Other		35,455	(35,455)
Balances of December 31, 2024	$ 3,229,512	$ 2,889,117	$ 340,395

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

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total Pension Liability	$ 3,864,533	$ 3,229,512	$ 2,722,752
Fiduciary Net Position	2,889,117	2,889,117	2,889,117
Net Pension Liability/(asset)	$ 975,416	$ 340,395	$ (166,365)

NOTE 11. PENSION PLAN (Continued)

As of September 30, 2025, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 265,004	$ 78,856
Changes of assumptions	21,919	916
Net differences between projected and actual earnings		1,125
Contributions subsequent to the measurement date	322,366	
Total	$ 609,289	$ 80,897

The $322,366 reported as deferred outflows of resources are plan contributions paid subsequent to the measurement date and prior to the District's year-end and will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2025	$ 34,378
2026	59,203
2027	4,953
2028	11,883
2029	24,324
Thereafter	71,285

NOTE 13. SALES AND USE TAX

In accordance with Chapter 775 of the Health and Safety Code, the District is authorized to adopt and impose a sales and use tax if authorized by a majority of the qualified voters of the District. The election to adopt a sales and use tax is governed by the provision of Subchapter E, Chapter 323 of the Tax Code.

On May 9, 2009, the voters of the District approved the establishment and adoption of a sales and use tax up to a maximum of one percent. On October 1, 2009, the Board set a local sales and use tax of one percent on all applicable sales and uses within the boundaries of the District, except in those areas that already have a two percent tax. During the current year, the District recorded $5,081,496 in sales tax receipts, of which $858,212 was due from the State Comptroller at September 30, 2025.

NOTE 14. GROUP TERM LIFE INSURANCE

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees.

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

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contribution to the GTLF for the years ending September 30, 2025, 2024, and 2023 were $8,446, $4,041 and $3,643, respectively, which equaled the contractually required contribution.

NOTE 15. COMPENSATED ABSENCES

In addition to other benefits provided, the District compensates eligible employees for paid time off ("PTO"). PTO accrue each pay period based on an employee's longevity. Maximum number of PTO is based in accordance with the Department's Longevity, Paid Time Off Accrual and Benefit policy. At December 31, 2025, total amounts accrued for PTO were $193,322. The District expects that $96,661 of the total PTO accrued at December 31, 2025 will be used within the next year.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL AND DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 3,054,766	$ 3,070,000	$ 4,202,556	$ 1,132,556
Sales Tax Revenues	4,800,000	4,900,000	5,081,496	181,496
TIFMAS Reimbursements		843,277	1,084,074	240,797
Sale of Assets			24,600	24,600
Miscellaneous Revenues	175,000	236,508	209,981	(26,527)
TOTAL REVENUES	$ 8,029,766	$ 9,049,785	$ 10,602,707	$ 1,552,922
EXPENDITURES				
Service Operations:				
Firefighting Personnel and Operations	$ 5,746,662	$ 6,214,189	$ 6,906,922	$ (692,733)
Accounting and Auditing	22,000	21,750	20,750	1,000
Appraisal District Fees	38,254	38,000	37,788	212
Commissioner Fees	18,500	15,400	15,801	(401)
Communications Fees	50,000	57,000	62,750	(5,750)
Insurance	161,600	161,600	161,236	364
Legal Fees	75,000	75,000	60,660	14,340
Maintenance and Repairs	313,400	416,431	617,833	(201,402)
M. C. Hospital District Fees	18,300	18,300	18,300	
Other	1,586,050	1,566,103	535,090	1,031,013
Capital Outlay		19,486	186,631	(167,145)
Debt Service:				
Principal	832,061	832,061	834,401	(2,340)
Interest	296,918	296,918	294,578	2,340
TOTAL EXPENDITURES	$ 9,158,745	$ 9,732,238	$ 9,752,740	$ (20,502)
NET CHANGE IN FUND BALANCE	$ (1,128,979)	$ (682,453)	$ 849,967	$ 1,532,420
FUND BALANCE - OCTOBER 1, 2024	4,864,433	4,864,433	4,864,433	
FUND BALANCE - SEPTEMBER 30, 2025	$ 3,735,454	$ 4,181,980	$ 5,714,400	$ 1,532,420

See accompanying independent auditor's report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
SEPTEMBER 30, 2025

	Year Ended December 31,			
	2024	2023	2022	2021
Total Pension Liability (Asset)				
Service Cost	$ 370,885	$ 360,501	$ 205,588	$ 165,161
Interest on total pension liability	216,839	169,807	111,920	77,103
Effect of plan changes		225,028	204,812	158,441
Effect of assumption changes or inputs				7,440
Effect of economic/demographic (gains) or losses	211,335	(83,212)	101,192	22,363
Benefit Payments/Refund of Contributions	(101,743)	(26,955)	(6,942)	(18,462)
Other				
Net change in total pension liability	$ 697,316	$ 645,169	$ 616,570	$ 412,046
Total pension liability, beginning	2,532,196	1,887,027	1,270,457	858,411
Total pension liability, ending (a)	$ 3,229,512	$ 2,532,196	$ 1,887,027	$ 1,270,457
Fiduciary Net Position				
Employer contributions	$ 467,795	$ 266,845	$ 187,249	$ 100,762
Member contributions	267,349	191,521	129,126	81,732
Investment income net of investment expenses	217,706	157,484	(92,856)	189,351
Benefit payments/refunds of contributions	(101,743)	(26,955)	(6,942)	(18,462)
Administrative Expense	(1,573)	(1,046)	(817)	(613)
Other	35,455	22,156	44,512	4,861
Net change in fiduciary net position	$ 884,989	$ 610,005	$ 260,272	$ 357,631
Fiduciary net position, beginning	2,004,128	1,394,123	1,133,851	776,220
Fiduciary net position, ending (b)	$ 2,889,117	$ 2,004,128	$ 1,394,123	$ 1,133,851
Net pension liability/(asset), ending = (a) - (b)	$ 340,395	$ 528,068	$ 492,904	$ 136,606
Fiduciary net position as a percentage of total pension liability	89.46%	79.15%	73.88%	89.25%
Pensionable covered payroll	$ 3,819,267	$ 3,192,021	$ 2,582,515	$ 2,043,291
Net pension liability as a percentage of covered payroll	8.91%	16.54%	19.09%	6.69%

Note : This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

See accompanying independent auditor's report.

	2020	2019	2018	2017	2016
	$ 153,620	$ 154,573	$ 123,079	$ 134,608	$ 81,800
	58,803	45,101	27,312	17,702	3,248
			53,196		
	68,029			(2,740)	
	7,775	(23,339)	(6,925)	(13,790)	70
	(4,241)	(8,114)	(8,954)	(2,405)	
	1			1	1
	$ 283,987	$ 168,221	$ 187,708	$ 133,376	$ 85,119
	574,424	406,203	218,495	85,119	-0-
	$ 858,411	$ 574,424	$ 406,203	$ 218,495	$ 85,119
	$ 91,805	$ 79,767	$ 57,767	$ 63,569	$ 36,702
	78,877	69,582	68,829	72,288	41,336
	56,991	56,672	(2,934)	13,710	
	(4,241)	(8,114)	(8,954)	(2,405)	
	(568)	(417)	(278)	(153)	
	4,980	4,912	3,528	1,787	1,182
	$ 227,844	$ 202,402	$ 117,958	$ 148,796	$ 79,220
	548,376	345,974	228,016	79,220	-0-
	$ 776,220	$ 548,376	$ 345,974	$ 228,016	$ 79,220
	$ 82,191	$ 26,048	$ 60,229	$ (9,521)	$ 5,899
	90.43%	95.47%	85.17%	104.36%	93.07%
	$ 1,971,926	$ 1,739,543	$ 1,720,723	$ 1,807,220	$ 1,033,398
	4.17%	1.50%	3.50%	-0.53%	0.57%

See accompanying independent auditor’s report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
SCHEDULE OF DISTRICT CONTRIBUTIONS
SEPTEMBER 30, 2025

Fiscal Year Ending September 30	Actuarially Determined Contribution[1]	Actual Employer Contribution[1]	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2025	$ 505,948	$ 505,948	$ - 0 -	$ 4,323,086	11.7%
2024	$ 367,795	$ 467,795	$ (100,000)	$ 3,819,267	12.2%
2023	$ 266,845	$ 266,845	$ - 0 -	$ 3,192,021	8.4%
2022	$ 187,249	$ 187,249	$ - 0 -	$ 2,582,515	7.3%
2021	$ 96,648	$ 100,762	$ (4,114)	$ 2,043,291	4.9%
2020	$ 91,695	$ 91,805	$ (110)	$ 1,971,926	4.7%
2019	$ 79,671	$ 79,767	$ (96)	$ 1,739,543	4.6%
2018	$ 56,096	$ 57,767	$ (1,671)	$ 1,720,723	3.4%
2017	$ 63,569	$ 63,569	$ - 0 -	$ 1,807,200	3.5%
2016	$ 36,686	$ 36,702	$ (16)	$ 1,033,398	3.6%

[1] *TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.*

See accompanying independent auditor's report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
SCHEDULE OF DISTRICT CONTRIBUTIONS
SEPTEMBER 30, 2025

NOTES TO SCHEDULE

All actuarial methods and assumptions used for this analysis were the same as those used in the December 31, funding valuation. Following are the key methods and assumptions used to determine contribution rates:

Valuation Timing	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.3 years (based on contribution rate calculated in 12/31/2024 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 administrative and 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 Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Not applicable, prior to TCDRS participation 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: Employer contributions reflect that the current service matching rate was increased to 200% for future benefits. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: Employer contributions reflect that the member contribution rate was increased to 5%. 2023: Employer contributions reflect that the member contribution rate was increased to 6%. 2024: Employer contributions reflect that the member contribution rate was increased to 7%.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

See accompanying independent auditor's report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - OCTOBER 1, 2024	$ 47,086		$ 29,167	
Adjustments to Beginning Balance	22,514	$ 69,600	7,657	$ 36,824
Original 2024 Tax Levy	$ 2,948,813		$ 1,095,039	
Adjustment to 2024 Tax Levy	114,902	3,063,715	42,669	1,137,708
TOTAL TO BE ACCOUNTED FOR		$ 3,133,315		$ 1,174,532
TAX COLLECTIONS:				
Prior Years	$ 31,776		$ 12,803	
Current Year	3,032,034	3,063,810	1,125,943	1,138,746
TAXES RECEIVABLE - SEPTEMBER 30, 2025		$ 69,505		$ 35,786
TAXES RECEIVABLE BY YEAR:				
2024		$ 31,681		$ 11,765
2023		15,397		5,760
2022		9,721		4,581
2021		3,159		2,003
2020		2,464		1,364
2019		1,558		1,008
2018		1,663		931
2017		1,578		809
2016		1,159		716
2015 and prior		1,125		6,849
TOTAL		$ 69,505		$ 35,786

See accompanying independent auditor’s report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	2024	2023	2022	2021
TOTAL PROPERTY VALUATIONS	$ 4,259,789,625	$ 4,005,208,944	$ 3,294,492,710	$ 2,579,613,627
TAX RATES PER $100 VALUATION:				
Operating	$ 0.0719	$ 0.0703	$ 0.0643	$ 0.0612
Debt Service	0.0267	0.0263	0.0303	0.0388
TOTAL TAX RATES PER $100 VALUATION	$ 0.0986	$ 0.0966	$ 0.0946	$ 0.1000
ADJUSTED TAX LEVY*	$ 4,201,423	$ 3,870,355	$ 3,118,966	$ 2,581,350
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.97 %	99.45 %	99.54 %	99.80 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 4
BOARD OF COMMISSIONERS
SEPTEMBER 30, 2025

District Mailing Address - Montgomery County Emergency Services District No. 4
17029 Firehouse Road
Conroe, TX 77385

District Telephone Number - (936) 321-0999

Commissioners	Term of Office Appointed Expires	Fees of Office for the year ended September 30, 2025	Expense Reimbursements for the year ended September 30, 2025	Title
Brian Arceneaux	01/01/24 12/31/25	$ 3,867	$ -0-	President
Gary Landrum	01/01/25 12/31/26	$ 4,309	$ -0-	Vice President
Raymond Veit	01/01/25 12/31/26	$ 3,867	$ -0-	Treasurer
Mark Abbey	01/01/25 12/31/26	$ 2,873	$ -0-	Secretary
Katherine J. Clark	08/13/25 12/31/25	$ 221	$ -0-	Assistant Treasurer/ Secretary
Karen Keels	01/01/24 08/13/25	$ 663	$ -0-	Former Assistant Treasurer/ Secretary

A Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently $7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts paid to a Commissioner during the District’s current fiscal year.

See accompanying independent auditor’s report.