

**MONTGOMERY COUNTY EMERGENCY
SERVICES DISTRICT NO. 10**

MONTGOMERY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Montgomery County Emergency
Services District No. 10
Montgomery County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Emergency Services District No. 10 (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 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.

Change in Accounting Estimate

As discussed in Note 12, the beginning balance of the General Fund has been restated to correct an over estimate of accounts payable in the prior year. Our opinions are not modified with respect to this matter.

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.

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. 10

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 Fund, 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

April 8, 2026

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Management’s discussion and analysis of Montgomery County Emergency Services District No. 10’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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund 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 one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax revenues, sales tax revenues, operating costs and general expenditures.

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FUND FINANCIAL STATEMENTS (Continued)

Governmental fund is reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental fund. 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 Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance 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”). The budgetary comparison schedule is included as RSI for the General Fund. 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 \$24,222,573 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:

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	(Restated) 2024	Change Positive (Negative)
Current and Other Assets	\$ 11,981,977	\$ 7,294,683	\$ 4,687,294
Capital Assets (Net of Accumulated Depreciation)	35,551,788	32,517,882	3,033,906
Right-of-Use Assets (Net of Accumulated Amortization)	44,038	100,144	(56,106)
Total Assets	<u>\$ 47,533,765</u>	<u>\$ 39,912,709</u>	<u>\$ 7,665,094</u>
Deferred Outflows of Resources	<u>\$ 1,493,557</u>	<u>\$ 3,225,123</u>	<u>\$ (1,731,566)</u>
Long-Term Liabilities	\$ 20,748,685	\$ 15,737,703	\$ (5,010,982)
Other Liabilities	1,936,140	2,474,457	538,317
Total Liabilities	<u>\$ 22,684,825</u>	<u>\$ 18,212,160</u>	<u>\$ (4,472,665)</u>
Deferred Inflows of Resources	<u>\$ 2,163,962</u>	<u>\$ 380,679</u>	<u>\$ (1,783,283)</u>
Net Position:			
Net Investment in Capital Assets	\$ 14,847,141	\$ 16,880,323	\$ (2,033,182)
Unrestricted	9,375,432	7,664,670	1,710,762
Total Net Position	<u>\$ 24,222,573</u>	<u>\$ 24,544,993</u>	<u>\$ (322,420)</u>

The following table provides a summary of the District's operations for the fiscal year ended September 30, 2025 and the nine-month period ended September 30, 2024.

	Summary of Changes in the Statement of Activities		
	2025	(Restated) 2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 13,996,271	\$ 12,244,626	\$ 1,751,645
Sales Tax Revenues	11,409,250	7,997,633	3,411,617
Other Revenues	1,586,257	811,773	774,484
Total Revenues	<u>\$ 26,991,778</u>	<u>\$ 21,054,032</u>	<u>\$ 5,937,746</u>
Expenses for Services	<u>27,314,198</u>	<u>18,883,259</u>	<u>(8,430,939)</u>
Change in Net Position	\$ (322,420)	\$ 2,170,773	\$ (2,493,193)
Net Position, Beginning of Year	<u>24,544,993</u>	<u>22,374,220</u>	<u>2,170,773</u>
Net Position, End of Year	<u>\$ 24,222,573</u>	<u>\$ 24,544,993</u>	<u>\$ (322,420)</u>

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of September 30, 2025, was \$9,733,685, an increase of \$4,792,802 from the prior year. The increase was primarily due to property tax revenues, sales tax revenues, sale of assets and note proceeds exceeding operating and capital costs.

BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the current fiscal year increasing expected maintenance and repairs and capital outlay as well as adding expected sale of assets revenues and loan proceeds. Actual revenues were \$1,571,676 more than budgeted revenues, actual expenditures were \$403,353 less than budgeted expenditures, and loan proceeds were \$2,174,400 more than expected which resulted in a positive variance of \$4,516,003. See budget versus actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2025, total \$35,551,788 (net of accumulated depreciation) and include buildings, vehicles, equipment and land. The current year additions included the generator for Station 187, Magnolia Logistics Center Station 183 renovations, four 2025 Spartan Pumps, 2025 Spartan Gladiator and miscellaneous radios and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 5,770,414	\$ 7,678,702	\$ (1,908,288)
Construction in Progress	609,115	11,445,334	(10,836,219)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	17,318,545	6,921,782	10,396,763
Vehicles and Equipment	11,846,039	6,462,431	5,383,608
Office Equipment	7,675	9,633	(1,958)
Total Net Capital Assets	\$ 35,551,788	\$ 32,517,882	\$ 3,033,906

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

LONG-TERM DEBT ACTIVITY

As of September 30, 2025, the District had total debt payable of \$20,748,685. 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	\$ 15,637,559
Add: Loan Proceeds	6,643,462
Less: Loan Principal Paid	<u>1,576,374</u>
Long-Term Debt Payable, September 30, 2025	<u>\$ 20,704,647</u>
Lease Payable, October 1, 2024	\$ 100,144
Less: Lease Principal Paid	<u>56,106</u>
Lease Payable, September 30, 2025	<u>\$ 44,038</u>

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. 10, 18215 Buddy Riley Blvd, Magnolia, Texas 77354.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 821,232	\$	\$ 821,232
Investments	6,418,162		6,418,162
Due from Montgomery County Tax Assessor/Collector	14,861		14,861
Receivables:			
Property Taxes	579,476		579,476
Penalty and Interest on Delinquent Taxes		129,882	129,882
Lease	150,138		150,138
Sales Tax Revenues	1,940,045		1,940,045
Other	5,651		5,651
Prepaid Costs	991,620		991,620
Net Pension Asset		930,910	930,910
Land		5,770,414	5,770,414
Construction in Progress		609,115	609,115
Right-of-Use Asset (Net of Accumulated Amortization)		44,038	44,038
Capital Assets (Net of Accumulated Depreciation)		29,172,259	29,172,259
TOTAL ASSETS	\$ 10,921,185	\$ 36,656,618	\$ 47,577,803
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	\$ - 0 -	\$ 1,493,557	\$ 1,493,557
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,921,185	\$ 38,150,175	\$ 49,071,360

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

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Net Position
LIABILITIES			
Accounts Payable	\$ 247,104	\$	\$ 247,104
Accrued Interest Payable		453,881	453,881
Compensated Absences		1,235,155	1,235,155
Long-Term Liabilities:			
Capital Lease Payable, Due Within One Year		44,038	44,038
Loan Payable, Due Within One Year		1,784,671	1,784,671
Loan Payable, Due After One Year		18,919,976	18,919,976
TOTAL LIABILITIES	\$ 247,104	\$ 22,437,721	\$ 22,684,825
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 579,476	\$ (579,476)	\$
Deferred Inflows - MCHD	360,920		360,920
Deferred Inflows - Pension		1,803,042	1,803,042
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 940,396	\$ 1,223,566	\$ 2,163,962
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 991,620	\$ (991,620)	\$
Unassigned	8,742,065	(8,742,065)	
TOTAL FUND BALANCE	\$ 9,733,685	\$ (9,733,685)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 10,921,185		
NET POSITION			
Net Investment in Capital Assets		\$ 14,847,141	\$ 14,847,141
Unrestricted		9,375,432	9,375,432
TOTAL NET POSITION		\$ 24,222,573	\$ 24,222,573

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

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total Fund Balance - Governmental Fund	\$ 9,733,685
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	35,595,826
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Net pension assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	930,910
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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.	(309,485)
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Accrued sick and vacation leave payable is not due and payable in the current period and, therefore, not reported in the governmental funds.	(1,235,155)
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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.	709,358
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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	\$ (453,881)	
Capital Lease Payable, Due Within One Year	(44,038)	
Loan Payable, Due Within One Year	(1,784,671)	
Loan Payable, Due After One Year	<u>(18,919,976)</u>	<u>(21,202,566)</u>

Total Net Position - Governmental Activities	<u>\$ 24,222,573</u>
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The accompanying notes to the financial statements are an integral part of this report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 13,767,363	\$ 228,908	\$ 13,996,271
Sales Tax Revenues	11,409,250		11,409,250
Penalty and Interest	137,568	129,882	267,450
Sale of Assets	2,705,926	(1,994,757)	711,169
Miscellaneous Revenues	607,638		607,638
TOTAL REVENUES	<u>\$ 28,627,745</u>	<u>\$ (1,635,967)</u>	<u>\$ 26,991,778</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Administration	\$ 23,646	\$	\$ 23,646
Professional Fees	893,448		893,448
Emergency Services	4,626		4,626
Commissioner Fees	28,638		28,638
Communications Fees	239,160		239,160
Depreciation/Amortization		1,840,192	1,840,192
Equipment and Supplies	417,969		417,969
Facilities Costs	694,980		694,980
Fire and Rescue Operations	196,301		196,301
Insurance	204,126		204,126
IT Information Services	150,246		150,246
Salaries and Benefits	17,880,721	3,252,758	21,133,479
Maintenance and Repairs	356,812		356,812
Training and Certification	117,174		117,174
Other	51,395		51,395
Capital Outlay	6,966,105	(6,812,749)	153,356
Debt Service:			
Capital Lease Principal	56,106	(56,106)	
Capital Lease Interest	3,890		3,890
Loan Principal	1,576,374	(1,576,374)	
Loan Interest	616,688	188,072	804,760
TOTAL EXPENDITURES/EXPENSES	<u>\$ 30,478,405</u>	<u>\$ (3,164,207)</u>	<u>\$ 27,314,198</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ (1,850,660)</u>	<u>\$ 1,528,240</u>	<u>\$ (322,420)</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	\$ 6,643,462	\$ (6,643,462)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 4,792,802	\$ (4,792,802)	\$
CHANGE IN NET POSITION		(322,420)	(322,420)
FUND BALANCE/NET POSITION -			
OCTOBER 1, 2024, AS PREVIOUSLY REPORTED	\$ 4,845,570	\$ 19,604,110	\$ 24,449,680
ESTIMATE RESTATEMENT	<u>95,313</u>		<u>95,313</u>
OCTOBER 1, 2024, RESTATED	<u>4,940,883</u>	<u>19,604,110</u>	<u>24,544,993</u>
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2025	<u>\$ 9,733,685</u>	<u>\$ 14,488,888</u>	<u>\$ 24,222,573</u>

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

**MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUND 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 Balance - Governmental Fund	\$ 4,792,802
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.	228,908
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.	129,882
Governmental funds do not account for depreciation or amortization. However, in the Statement of Net Position, capital assets are depreciated and right-of-use assets are amortized and the expense is recorded in the Statement of Activities.	(1,840,192)
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.	4,817,992
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.	(3,252,758)
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.	1,632,480
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.	(188,072)
Governmental funds report loan proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	<u>(6,643,462)</u>
Change in Net Position - Governmental Activities	<u>\$ (322,420)</u>

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

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1. CREATION OF DISTRICT

Montgomery County Emergency Services District No. 10 (the “District”) operates under Chapter 775, “Emergency Service Districts” of V.T.C.A., Health and Safety Code. The District was converted from a Rural Fire Prevention District in 1996. The District is a duly organized emergency service district, created to protect life and property from fire and to conserve natural and human resources.

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.

Financial Statement Presentation

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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 Fund Balance Sheet and a Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one governmental fund and considers each to be major fund.

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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 Fund 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.

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 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	30
Furniture	7
Vehicles and Equipment	5-15

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated combined budget is adopted for the General 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 Fund presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Compensated Absences

The liability for accrued sick and vacation leave reported in the government-wide financial statements consist of unpaid, accumulated sick and vacation leave. The liability has been calculated using the earned and unused accumulated hours as of September 30, 2025. Unused hours may be paid back to the District on the first day of December each year at the employee's current hourly rate of pay. Employees may not accumulate more than two fiscal years of hours. Any hours over the allowed accumulation are lost without use or financial compensation.

It is the District's policy to liquidate accrued sick and vacation leave with currently available expendable resources. Accordingly, the District's governmental fund recognize accrued leave when paid. Compensated absences are accrued in the government-wide statements.

Pensions

The District has 153 employees. Payments are made into the Social Security System for their benefit, into a pension plan (see Note 9). 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 fund are classified using the following hierarchy:

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

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 \$0.0776 per \$100 of assessed valuation for the 2024 tax year. This resulted in a tax levy of \$12,289,860 on the adjusted taxable valuation of \$15,827,629,455 for the 2024 tax year.

During the year ended September 30, 2025, the District levied an ad valorem debt service tax rate of \$0.0097 per \$100 of assessed valuation for the 2024 tax year. This resulted in a tax levy of \$1,536,233 on the adjusted taxable valuation of \$ 15,827,629,455 for the 2024 tax year.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3. TAX LEVY (Continued)

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 \$821,232 and the bank balance was \$897,514. Of the bank balance, \$256,421 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 Fund Balance Sheet and the Statement of Net Position at September 30, 2025, as listed below:

GENERAL FUND	Cash
	\$ 821,232

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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

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

Fund and Investment Type	Fair Value	Maturities in Years Maturity of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	<u>\$ 6,418,162</u>	<u>\$ 6,418,162</u>

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 Texas CLASS 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 Texas CLASS 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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 5. CAPITAL ASSETS

	October 1, 2024	Increases	Decreases	September 30, 2025
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 7,678,702	\$	\$ 1,908,288	\$ 5,770,414
Construction in Progress	<u>11,445,334</u>	<u>6,812,749</u>	<u>17,648,968</u>	<u>609,115</u>
Total Capital Assets Not Being Depreciated	<u>\$ 19,124,036</u>	<u>\$ 6,812,749</u>	<u>\$ 19,557,256</u>	<u>\$ 6,379,529</u>
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 11,510,316	\$ 11,001,199	\$	\$ 22,511,515
Vehicles and Equipment	19,856,851	6,647,769	2,637,638	23,866,982
Office Equipment	<u>295,582</u>	<u></u>	<u></u>	<u>295,582</u>
Total Capital Assets Subject to Depreciation	<u>\$ 31,662,749</u>	<u>\$ 17,648,968</u>	<u>\$ 2,637,638</u>	<u>\$ 46,674,079</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 4,588,534	\$ 604,436	\$	\$ 5,192,970
Vehicles and Equipment	13,394,420	1,177,692	2,551,169	12,020,943
Office Equipment	<u>285,949</u>	<u>1,958</u>	<u></u>	<u>287,907</u>
Total Accumulated Depreciation	<u>\$ 18,268,903</u>	<u>\$ 1,784,086</u>	<u>\$ 2,551,169</u>	<u>\$ 17,501,820</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,393,846</u>	<u>\$ 15,864,882</u>	<u>\$ 86,469</u>	<u>\$ 29,172,259</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 32,517,882</u>	<u>\$ 22,677,631</u>	<u>\$ 19,643,725</u>	<u>\$ 35,551,788</u>

NOTE 6. 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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7. LONG-TERM DEBT

On June 18, 2018, the District entered into a \$3,956,000 promissory note with First Security Finance to finance the construction of fire stations. Semi-annual installments of \$241,571.26 are due each December 15 and June 15, beginning December 15, 2016, and ending June 15, 2025. The interest rate is 1.25%. The note was paid in full during the current fiscal year.

On September 3, 2019, the District entered into a \$1,335,000 equipment lease with Community First National Bank to finance the purchase of a fire truck and various fire-fighting equipment. Annual installments of \$209,272 are due each March 3, beginning March 3, 2020, and ending March 3, 2026. The interest rate is 2.73%.

On August 19, 2022, the District entered into a \$8,000,000 promissory note with First Financial Bank to finance the construction of a fire station. Semi-annual installments of \$340,998.21 are due each February 1 and August 1, beginning February 1, 2023, and ending August 1, 2037. The interest rate is 3.35%.

On June 1, 2023, the District entered into a \$3,650,000 promissory note with First Security Finance to finance the purchase of real estate. Annual installments of \$330,420.17 are due each December 1, beginning December 1, 2023, and ending December 1, 2037. The interest rate is 4.40%.

On October 25, 2023, the District entered into a \$3,376,500 promissory note (“Loan”) with Government Capital Corporation to finance the purchase of real estate. Annual installments of \$315,159.76 are due each April 25, beginning April 25, 2024, and ending April 25, 2038. The interest rate is 4.88%.

On April 12, 2024, the District entered into a \$1,100,000 promissory note with Capital One Public Funding to finance the construction of a fire training facility. Annual installments of \$191,578.76 are due each April 12, beginning April 12, 2025, and ending April 12, 2031. The interest rate is 5.214%.

On March 31, 2026, the District entered into a \$4,469,061 promissory note with Trustmark National Bank to finance the purchase of a pumper truck. Annual installments of \$746,791.42 are due each December 30, beginning December 30, 2025, and ending December 30, 2031. The interest rate is 4.08%.

On May 13, 2025, the District entered into a \$2,174,401 promissory note with Trustmark National Bank to finance the purchase of a ladder truck. Semi-annual installments of \$140,668.43 are due each June 1 and December 1, beginning June 1, 2026, and ending June 1, 2035. The interest rate is 3.89%.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 7. LONG-TERM DEBT (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
Loan Payable	<u>\$ 15,637,559</u>	<u>\$ 6,643,462</u>	<u>\$ 1,576,374</u>	<u>\$ 20,704,647</u>
		Amount Due Within One Year		\$ 1,784,671
		Amount Due After One Year		<u>18,919,976</u>
		Notes Payable		<u>\$ 20,704,647</u>

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

Fiscal Year	Principal	Interest	Total
2026	\$ 1,784,671	\$ 831,217	\$ 2,615,888
2027	1,789,103	758,179	2,547,282
2028	1,862,183	685,101	2,547,284
2029	1,938,303	608,979	2,547,282
2030	2,017,593	529,690	2,547,283
2031-2035	8,208,405	1,521,324	9,729,729
2036-2038	<u>3,104,389</u>	<u>221,779</u>	<u>3,326,168</u>
	<u>\$ 20,704,647</u>	<u>\$ 5,156,269</u>	<u>\$ 25,860,916</u>

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

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 8. COMMERCIAL PROPERTY LEASE

On July 1, 2024, the District entered into a lease agreement with Texas Realtors for a commercial lease for property 26301 FM 2978 Road in the amount of \$114,215 at an interest rate of 5.21%. Payments of \$5,000 will be due the first day of each month. The payments commenced July 1, 2024. The initial term of the lease is 24 months.

In accordance with the requirements of GASB Statement No. 87, which was required to be implemented in the prior fiscal year, the District reclassified certain capital assets to right-of-use assets. Right-of-use assets, current year amortization expense, and accumulated amortization are summarized below:

	October 1, 2024	Increases	Decreases	September 30, 2025
Right-of-Use Asset Subject to Amortization				
Station 182 Property	\$ 114,215	\$ -0-	\$ -0-	\$ 114,215
Less Accumulated Amortization				
Station 182 Property	\$ 14,071	\$ 56,106	\$ -0-	\$ 70,177
Right-of-Use Asset Net of Accumulated Depreciation	\$ 100,144	\$ (56,106)	\$ -0-	\$ 44,038

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

Lease Payable, October 1, 2024	\$ 100,144
Less: Lease Principal Paid	56,106
Lease Payable, September 30, 2025	\$ 44,038
 Amount Due Within One Year	 \$ 44,038

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

Fiscal Year	Principal	Interest	Total
2026	\$ 44,038	\$ 962	\$ 45,000

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9. 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 annual comprehensive financial report (ACFR) 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 5 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	2
Inactive employees entitled but not yet receiving benefits	29
Active employees	129

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 11.06% for 2025 and 11.09% 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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9. 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 \$1,545,376; the actual contributions were \$1,545,376. The employees contributed \$970,606 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	20.0
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%

¹Includes 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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9. 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.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9. 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 %	

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9. 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:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2023	\$ 5,150,879	\$ 5,517,338	\$ (366,459)
Changes for the year:			
Service Costs	2,484,069		2,484,069
Interest on total pension liability	577,246		577,246
Effect of plan changes			
Effect of Economic/Demographic gains or losses	(342,237)		(342,237)
Refund of contributions	(31,329)	(31,329)	
Benefit payments	(49,366)	(49,366)	
Administrative Expense		(4,747)	4,747
Member contributions		981,709	(981,709)
Net investment income		614,439	(614,439)
Employer contributions		1,555,302	(1,555,302)
Other		136,826	(136,826)
Balances of December 31, 2024	<u>\$ 7,789,262</u>	<u>\$ 8,720,172</u>	<u>\$ (930,910)</u>

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 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$ 9,220,592	\$ 7,789,262	\$ 6,620,673
Fiduciary Net Position	<u>8,720,172</u>	<u>8,720,172</u>	<u>8,720,172</u>
Net Pension Liability/(asset)	<u>\$ 500,420</u>	<u>\$ (930,910)</u>	<u>\$ (2,099,499)</u>

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9. PENSION PLAN (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 331,523	\$ 1,763,470
Changes of assumptions	1,363	14,678
Net differences between projected and actual earnings		24,894
Contributions subsequent to the measurement date	<u>1,160,671</u>	
Total	<u>\$ 1,493,557</u>	<u>\$ 1,803,042</u>

The \$1,160,671 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	\$ 118,857
2026	141,871
2027	69,972
2028	74,373
2029	94,074
Thereafter	971,009

NOTE 10. COMPENSATED ABSENCES

The liability for accrued sick and vacation leave reported in the government-wide financial statements consist of unpaid, accumulated sick and vacation leave. The liability has been calculated using the earned and unused accumulated hours as of September 30, 2025. Unused hours may be paid back to the District on the first day of December each year at the employee's current hourly rate of pay. Employees may not accumulate more than two fiscal years of hours. Any hours over the allowed accumulation are lost without use or financial compensation.

It is the District's policy to liquidate accrued sick and vacation leave with currently available expendable resources. Accordingly, the District's governmental funds recognize accrued leave when paid.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 10. COMPENSATED ABSENCES (Continued)

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

	<u>October 1, 2024</u>	<u>Net Change</u>	<u>September 30, 2025</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	<u>\$ 952,554</u>	<u>\$ 282,601</u>	<u>\$ 1,235,155</u>	<u>\$ 984,028</u>

NOTE 11. 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.

The voters of the District approved the establishment and adoption of a sales and use tax up to a maximum of one percent. 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 \$11,409,250 in sales tax receipts, of which \$1,940,045 was due from the State Comptroller at September 30, 2025.

NOTE 12. CHANGE IN ACCOUNTING ESTIMATE

The beginning fund balance of the General Fund was adjusted to correct an overestimate of payable for TCDRS costs in the prior year. The effect of the restatement on the General Fund fund balance and Statement of Net Position balance is as follows:

General Fund-Fund Balance - October 1, 2024	\$ 4,845,570
Effect of Adjustment	<u>95,313</u>
General Fund-Fund Balance - October 1, 2024, As Adjusted	<u>\$ 4,940,883</u>
Net Position - October 1, 2024	\$ 24,449,680
Effect of Adjustment	<u>95,313</u>
Net Position - October 1, 2024, As Adjusted	<u>\$ 24,544,993</u>

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 13,679,456	\$ 13,451,326	\$ 13,767,363	\$ 316,037
Sales Tax Revenues	11,400,000	11,400,000	11,409,250	9,250
Sale of Assets		1,910,000	2,705,926	795,926
Miscellaneous Revenues	<u>19,743</u>	<u>294,743</u>	<u>745,206</u>	<u>450,463</u>
TOTAL REVENUES	\$ 25,099,199	\$ 27,056,069	\$ 28,627,745	\$ 1,571,676
EXPENDITURES				
Service Operations:				
Administration	\$ 19,831	\$ 55,911	\$ 23,646	\$ 32,265
Professional Fees	1,147,069	937,913	893,448	44,465
Emergency Services	49,020	8,765	4,626	4,139
Commissioner Fees	28,500	57,735	28,638	29,097
Communications Fees	351,430	261,928	239,160	22,768
Equipment and Supplies	629,234	667,470	417,969	249,501
Facilities Costs	573,952	856,329	694,980	438,360
Fire and Rescue Operations	93,000	231,208	196,301	(463,772)
Insurance		272,500	204,126	76,199
IT Information Services	138,494	166,722	150,246	(37,404)
Salaries and Benefits	19,793,623	19,203,449	17,880,721	19,053,203
Maintenance and Repairs	351,000	524,683	356,812	(17,356,038)
Training and Certification	407,750	281,795	117,174	(75,017)
Other	123,474	45,935	51,395	(71,239)
Capital Outlay	381,250	5,505,029	6,966,105	(1,461,076)
Debt Service:				
Principal	1,590,445	1,472,214	1,632,480	(160,266)
Interest	<u>621,127</u>	<u>698,746</u>	<u>620,578</u>	<u>78,168</u>
TOTAL EXPENDITURES	\$ 26,299,199	\$ 31,248,332	\$ 30,478,405	\$ 403,353
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	\$ (1,200,000)	\$ (4,192,263)	\$ (1,850,660)	\$ 1,975,029
OTHER FINANCING SOURCES(USES)				
Loan Proceeds	<u>\$ -0-</u>	<u>\$ 4,469,062</u>	<u>\$ 6,643,462</u>	<u>\$ 2,174,400</u>
NET CHANGE IN FUND BALANCE	\$ (1,200,000)	\$ 276,799	\$ 4,792,802	\$ 4,516,003
FUND BALANCE - OCTOBER 1, 2024	<u>4,940,883</u>	<u>4,940,883</u>	<u>4,940,883</u>	
FUND BALANCE - SEPTEMBER 30, 2025	<u>\$ 3,740,883</u>	<u>\$ 5,217,682</u>	<u>\$ 9,733,685</u>	<u>\$ 4,516,003</u>

See accompanying independent auditor's report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
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	\$ 2,484,069	\$ 1,915,330	\$ 49,625	\$ 55,304
Interest on total pension liability	577,246	343,250	62,221	57,371
Effect of plan changes				(4,087)
Effect of economic/demographic (gains) or losses	(342,237)	318,059	1,771,243	3,986
Effect of assumption changes or inputs				
Benefit Payments/Refund of Contributions	(80,695)	(52,786)	(49,366)	(37,025)
Net change in total pension liability	\$ 2,638,383	\$ 2,523,853	\$ 1,833,723	\$ 75,549
Total pension liability, beginning	5,150,879	2,627,026	793,303	717,754
Total pension liability, ending (a)	<u>\$ 7,789,262</u>	<u>\$ 5,150,879</u>	<u>\$ 2,627,026</u>	<u>\$ 793,303</u>
Fiduciary Net Position				
Employer contributions	\$ 1,555,302	\$ 1,421,928	\$ 1,122,759	\$ 29,037
Member contributions	981,709	905,075	703,504	22,685
Investment income net of investment expenses	614,439	330,306	(209,195)	175,872
Benefit payments/refunds of contributions	(80,695)	(52,786)	(49,366)	(37,025)
Administrative Expense	(4,747)	(2,881)	(1,643)	(532)
Other	136,826	114,974	250,994	635
Net change in fiduciary net position	\$ 3,202,834	\$ 2,716,616	\$ 1,817,053	\$ 190,672
Fiduciary net position, beginning	5,517,338	2,800,722	983,669	792,997
Fiduciary net position, ending (b)	<u>\$ 8,720,172</u>	<u>\$ 5,517,338</u>	<u>\$ 2,800,722</u>	<u>\$ 983,669</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ (930,910)</u>	<u>\$ (366,459)</u>	<u>\$ (173,696)</u>	<u>\$ (190,366)</u>
Fiduciary net position as a percentage of total pension liability	111.95%	107.11%	106.61%	124.00%
Pensionable covered payroll	\$ 14,024,409	\$ 12,929,649	\$ 10,073,156	\$ 324,069
Net pension liability as a percentage of covered payroll	-6.64%	-2.83%	-1.72%	-58.74%

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
\$	50,011	\$ 55,710	\$ 45,655	\$ 40,849	\$ 321,277
	50,888	46,163	36,889	30,388	12,758
	38,518		27,389		
	101	(32,030)	91	3,600	276
		(11,400)		621	
\$	139,518	\$ 58,443	\$ 110,024	\$ 75,458	\$ 334,311
	578,236	519,793	409,769	334,311	-0-
\$	<u>717,754</u>	<u>578,236</u>	<u>519,793</u>	<u>409,769</u>	<u>334,311</u>
\$	30,700	\$ 31,263	\$ 19,118	\$ 21,567	\$ 382,458
	21,319	22,240	22,994	20,596	14,562
	69,381	88,468	(8,936)	59,507	
	(580)	(11,400)	(433)	(336)	
	1,606	1,534	1,305	564	6,011
\$	122,426	\$ 131,594	\$ 34,048	\$ 101,898	\$ 403,031
	670,571	538,977	504,929	403,031	-0-
\$	<u>792,997</u>	<u>670,571</u>	<u>538,977</u>	<u>504,929</u>	<u>403,031</u>
\$	<u>(75,243)</u>	<u>(92,335)</u>	<u>(19,184)</u>	<u>(95,160)</u>	<u>(68,720)</u>
	110.48%	115.97%	103.69%	123.22%	120.56%
\$	304,564	\$ 317,713	\$ 328,481	\$ 294,233	\$ 208,022
	-24.71%	-29.06%	-5.84%	-32.34%	-33.03%

See accompanying independent auditor's report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
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	\$ 1,534,735	\$ 1,534,735	\$ - 0 -	\$ 13,865,800	11.1%
2024	\$ 1,555,302	\$ 1,555,302	\$ - 0 -	\$ 14,024,409	11.1%
2023	\$ 1,405,453	\$ 1,421,928	\$ (16,475)	\$ 12,929,649	11.0%
2022	\$ 1,118,572	\$ 1,122,759	\$ (4,187)	\$ 10,050,062	11.2%
2021	\$ 29,037	\$ 29,037	\$ - 0 -	\$ 324,068	9.0%
2020	\$ 30,700	\$ 30,700	\$ - 0 -	\$ 304,564	10.1%
2019	\$ 31,263	\$ 31,263	\$ - 0 -	\$ 317,713	9.8%
2018	\$ 19,118	\$ 19,118	\$ - 0 -	\$ 328,481	5.8%
2017	\$ 21,567	\$ 21,567	\$ - 0 -	\$ 294,233	7.3%
2016	\$ 15,248	\$ 382,458	\$ (367,210)	\$ 208,022	183.9%

⁽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.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

See accompanying independent auditor's report.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT NO. 10
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	20.0 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. 2020-2024: No changes in plan provisions were reflected in the Schedule.

* 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.