*ANNUAL FINANCIAL REPORT*

**of the**

# VILLAGE FIRE DEPARTMENT

**For the Year Ended**
**December 31, 2021**

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# VILLAGE FIRE DEPARTMENT

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**December 31, 2021**

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***INDEPENDENT AUDITORS' REPORT***

To the Board of Commissioners of the
Village Fire Department:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village Fire Department (the "Department"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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## Opinions

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 Department as of December 31, 2021, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
*Certified Public Accountants*
Houston, Texas
April 29, 2022

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

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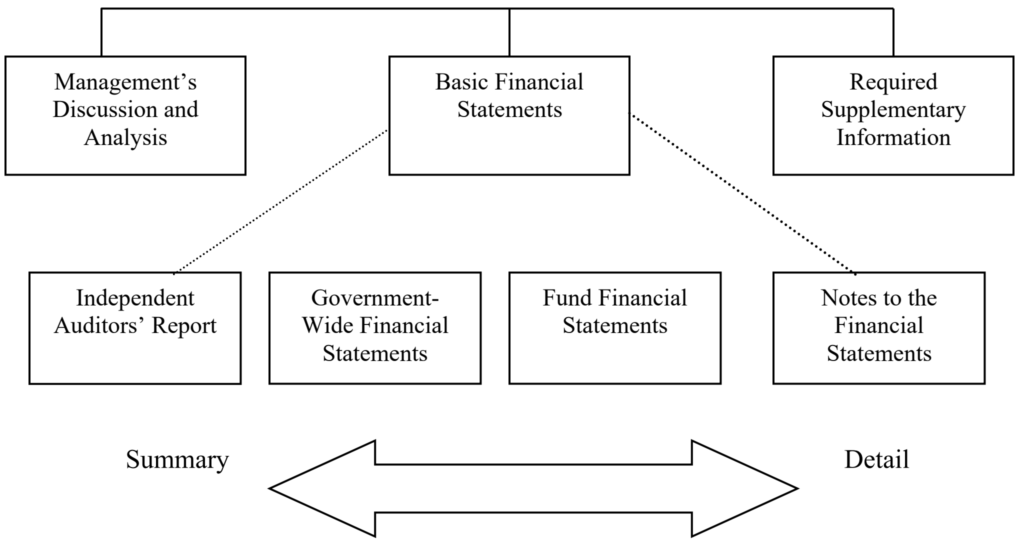
# VILLAGE FIRE DEPARTMENT
***MANAGEMENT'S DISCUSSION AND ANALYSIS***
**For the Year Ended December 31, 2021**

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Village Fire Department (the "Department") for the year ending December 31, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the Department's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the Department's financial statements, which follow this section.

## THE STRUCTURE OF OUR ANNUAL REPORT

**Components of the Financial Section**




The Department's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### Government-Wide Statements

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

The Statement of Net Position presents information on all of the Department's assets, liabilities, and deferred outflows/inflows 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 Department is improving or deteriorating. Other nonfinancial factors, such as the condition of the Department's capital assets, need to be considered in order to assess the overall health of the Department.

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

The Statement of Net Position and the Statement of Activities include one class of activity:

1. *Governmental Activities* – The Department's fire protection (public safety) service is reported here. Participating Cities and intergovernmental revenues finance this activity.

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

**FUND FINANCIAL STATEMENTS**

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

**Governmental Funds**

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

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

The Department maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital replacement fund, the facility fund, and the ambulance billing fund, which are considered to be major funds for reporting purposes.

The Department adopts an annual non-appropriated budget for its general fund, and hybrid annual/project length budgets for the facility fund and the capital replacement fund, subject to the terms and conditions of the interlocal agreement and the method approved by the Participating Cities each year. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

## Other Information

In addition to the financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and other postemployment benefits liability and related ratios and a schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. For the Department, assets and deferred outflows of resources exceed liabilities and deferred inflows by $6,755,597 as of year end.

The largest portion of the Department's net position reflects its unrestricted net position.

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

| | Governmental Activities | |
|---|---|---|
| | **2021** | **2020** |
| **Assets** | | |
| Current and other assets | $ 1,039,966 | $ 4,374,982 |
| Capital assets, nondepreciable | 5,276,652 | 1,811,222 |
| Capital assets, net of depreciation | 1,921,134 | 1,911,821 |
| **Total Assets** | 8,237,752 | 8,098,025 |
| Deferred outflows - pensions | 1,112,357 | 448,759 |
| Deferred outflows - OPEB | 56,083 | 35,132 |
| **Total Deferred Outflows of Resources** | 1,168,440 | 483,891 |
| **Liabilities** | | |
| Current liabilities | 716,374 | 515,549 |
| Long-term liabilities | 467,758 | 426,790 |
| **Total Liabilities** | 1,184,132 | 942,339 |
| Deferred inflows - pensions | 1,450,570 | 804,457 |
| Deferred inflows - OPEB | 15,893 | 15,954 |
| **Total Deferred Inflows of Resources** | 1,466,463 | 820,411 |
| **Net Position** | | |
| Net investment in capital assets | 1,921,134 | 1,911,821 |
| Unrestricted | 4,834,463 | 4,907,345 |
| **Total Net Position** | $ 6,755,597 | $ 6,819,166 |

Unrestricted net position is the residual amount of the net position not included in the net investment in capital assets. The Department's unrestricted net position was $4,834,463 as of year end. The Department experienced an overall decrease in net position of $63,569.

**Statement of Activities**

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

| | Governmental Activities | |
|---|---|---|
| | **2021** | **2020** |
| **Revenues** | | |
| Participant assessments | $ 6,961,314 | $ 8,025,470 |
| Charges for fuel | - | 54,562 |
| Interest | 1,941 | 15,086 |
| Emergency medical services | 267,539 | 641,706 |
| Other | 23,891 | 13,639 |
| Gain (loss) on sale of capital assets | 2,300 | (79,405) |
| **Total Revenues** | 7,256,985 | 8,671,058 |
| **Expenses** | | |
| Public safety | 7,320,554 | 6,158,092 |
| **Total Expenses** | 7,320,554 | 6,158,092 |
| **Change in Net Position** | (63,569) | 2,512,966 |
| Beginning net position | 6,819,166 | 4,306,200 |
| **Ending Net Position** | $ 6,755,597 | $ 6,819,166 |

In comparison to the prior year, revenues for the Department decreased by 16% or $1,414,073. This decrease is mainly due to a decrease in assessments from participating cities, as additional assessments were made in prior years for the renovation project that were not made in the current year. There was also a decrease in charges for fuel since the department did not sell fuel to the Participating Cities during the year due to the construction going on around the fuel pumps, as well as a decrease in medical service contributions since they are only from the current period and not an accumulation of multiple periods, as was the case in the prior year (FY19 & FY20).

In comparison to the prior year, expenses for the Department increased by 19% or $1,162,462. This increase is mainly due to an increase in personnel expense in the form of hospitalization insurance and retirement expenses. Due to rate increases during the year, hospital insurance expense saw an increase of around 38% and retirement expense saw an increase of around 16% compared to the prior year.

## FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

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

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

The Department's governmental funds reflect a combined fund balance of $323,592. Of this, $11,990 is nonspendable for prepaids, $190,940 is assigned for equipment replacement, $253,474 is assigned for improvements to the facility, and a deficit unassigned fund balance of $132,812.

The general fund is the Department's primary operating fund. At the end of the year, unassigned fund balance of the general fund was a deficit of $132,812, while total fund balance was a deficit of $120,822. The main reason for this deficit is due to an increase in personnel expenses in the general fund. Personnel expenses saw an increase of around $576,549, while revenues increased by $255,184. The personnel expense increase is from insurance and municipal contribution rate increases. The revenue increase is from an increase in participant assessments. There were no revenues from the sale of fuel nor from medical service contributions in the current year. Since total expenses were greater than total revenues, the general fund's net change in fund balance showed a decrease of $191,009.

The Department's capital replacement fund had an ending fund balance of $190,940, an increase of $182,464. This increase is primarily due to there being no vehicle purchases during the year.

The facility fund had an ending fund balance of $253,474 which represents an net decrease of $3,527,296 from the prior year, which is mainly due to costs for renovations to the facility.

The ambulance billing fund had an ending fund balance of $0 as all of the fund's activity was transferred to the facility fund to cover costs for renovations to the facility.

## CAPITAL ASSETS

At the end of the year, the Department's governmental activities had invested $7,197,786 (net of accumulated depreciation) in a variety of capital assets. This represents a net increase of $3,474,743.

During the year, the Department had building improvements in the amount of $3,465,430 and purchased various rescue equipment items. More detailed information on the Department's capital assets can be found in note III. B. to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Participating Cities and the Department approved a $7,453,447 budget for all operating activities for fiscal year 2022, which includes $180,000 for the capital replacement fund.

The Department and the Participating Cities are exploring the possibility for the city Bunker Hill to rejoin the Department as a voting member. This would not impact the budget as they are still responsible for any obligation or liabilities proportionated to them but could impact the remittance of revenue from the ambulance billing fund. As it is now, they are not entitled to any return of departmental ambulance revenues received by the Village Fire Department.

The Department also drained their fuel stations and eased up on selling fuel to the Participating Cities during fiscal year 2020 & completely stopped in 2021 due to the building renovations happening around it. The fuel stations are expected to become operational again during fiscal year 2022. Revenues are expected to increase because of this during fiscal year 2022.

The continued spread of the COVID-19 pandemic has given a rise in uncertainties that may have a significant negative impact on the operating activities and results of the Department. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are uncertain.

## CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Department's finances. Questions concerning this report or requests for additional financial information should be directed to the Fire Chief, Village Fire Department, 901 Corbindale, Houston, Texas 77024.

## *BASIC FINANCIAL STATEMENTS*

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# Village Fire Department

*STATEMENT OF NET POSITION*

**December 31, 2021**

| | | Primary Government |
|---|---|---|
| | | Governmental Activities |
| **Assets** | | |
| Cash | $ | 1,008,369 |
| Prepaids | | 11,990 |
| Other receivables | | 19,607 |
| Capital assets, nondepreciable | | 5,276,652 |
| Capital assets, net | | 1,921,134 |
| **Total Assets** | | 8,237,752 |
| **Deferred Outflows of Resources** | | |
| Deferred outflows - pensions | | 1,112,357 |
| Deferred outflows - OPEB | | 56,083 |
| **Total Deferred Outflows of Resources** | | 1,168,440 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | | 716,374 |
| **Total Current Liabilities** | | 716,374 |
| Noncurrent liabilities: | | |
| Due within one year | | 417,540 |
| Due in more than one year | | 50,218 |
| **Total Noncurrent Liabilities** | | 467,758 |
| **Total Liabilities** | | 1,184,132 |
| **Deferred Inflows of Resources** | | |
| Deferred inflows - pensions | | 1,450,570 |
| Deferred inflows - OPEB | | 15,893 |
| **Total Deferred Inflows of Resources** | | 1,466,463 |
| **Net Position** | | |
| Net investment in capital assets | | 1,921,134 |
| Unrestricted | | 4,834,463 |
| **Total Net Position** | $ | 6,755,597 |

See Notes to Financial Statements.

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# Village Fire Department

## *STATEMENT OF ACTIVITIES*

**For the Year Ended December 31, 2021**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities |
|---|---|---|---|
| **Primary Government** | | | |
| **Governmental Activities** | | | |
| Public safety | $ 7,320,554 | $ - | $ (7,320,554) |
| **Total Governmental Activities** | $ 7,320,554 | $ - | (7,320,554) |
| | **General Revenues:** | | |
| | Participant assessments | | 6,961,314 |
| | Interest | | 1,941 |
| | Emergency medical services | | 267,539 |
| | Other | | 23,891 |
| | Gain on sale of capital assets | | 2,300 |
| | **Total General Revenues** | | 7,256,985 |
| | **Change in Net Position** | | (63,569) |
| | Beginning net position | | 6,819,166 |
| | **Ending Net Position** | | $ 6,755,597 |

See Notes to Financial Statements.

# VILLAGE FIRE DEPARTMENT

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

**December 31, 2021**

| | General | Capital Replacement | Facility | Ambulance Billing |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 346,459 | $ 190,940 | $ 228,771 | $ 242,199 |
| Prepaids | 11,990 | - | - | - |
| Other receivables | 19,607 | - | - | - |
| Due from other funds | - | - | 312,386 | - |
| **Total Assets** | $ 378,056 | $ 190,940 | $ 541,157 | $ 242,199 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | $ 428,691 | $ - | $ 287,683 | $ - |
| Due to other funds | 70,187 | - | - | 242,199 |
| **Total Liabilities** | 498,878 | - | 287,683 | 242,199 |
| **Fund Balances** | | | | |
| Nonspendable: | | | | |
| Prepaids | 11,990 | - | - | - |
| Assigned for: | | | | |
| Equipment replacement | - | 190,940 | - | - |
| Facility improvements | - | - | 253,474 | - |
| Unassigned | (132,812) | - | - | - |
| **Total Fund Balances** | (120,822) | 190,940 | 253,474 | - |
| **Total Liabilities and Fund Balances** | $ 378,056 | $ 190,940 | $ 541,157 | $ 242,199 |

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net

Long-term liabilities and deferred outflows and deferred inflows related to the net pension and other postemployment benefits (OPEB) liability are deferred in the governmental funds.

Net pension liability

Total OPEB liability

Deferred outflows - pensions

Deferred outflows - OPEB

Deferred inflows - pensions

Deferred inflows - OPEB

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences

**Net Position of Governmental Activities**

See Notes to Financial Statements.

| Total Governmental Funds |
|---|
| |
| $ 1,008,369 |
| 11,990 |
| 19,607 |
| 312,386 |
| $ 1,352,352 |
| |
| $ 716,374 |
| 312,386 |
| 1,028,760 |
| |
| 11,990 |
| |
| 190,940 |
| 253,474 |
| (132,812) |
| 323,592 |
| |
| 7,197,786 |
| |
| 198,734 |
| (202,559) |
| 1,112,357 |
| 56,083 |
| (1,450,570) |
| (15,893) |
| |
| (463,933) |
| $ 6,755,597 |

# Village Fire Department

## *STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*
## *GOVERNMENTAL FUNDS*

**For the Year Ended December 31, 2021**

| | General | Capital Replacement | Facility | Ambulance Billing |
|---|---|---|---|---|
| **Revenues** | | | | |
| Participant assessments | $ 6,781,314 | $ 180,000 | $ - | $ - |
| Interest | 1,074 | 164 | 537 | 166 |
| Emergency medical services | - | - | - | 267,539 |
| Other | 23,891 | - | - | - |
| **Total Revenues** | 6,806,279 | 180,164 | 537 | 267,705 |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Personnel | 6,126,081 | - | - | - |
| Operational | 700,656 | - | - | 25,506 |
| **Capital outlay** | 100,364 | - | 3,840,219 | - |
| **Total Expenditures** | 6,927,101 | - | 3,840,219 | 25,506 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (120,822) | 180,164 | (3,839,682) | 242,199 |
| **Other Financing Sources (Uses)** | | | | |
| Sale of capital assets | - | 2,300 | - | - |
| Transfers in (out) | (70,187) | - | 312,386 | (242,199) |
| **Total Other Financing Sources (Uses)** | (70,187) | 2,300 | 312,386 | (242,199) |
| **Net Change in Fund Balances** | (191,009) | 182,464 | (3,527,296) | - |
| Beginning fund balances | 70,187 | 8,476 | 3,780,770 | - |
| **Ending Fund Balances** | $ (120,822) | $ 190,940 | $ 253,474 | $ - |

See Notes to Financial Statements.

| Total Governmental Funds |
|---|
| $ 6,961,314 |
| 1,941 |
| 267,539 |
| 23,891 |
| 7,254,685 |
| |
| 6,126,081 |
| 726,162 |
| 3,940,583 |
| 10,792,826 |
| |
| (3,538,141) |
| |
| 2,300 |
| - |
| 2,300 |
| |
| (3,535,841) |
| |
| 3,859,433 |
| |
| $ 323,592 |

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# Village Fire Department

## *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended December 31, 2021**

| | | |
|---|---|---|
| Net changes in fund balances - total governmental funds | $ | (3,535,841) |
| | | |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | | 3,668,380 |
| Depreciation expense | | (193,637) |
| | | |
| Net pension and total other postemployment benefits (OPEB) liabilities and deferred outflows and deferred inflows related to the net pension liability and total OPEB liability are reported in the governmental funds. | | |
| Net pension liability | | 81,409 |
| Total OPEB liability | | (34,350) |
| Deferred outflows - pensions | | (426,876) |
| Deferred outflows - OPEB | | 20,951 |
| Deferred inflows - pensions | | 444,361 |
| Deferred inflows - OPEB | | 61 |
| | | |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated absences | | (88,027) |
| | | |
| **Change in Net Position of Governmental Activities** | $ | (63,569) |

See Notes to Financial Statements.

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

On December 20, 1978, six contracting cities joined into an interlocal cooperation agreement to establish a common municipal fire department, chartered as the Village Fire Department (the "Department"), to provide fire and rescue services beginning January 1, 1979. The area of coverage consists of the six cities commonly known as the Memorial Villages (the "Participating Cities") and is approximately ten square miles. A new interlocal agreement (the "Interlocal Agreement"), effective January 1, 2020, states Bunker Hill is no longer a participating member of the Department and does not have voting rights, but is a customer of the Department continuing to receive fire protection and emergency services. Bunker Hill shall remain responsible for any obligation or liability of the Department during the Interlocal Agreement term. In the future, Bunker Hill may be admitted to membership, but will not be eligible to serve as the Chairman or Vice Chairman of the Village Fire Commission.

The Department operates under a five-member Board of Fire Commissioners (the "Board"). Five of the six Participating Cities appoint one fire commissioner and one alternate. Bunker Hill is the only city without membership. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department (the primary government) and its component units. In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other indications of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. As of December 31, 2021, the Department had no component units.

The Department is not considered a component unit of the Participating Cities, but is reported as a joint venture.

### B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The Department has no business-type activities.

### C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the Department. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the Department's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Department reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is contributions from the Participating Cities. Expenditures include public safety. The general fund is always considered a major fund for reporting purposes.

The *capital replacement fund* calls for a certain amount to be set aside each year to be used for replacement of capital equipment. Any capital expenditure must be approved by four out of the five Participating Cities. The capital replacement fund is considered a major fund for reporting purposes.

The *facility fund* is used to account for monies to be used toward the remodel of the fire station. The facility fund is funded by an annual transfer from the general fund based on unused budgeted assessments from the Participating Cities at the conclusion of the prior year. The facility fund is considered a major fund for reporting purposes.

The *ambulance billing fund* is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is considered a major fund for reporting purposes. The ambulance billing fund was previously reported as a fiduciary fund. However, the Department changed accounting policies related to fiduciary activities by adopting Governmental Accounting Standard Statement No. 84, *Fiduciary Activities,* in 2021. Accordingly, the effect of the accounting change is that this fund is now reported as a special revenue fund and is no longer considered a fiduciary activity for reporting purposes.

During the course of operations, the Department has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

## E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

### 1. Cash and Cash Equivalents

The Department’s cash consists of demand deposits. All short-term investments that are highly liquid are considered to be cash and cash equivalents.

### 2. Investments

The Department has adopted a written investment policy regarding the investment of its funds, as required by the Public Funds Investment Act (Chapter 2256, Texas Local Government Code), which permits the Department to invest in most of the investments permitted under state statutes.

### 3. Receivables

All trade receivables are shown net of an allowance for uncollectibles.

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**5. Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Property and equipment of the Department are depreciated using the straight-line method over the following estimated useful years:

| Asset Description | Estimated Useful Life |
|---|---|
| Buildings and improvements | 5 to 40 years |
| Machinery and equipment | 5 to 15 years |
| Vehicles | 9 to 18 years |
| Computer equipment | 5 years |

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the Department's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

**7. Compensated Employee Absences**

The Department provides sick and holiday/vacation leave based on length of employment. An amount equal to one year's authorized vacation may be carried over from one anniversary date to another. Sick leave may be carried over from one year to the next, not to exceed 540 hours for 40-hour personnel and not to exceed 648 hours for operational personnel. Upon separation of employment, sick leave balance will not be paid. However, obligated sick leave earned prior to September 1, 1996 shall have a maximum payout of 1,080 hours. In addition, any sick leave earned between September 2, 1996 through March 31, 2011 will pay a maximum of 216 hours if employment is terminated by retirement, disability, death, or general reduction in work force. Holiday/vacation pay up to 180 hours for 40-hour personnel and 216 hours for operational personnel may be carried over to the next year. Also, compensatory time up to 200 hours may be carried over to the next year. Upon separation of employment, 40-hour personnel are allowed to be paid a maximum payout of 180 hours and operational personnel are allowed to be paid a maximum of 216 hours of holiday/vacation pay.

**8. Participants' Assessment**

The Department collects operating revenues from the Participating Cities based on the approved operating budget, of which each Participating City contributes a pro-rata share.

**9. Net Position Flow Assumption**

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

**10. Fund Balance Flow Assumptions**

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

**11. Fund Balance Policies**

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

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

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

**12. Estimates**

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

**13. Pensions**

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

**14. Other Postemployment Benefits**

The Department provides postemployment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under COBRA and the Department incurs no direct costs.

In addition, the Department participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The Department elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the Department's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

### G. Revenues and Expenditures/Expenses

#### 1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Department adopts an annual non-appropriated budget for its general fund, and hybrid annual/project length budgets for the facility fund the capital replacement fund, subject to the terms and conditions of the Interlocal Agreement and the method approved by Participating Cities each year. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

As of the year ended December 31, 2021, the Department’s general fund had a deficit fund balance of $120,822. The Department plans to clear this deficit with support from funds during fiscal year 2022.

## III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Deposits and Investments

*Custodial credit risk* – deposits. In the case of deposits, this is the risk that the Department’s deposits may not be returned in the event of a bank failure. The Department’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of December 31, 2021, fair market values of pledged securities and FDIC coverage exceeded bank balances.

### B. Capital Assets

A summary of changes in capital assets at year end is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital assets nondepreciable: | | | | |
| Construction in progress | $ 1,811,222 | $ 3,465,430 | $ - | $ 5,276,652 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,272,745 | - | - | 1,272,745 |
| Furniture and equipment | 907,987 | 202,950 | - | 1,110,937 |
| Vehicles | 2,167,317 | - | - | 2,167,317 |
| Total capital assets being depreciated | 4,348,049 | 202,950 | - | 4,550,999 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (1,043,737) | (1,943) | - | (1,045,680) |
| Furniture and equipment | (751,233) | (40,136) | - | (791,369) |
| Vehicles | (641,258) | (151,558) | - | (792,816) |
| Total accumulated depreciation | (2,436,228) | (193,637) | - | (2,629,865) |
| Capital assets being depreciated, net | 1,911,821 | 9,313 | - | 1,921,134 |
| **Governmental Activities Capital Assets, Net** | $ 3,723,043 | $ 3,474,743 | $ - | $ 7,197,786 |

Construction in progress at year end are as follows:

| Project Description | Authorized Contract | Total In Progress | Remaining Commitment |
|---|---|---|---|
| Fire Station Additions and Renovations | $ 5,900,312 | $ 5,276,652 | $ 623,660 |

### C. Long-Term Liabilities

The following is a summary of changes in the Department's total governmental long-term liabilities for the year.

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Compensated absences | $ 375,906 | $ 437,313 | $ 349,286 | $ 463,933 | $ 417,540 |
| Net pension (asset) | (117,325) | (81,409) | - | (198,734) | - |
| Total OPEB liability | 168,209 | 34,350 | - | 202,559 | - |
| **Total Governmental Activities** | $ 426,790 | $ 390,254 | $ 349,286 | $ 467,758 | $ 417,540 |
| **Long-term liabilities due in more than one year** | | | | $ 50,218 | |

### D. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2021 is as follows:

| Due to | Due from | Amounts |
|---|---|---|
| Facility Fund | General Fund | 70,187 |
| Facility Fund | Ambulance Billing | 242,199 |
| | | $ 312,386 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

### E. Interfund Transfers

Transfers between the primary government funds during the year were as follows:

| Transfer Out | Transfer In | Amounts |
|---|---|---|
| General Fund | Facility Fund | $ 312,386 |

The general fund made a transfer to the facility fund to provide financing for miscellaneous capital projects.

## IV. OTHER INFORMATION

**A.** Interlocal Agreement Between the Participating Cities

In July 1985, the six Participating Cities amended the Interlocal Agreement changing the expiration date to December 31, 1990. The amendment also makes the Interlocal Agreement automatically renewable for additional periods of five years each on its anniversary/termination date unless written notice is received from any of the Participating Cities by the first of September prior to the expiration date. The Interlocal Agreement has renewed automatically five times since December 1990 and the current automatic renewal extends to December 31, 2023.

Under the July 1985 amended Interlocal Agreement, each Participating City provides monthly funds to the Department based upon fixed percentages of the annual budget beginning with the 1985 budget and all subsequent years for which the Interlocal Agreement is in effect. The amendments to the Interlocal Agreement also changed the procedures through which the Participating Cities approve each year's budget and intra-budgetary transfers.

The Interlocal Agreement was further amended during 1995 to allow the Department to bill for emergency medical services on behalf of the six Participating Cities. The billing is accounted for as reported in Note IV.D. The Interlocal Agreement also provides that each of the six Participating Cities hold an undivided interest in the leasehold on the land leased by the Department from the Spring Branch Independent School District. In accordance with the terms of the Interlocal Agreement, the six Participating Cities paid for construction of a new fire department building on the leased property, which was completed and occupied during 1980. Each of the six Participating Cities holds an undivided interest in the building. The terms of the Interlocal Agreement require the Department to maintain certain minimum insurance coverage, naming each Participating City as an insured.

The Interlocal Agreement was further amended in December 2019 for a term of 48 months beginning on January 1, 2020. Bunker Hill is no longer a participating member of the Board, but as a customer, continues receiving fire protection and emergency services from the Department. Following the Interlocal Agreement term, if in good standing with the current Interlocal Agreement, Bunker Hill may become a participating member.

The Participating Cities and the Department have complied with the terms of the Interlocal Agreement.

**B. Agreement with the City of Houston**

The Department has an automatic assistance agreement with the City of Houston to provide a ladder truck and sufficient personnel to provide fire fighting and emergency medical assistance. In return, the City of Houston will provide two engine companies and sufficient personnel to provide fire fighting in the areas to which the Department provides services.

**C. Charges for Fuel**

Certain entities served by the Department purchase gasoline and diesel fuel from the Department at the Department's cost plus a three cent per gallon administrative fee. The entities are invoiced by the Department at the end of the month for the fuel that was purchased.

**D. Special Revenue Fund – Ambulance Billing**

The ambulance billing fund was established to collect amounts billed for ambulance transportation and other emergency medical services provided by the Department. The fees are collected by the Department on behalf of the Participating Cities, and all funds received by the Department are considered to belong to the Participating Cities and, therefore, are recorded as a payable to the Participating Cities.

An eight percent fee is paid to the contractor that issues the billings and collects the payments for the Department. The service fee is considered to be an obligation of the Participating Cities and is paid from the funds collected on their behalf. The net fees are paid pro-rata to each of the Participating Cities based upon each City's percentage of the Department budget. The Department may retain fees if approved by the Participating Cities. As stated in the December 2019 amended Interlocal Agreement, Bunker Hill is not entitled to any return of departmental ambulance revenues received by the Department.

During the fiscal year, the Department implemented GASB Standard No. 84, which changed reporting requirements for fiduciary activities, requiring the ambulance billing fund to be reported as a special revenue fund rather than a fiduciary fund. Each Participating City approved a resolution that allowed the Department to retain current year collections to cover expenses incurred in the facility fund as a result of the fire station renovation. Because of this resolution, no remittances to the Participating Cities were made in fiscal year 2021.

### E. Risk Management

The Department 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 Department periodically assesses the proper insurance and retention of risk to cover losses to which it may be exposed.

The Department assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, the Department is not involved in any risk pools with other government entities, but does purchase insurance for such events that may occur. The Department has not reduced insurance coverage or had settlements that exceeded coverage amounts in the last three years.

### F. Contingent Liabilities

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

### G. Pension Plans

#### 1. Texas Municipal Retirement System

Plan Description

The Department participates as one of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.tmrs.com.

All eligible employees of the Department are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Department, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Department-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

The plan provisions are adopted by the governing body of the Department, within the options available in the state statutes governing TMRS. Plan provisions for the Department were as follows:

| | 2021 | 2020 |
|---|---|---|
| Employee deposit rate | 7.00% | 7.00% |
| Matching ratio (Department to employee) | 2 to 1 | 1.5 to 1 |
| Years required for vesting | 5 | 5 |
| Service requirement eligibility (expressed as age/yrs of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 0% | 100% Repeating, Transfers |
| Annuity increase (to retirees) | 0% of CPI | 70% of CPI |

Employees Covered by Benefit Terms

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

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 31 |
| Inactive employees entitled to, but not yet receiving, benefits | 32 |
| Active employees | 48 |
| Total | 111 |

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the Department-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the Department. Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary using the Entry Age Normal (EAN) actuarial cost method. The Department's contribution rate is based on the liabilities created from the benefit plan options selected by the Department and any changes in benefits or actual experience over time.

Employees for the Department were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the Department were 6.43 percent and 7.21 percent in calendar years 2020 and 2021, respectively. The Department's contributions to TMRS for the calendar year ended December 31, 2021 were $322,442 which were equal to the required contributions.

Net Pension Liability/(Asset)

The Department's Net Pension Liability (Asset) (NPL/A) was measured as of December 31, 2020 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3.0 percent minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 30.00% | 5.30% |
| Core Fixed Income | 10.00% | 1.25% |
| Non-Core Fixed Income | 20.00% | 4.14% |
| Real Return | 10.00% | 3.85% |
| Real Estate | 10.00% | 4.00% |
| Absolute Return | 10.00% | 3.48% |
| Private Equity | 10.00% | 7.75% |
| **Total** | 100.00% | |

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability/(Asset) (A) - (B) |
| Changes for the year: | | | |
| Service cost | $ 529,907 | $ - | $ 529,907 |
| Interest | 1,327,335 | - | 1,327,335 |
| Changes in current period benefits | 185,238 | - | 185,238 |
| Difference between expected and actual experience | (50,144) | - | (50,144) |
| Changes in assumptions | - | - | - |
| Contributions - employer | - | 270,985 | (270,985) |
| Contributions - employee | - | 301,573 | (301,573) |
| Net investment income | - | 1,511,362 | (1,511,362) |
| Benefit payments, including refunds of employee contributions | (1,212,066) | (1,212,066) | - |
| Administrative expense | - | (9,793) | 9,793 |
| Other changes | - | (382) | 382 |
| **Net Changes** | 780,270 | 861,679 | (81,409) |
| Balance at December 31, 2019 | 19,820,069 | 19,937,394 | (117,325) |
| **Balance at December 31, 2020** | $ 20,600,339 | $ 20,799,073 | $ (198,734) |

Sensitivity of the NPL/(A) to Changes in the Discount Rate

The following presents the NPL/(A) of the Department, calculated using the discount rate of 6.75 percent, as well as what the Department's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|---|---|---|---|
| Department's Net Pension Liability/(Asset) | $ 2,415,544 | $ (198,734) | $ (2,377,862) |

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended December 31, 2021, the Department recognized pension expense of $223,115.

At December 31, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 56,713 | $ 99,134 |
| Changes in actuarial assumptions | 6,220 | 61,275 |
| Difference between projected and actual investment earnings | 726,982 | 1,290,161 |
| Contributions subsequent to the measurement date | 322,442 | - |
| **Total** | $ 1,112,357 | $ 1,450,570 |

$322,442 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the NPL/(A) for the fiscal year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Calendar Year Ended December 31 | Pension Expense |
|---|---|
| 2022 | $ (269,078) |
| 2023 | 15,478 |
| 2024 | (353,656) |
| 2025 | (48,840) |
| 2026 | (4,559) |
| Thereafter | - |
| **Total** | $ (660,655) |

**2. Deferred Compensation Plan**

The Department offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

**3. Village Fire Department Cafeteria Plan**

Effective January 1, 1989, the Department began the Village Fire Department Cafeteria Plan (the "Plan") under which qualified employees may elect to contribute a portion of their compensation to the Plan for payment of employee benefits selected by each participant. The Plan is funded entirely from participants' contributions. The Department is not required to provide any employer contributions to the Plan.

**H. Other Postemployment Benefits**

**TMRS Supplemental Death Benefit**

Plan Description

The Department participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member entity contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75 (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a 5% interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2020 is summarized below:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 25 |
| Inactive employees entitled to, but not yet receiving, benefits | 8 |
| Active employees | 48 |
| **Total** | 81 |

Total OPEB Liability

The Department's total OPEB liability of $202,559 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.5% |
| Salary increases | 3.5% to 11.5% including inflation |
| Discount rate* | 2.0% |
| Administrative expenses | All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68. |
| Mortality - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality |

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

| | | Increase (Decrease) |
|---|---|---|
| | | **Total OPEB Liability** |
| Changes for the year: | | |
| Service cost | $ | 5,170 |
| Interest | | 4,679 |
| Difference between expected and actual experience | | (2,780) |
| Changes of assumptions | | 28,573 |
| Benefit payments | | (1,292) |
| **Net Changes** | | 34,350 |
| Balance at December 31, 2019 | | 168,209 |
| **Balance at December 31, 2020** | $ | 202,559 |

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease (1.00%) | Discount Rate (2.00%) | 1% Increase (3.00%) |
|---|---|---|---|
| Department's Total OPEB Liability | $ 251,392 | $ 202,559 | $ 165,545 |

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

For the year ended December 31, 2021, the Department recognized OPEB expense of $16,068.

The Department reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic | $ - | $ 9,092 |
| experience | 53,354 | 6,801 |
| Contributions subsequent to the measurement date | 2,729 | - |
| **Total** | $ 56,083 | $ 15,893 |

$2,729 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending December 31, 2022.

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

| Calendar Year Ended December 31 | OPEB Expense |
|---|---|
| 2022 | $ 6,220 |
| 2023 | 6,219 |
| 2024 | 6,219 |
| 2025 | 6,219 |
| 2026 | 4,947 |
| Thereafter | 7,637 |
| **Total** | $ 37,461 |

## I. Concentrations and Economic Dependency

The Department's principal source of revenue consists of charges to the Participating Cities under the provisions of the Interlocal Agreement. The Department is dependent on these charges for its ongoing operations.

The Department receives all of its funding from the Participating Cities that are participants in the Interlocal Agreement. Except for Hilshire Village, withdrawal of any one of the other five cities would have a significant impact on the operation of the Department.

The approximate percentages of total City assessments and total revenues provided by each City are as follows:

| | Percentage of City Assessment | Percentage of Total Revenues |
|---|---|---|
| Bunker Hill Village | 19.00% | 19.00% |
| Hedwig Village | 18.50% | 18.50% |
| Hilshire Village | 3.00% | 3.00% |
| Hunters Creek Village | 22.25% | 22.25% |
| Piney Point Village | 21.00% | 21.00% |
| Spring Valley Village | 16.25% | 16.25% |
| **Totals** | 100.00% | 100.00% |

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## *REQUIRED SUPPLEMENTARY INFORMATION*

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# Village Fire Department

### *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)*
### *GENERAL FUND*

**For the Year Ended December 31, 2021**

| | Original Budget Amounts | Final Budget Amounts | Budget Basis Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Participant assessments | $ 6,781,314 | $ 6,781,314 | $ 6,781,314 (1) | $ - |
| Interest | - | - | 1,074 | 1,074 |
| Other | - | - | 23,891 | 23,891 |
| **Total Revenues** | 6,781,314 | 6,781,314 | 6,806,279 | 24,965 |
| **Expenditures** | | | | |
| Personnel | 6,011,124 | 6,011,124 | 6,126,081 | (114,957) |
| Operational | 698,190 | 698,190 | 700,656 | (2,466) |
| Capital outlay | 72,000 | 72,000 | 100,364 | (28,364) |
| **Total Expenditures** | 6,781,314 | 6,781,314 | 6,927,101 | (145,787) |
| **Deficit of Revenues (Under) Expenditures** | - | - | (120,822) | (120,822) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers (out) | - | - | (70,187) | (70,187) |
| **Total Other Financing (Uses)** | - | - | (70,187) | (70,187) |
| **Net Change in Fund Balance** | $ - | $ - | (191,009) | $ (191,009) |
| Beginning fund balance | | | 70,187 | |
| | | **Ending Fund Balance** | $ (120,822) (2) | |

| | | |
|---|---|---|
| (1) | General operations | $ 6,781,314 |
| | Capital replacement | 180,000 |
| | **Total Assessments** | $ 6,961,314 |

(2) Amount to be returned to participants or approved for other uses, if objective is to zero out fund balance.

# VILLAGE FIRE DEPARTMENT

## *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*

## *TEXAS MUNICIPAL RETIREMENT SYSTEM*

**For the Year Ended December 31, 2021**

| | Measurement Year* | | | |
|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** |
| **Total Pension Liability** | | | | |
| Service cost | $ 307,435 | $ 330,958 | $ - | $ 374,669 |
| Interest (on the total pension liability) | 1,126,961 | 1,168,403 | 1,196,360 | 1,206,336 |
| Changes of benefit terms | - | - | - | - |
| Difference between expected and actual experience | (18,740) | 41,040 | (329,361) | 64,222 |
| Change of assumptions | - | 539,440 | - | - |
| Benefit payments, including refunds of employee contributions | (699,381) | (971,398) | (792,574) | (1,020,523) |
| **Net Change in Total Pension Liability** | 716,275 | 1,108,443 | 74,425 | 624,704 |
| Beginning total pension liability | 16,295,422 | 17,011,697 | 18,120,140 | 18,194,565 |
| **Ending Total Pension Liability** | $ 17,011,697 | $ 18,120,140 | $ 18,194,565 | $ 18,819,269 |
| **Plan Fiduciary Net Position** | | | | |
| Contributions - employer | $ 257,774 | $ 232,199 | $ 228,920 | $ 290,951 |
| Contributions - employee | 235,871 | 231,208 | 239,170 | 244,197 |
| Net investment income | 908,400 | 24,454 | 1,085,626 | 2,330,006 |
| Benefit payments, including refunds of employee contributions | (699,381) | (971,398) | (792,574) | (1,020,523) |
| Administrative expense | (9,485) | (14,896) | (12,269) | (12,083) |
| Other | (780) | (734) | (661) | (612) |
| **Net Change in Plan Fiduciary Net Position** | 692,399 | (499,167) | 748,212 | 1,831,936 |
| Beginning plan fiduciary net position | 15,881,143 | 16,573,542 | 16,074,375 | 16,822,587 |
| **Ending Plan Fiduciary Net Position** | $ 16,573,542 | $ 16,074,375 | $ 16,822,587 | $ 18,654,523 |
| **Net Pension Liability/(Asset)** | $ 438,155 | $ 2,045,765 | $ 1,371,978 | $ 164,746 |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 97.42% | 88.71% | 92.46% | 99.12% |
| **Covered Payroll** | $ 3,369,589 | $ 3,302,977 | $ 3,416,713 | $ 3,488,534 |
| **Net Pension Liability/(Asset) as a Percentage of Covered Payroll** | 13.00% | 61.94% | 40.15% | 4.72% |

*Only seven years of information is currently available. The Department will build this schedule over the next three-year period.

| | Measurement Year | |
|---|---|---|
| **2018** | **2019** | **2020** |
| $ 386,412 | $ - | $ 529,907 |
| 1,251,321 | 1,285,293 | 1,327,335 |
| - | - | 185,238 |
| (2,721) | 50,159 | (50,144) |
| - | (92,617) | - |
| (948,762) | (928,285) | (1,212,066) |
| 686,250 | 314,550 | 780,270 |
| 18,819,269 | 19,505,519 | 19,820,069 |
| $ 19,505,519 | $ 19,820,069 | $ 20,600,339 |
| $ 228,219 | $ 252,465 | $ 270,985 |
| 253,980 | 290,189 | 301,573 |
| (558,275) | 2,720,557 | 1,511,362 |
| (948,762) | (928,285) | (1,212,066) |
| (10,800) | (153,900) | (9,793) |
| (564) | (462) | (382) |
| (1,036,202) | 2,319,073 | 861,679 |
| 18,654,523 | 17,618,321 | 19,937,394 |
| $ 17,618,321 | $ 19,937,394 | $ 20,799,073 |
| $ 1,887,198 | $ (117,325) | $ (198,734) |
| 90.32% | 100.59% | 100.96% |
| $ 3,628,281 | $ 4,145,554 | $ 4,308,186 |
| 52.01% | -2.83% | -4.61% |

# Village Fire Department

## *SCHEDULE OF CONTRIBUTIONS*

## *TEXAS MUNICIPAL RETIREMENT SYSTEM*

**For the Year Ended December 31, 2021**

| | Fiscal Year* | | | |
|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** |
| Actuarially determined contribution | $ 257,926 | $ 232,200 | $ 228,920 | $ 290,944 |
| Contributions in relation to the actuarially determined contribution | 257,926 | 232,200 | 228,920 | 290,944 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 3,369,589 | $ 3,302,982 | $ 3,416,716 | $ 3,488,534 |
| Contributions as a percentage of covered payroll | 7.65% | 7.03% | 6.70% | 8.34% |

*Only eight years of information is currently available. The Department will build this schedule over the next two-year period.

**Notes to Required Supplementary Information:**

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 25 years |
| Asset valuation method | 10 year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Investment rate of return | 6.75% |
| Retirement age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period Dec 31, 2014 - Dec 31, 2018. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.<br>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

3. Other Information:

   Increased Department matching ratio from 1.5:1 to 2:1.

| Fiscal Year* | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2018 | | 2019 | | 2020 | | 2021 | |
| $ | 228,109 | $ | 252,456 | $ | 271,416 | $ | 322,442 |
| | 228,109 | | 252,456 | | 271,416 | | 322,442 |
| $ | - | $ | - | $ | - | $ | |
| $ | 3,628,278 | $ | 4,145,562 | $ | 4,308,190 | $ | 4,548,541 |
| | 6.29% | | 6.09% | | 6.30% | | 7.09% |

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# Village Fire Department

*SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS*

*TEXAS MUNICIPAL RETIREMENT SYSTEM*

**For the Year Ended December 31, 2021**

| | Measurement Year* | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** |
| **Total OPEB Liability** | | | | |
| Service cost | $ 2,791 | $ 3,628 | $ 3,731 | $ 5,170 |
| Interest (on the total OPEB liability) | 4,720 | 4,777 | 5,184 | 4,679 |
| Difference between expected and actual experience | - | (1,302) | (7,843) | (2,780) |
| Change in assumptions | 12,228 | (10,762) | 29,896 | 28,573 |
| Benefit payments | (698) | (726) | (1,244) | (1,292) |
| **Net Change in Total OPEB Liability** | 19,041 | (4,385) | 29,724 | 34,350 |
| Beginning total OPEB liability | 123,829 | 142,870 | 138,485 | 168,209 |
| **Ending Total OPEB Liability** | $ 142,870 | $ 138,485 | $ 168,209 | $ 202,559 |
| **Covered Payroll** | $ 3,488,534 | $ 3,628,281 | $ 4,145,554 | $ 4,308,186 |
| **Total OPEB Liability as a Percentage of Covered Payroll** | 4.10% | 3.82% | 4.06% | 4.70% |

* Only four years of information is currently available. The Department will build this schedule over the next six-year period.

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**Notes to Required Supplementary Information**:

1.) Valuation Date:

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

2.) Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Inflation | 2.5% |
| Salary increases | 3.5 to 11.5% including inflation |
| Discount rate | 2.0% |
| Administrative expenses | All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB 68. |
| Mortality - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

3.) Other Information:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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***SUPPLEMENTARY INFORMATION***

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# VILLAGE FIRE DEPARTMENT

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL REPLACEMENT FUND*

**For the Year Ended December 31, 2021**

| | Original Budget Amounts | Final Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Participant assessments | $ 180,000 | $ 180,000 | (1) | $ 180,000 | $ - |
| Interest | - | 164 | | 164 | - |
| **Total Revenues** | 180,000 | 180,164 | | 180,164 | - |
| **Expenditures** | | | | | |
| Capital outlay | 188,476 | 188,476 | (2) | - | 188,476 |
| **Total Expenditures** | 188,476 | 188,476 | | - | 188,476 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (8,476) | (8,312) | | 180,164 | 188,476 |
| **Other Financing Sources (Uses)** | | | | | |
| Sale of capital assets | - | 2,300 | | 2,300 | - |
| **Total Other Financing Sources** | - | 2,300 | | 2,300 | - |
| **Net Change in Fund Balance** | $ (8,476) | $ (6,012) | | 182,464 | $ 188,476 |
| Beginning fund balance | | | | 8,476 | |
| **Ending Fund Balance** | | | | $ 190,940 | |

| | | |
|---|---|---|
| | General operations | $ 6,781,314 |
| (1) | Capital replacement | 180,000 |
| | **Total Assessments** | $ 6,961,314 |

(2) The Department uses a capital replacement forecasting schedule to determine future needs. A formal budget is not adopted for expenditures, but the budget for expenditures is considered current assessment plus beginning fund balance.

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# VILLAGE FIRE DEPARTMENT

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FACILITY FUND*

**For the Year Ended December 31, 2021**

| | Original Budget Amounts | Final Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Interest | $ - | $ 537 | | $ 537 | $ - |
| **Total Revenues** | - | 537 | | 537 | - |
| **Expenditures** | | | | | |
| Capital outlay | 3,780,770 | 3,781,307 | (1) | 3,840,219 | (58,912) |
| **Total Expenditures** | 3,780,770 | 3,781,307 | | 3,840,219 | (58,912) |
| **(Deficiency) of Revenues (Under) Expenditures** | (3,780,770) | (3,780,770) | | (3,839,682) | (58,912) |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers (in) | - | 312,386 | | 312,386 | - |
| **Total Other Financing Sources** | - | 312,386 | | 312,386 | - |
| **Net Change in Fund Balance** | $ (3,780,770) | $ (3,468,384) | | (3,527,296) | $ (58,912) |
| Beginning fund balance | | | | 3,780,770 | |
| | | **Ending Fund Balance** | | $ 253,474 | |

| | |
|---|---|
| General operations | $ 6,781,314 |
| Capital replacement | 180,000 |
| **Total Assessments** | $ 6,961,314 |

(1) A formal budget is not adopted for expenditures, however budget expenditures are consider the current year assessment plus beginning fund balance.

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