ANNUAL FINANCIAL REPORT

of the

VILLAGE FIRE DEPARTMENT

For the Year Ended
December 31, 2023

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VILLAGE FIRE DEPARTMENT
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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, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Department as of December 31, 2023, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedules, identified as Supplementary Information on the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are 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 19, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Village Fire Department

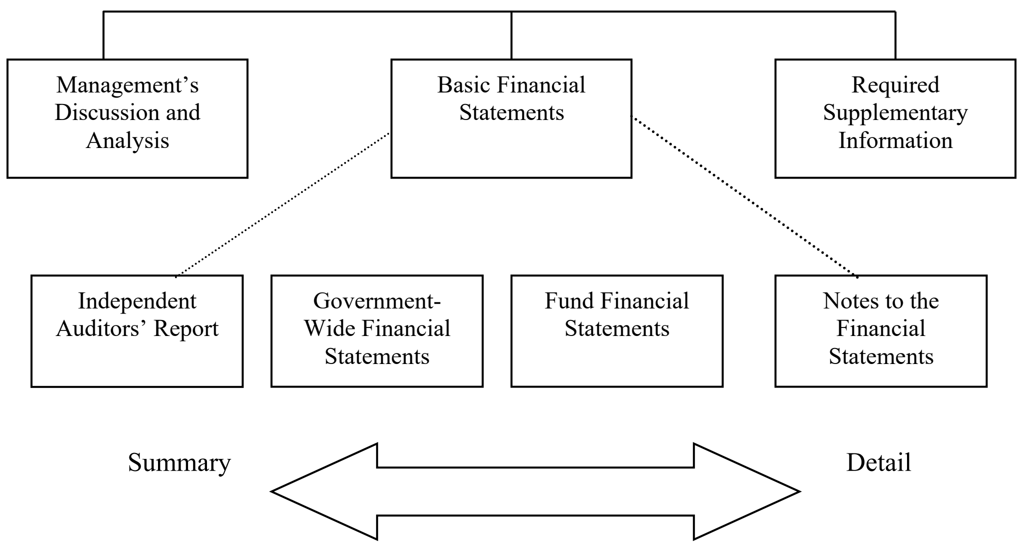
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023

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, 2023. 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.

<u>Government-Wide Statements</u>

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 has governmental and fiduciary funds.

<u>Governmental Funds</u>

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 funds balance sheet and the governmental funds 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 funds balance sheet and in the governmental funds 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.

<u>Fiduciary Funds</u>

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Department's own operations. The accrual basis of accounting is used for fiduciary funds. The Department maintains one fiduciary fund, which is reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position.

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 total 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 of resources by $7,532,703 as of year end.

The largest portion of the Department's net position reflects its net investment in capital assets.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2023	**2022**
Assets		
Current and other assets	$ 947,071	$ 2,485,191
Capital assets, nondepreciable	-	5,630,467
Capital assets, net of depreciation	7,471,175	1,808,004
Total Assets	8,418,246	9,923,662
Deferred outflows - pensions	1,880,485	434,485
Deferred outflows - OPEB	46,326	54,194
Total Deferred Outflows of Resources	1,926,811	488,679
Liabilities		
Current liabilities	544,177	619,448
Long-term liabilities	1,958,977	782,880
Total Liabilities	2,503,154	1,402,328
Deferred inflows - pensions	230,474	1,471,545
Deferred inflows - OPEB	78,726	13,053
Total Deferred Inflows of Resources	309,200	1,484,598
Net Position		
Net investment in capital assets	7,471,175	7,438,471
Unrestricted	61,528	86,944
Total Net Position	$ 7,532,703	$ 7,525,415

Unrestricted net position is the residual amount of net position not included in the net investment in capital assets. The Department's unrestricted net position was $61,528 as of year end. The Department experienced an overall increase in net position of $7,288.

Statement of Activities

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

	Governmental Activities	
	2023	**2022**
Revenues		
Participant assessments	$ 9,375,085	$ 8,090,383
Charges for fuel	162,155	247,835
Interest	26,065	7,619
Emergency medical services	265,248	244,899
Other	16,885	4,511
Gain (loss) on disposal of capital assets	(24,410)	-
Total Revenues	9,821,028	8,595,247
Expenses		
Public safety	9,813,740	7,825,429
Total Expenses	9,813,740	7,825,429
Change in Net Position	7,288	769,818
Beginning net position	7,525,415	6,755,597
Ending Net Position	$ 7,532,703	$ 7,525,415

In comparison to the prior year, revenues for the Department increased by $1,225,781 or 14%. This increase is mainly due to an increase in assessments from the participating cities, as additional assessments. In comparison to the prior year, expenses for the Department increased by $1,988,311or 25%. This increase is mainly due to an increase in personnel expense in the form of salaries and overtime.

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 $402,894. Of this, $79,434 is nonspendable for prepaids, $128,696 is assigned for equipment replacement, $35,871 is assigned for improvements to the facility, and $158,620 is unassigned fund balance.

The general fund is the Department's primary operating fund. At the end of the year, total fund balance of the general fund was $238,054. Compared to fiscal year 2022, general fund fund balance increased by $147,014, which was primarily due to less expenses than budgeted.

The capital replacement fund ended the fiscal year with a fund balance of $128,969, marking a decrease of $91,345 compared to the previous fiscal year.

The facility fund had an ending fund balance of $35,871, which represents a net increase of $2,865 from the prior year.

CAPITAL ASSETS

At the end of the year, the Department's governmental activities had invested $7,471,175 (net of accumulated depreciation) in a variety of capital assets. This represents a net increase of $32,704.

During the year, the Department purchased various medical and 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 $9,913,486 budget for all operating activities for fiscal year 2024, which includes $400,000 for the capital replacement fund.

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.

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BASIC FINANCIAL STATEMENTS

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Village Fire Department

STATEMENT OF NET POSITION

December 31, 2023

		Primary Government
		Governmental Activities
Assets		
Cash		$ 833,288
Prepaids		79,434
Inventories		8,692
Other receivables		25,657
Capital assets, net		7,471,175
	Total Assets	8,418,246
Deferred Outflows of Resources		
Deferred outflows - pensions		1,880,485
Deferred outflows - OPEB		46,326
	Total Deferred Outflows of Resources	1,926,811
Liabilities		
Current liabilities:		
Accounts payable		544,177
	Total Current Liabilities	544,177
Noncurrent liabilities:		
Due within one year		430,146
Due in more than one year		1,528,831
	Total Noncurrent Liabilities	1,958,977
	Total Liabilities	2,503,154
Deferred Inflows of Resources		
Deferred inflows - pensions		230,474
Deferred inflows - OPEB		78,726
	Total Deferred Inflows of Resources	309,200
		91,040
Net Position		
Net investment in capital assets		7,471,175
Unrestricted		61,528
	Total Net Position	$ 7,532,703

See Notes to Financial Statements.

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Village Fire Department

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

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	$ 9,813,740	$ 427,403	$ (9,386,337)
Total Governmental Activities	$ 9,813,740	$ 427,403	(9,386,337)
General Revenues:			
Participant assessments			9,375,085
Interest			26,065
Other			16,885
(Loss) on disposal of capital assets			(24,410)
Total General Revenues			9,393,625
Change in Net Position			7,288
Beginning net position			7,525,415
Ending Net Position			$ 7,532,703

See Notes to Financial Statements.

Village Fire Department

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2023

	General	Capital Replacement	Facility	Ambulance Billing
Assets				
Cash	$ 348,752	$ 128,969	$ 269,910	$ 85,657
Prepaids	79,434	-	-	-
Inventories	8,692	-	-	-
Other receivables	25,657	-	-	-
Total Assets	$ 462,535	$ 128,969	$ 269,910	$ 85,657
Liabilities				
Accounts payable and accrued liabilities	$ 224,481	$ -	$ 234,039	$ 85,657
Total Liabilities	224,481	-	234,039	85,657
Fund Balances				
Nonspendable:				
Prepaids	79,434	-	-	-
Assigned for:				
Equipment replacement	-	128,969	-	-
Facility improvements	-	-	35,871	-
Unassigned	158,620	-	-	-
Total Fund Balances	238,054	128,969	35,871	-
Total Liabilities and Fund Balances	$ 462,535	$ 128,969	$ 269,910	$ 85,657

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
$ 833,288
79,434
8,692
25,657
$ 947,071
$ 544,177
544,177
79,434
128,969
35,871
158,620
402,894
7,471,175
(1,333,756)
(147,281)
1,880,485
46,326
(230,474)
(78,726)
(477,940)
$ 7,532,703

Village Fire Department

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	General	Capital Replacement	Facility	Ambulance Billing
Revenues				
Participant assessments	$ 9,175,085	$ 200,000	$ -	$ -
Charges for fuel	162,155	-	-	-
Interest	16,093	3,946	6,026	-
Emergency medical services	-	-	-	265,248
Other	16,885	-	-	-
Total Revenues	9,370,218	203,946	6,026	265,248
Expenditures				
Current:				
Personnel	7,620,690	-	-	-
Operational	1,118,926	-	-	-
Distribution to participants	-	-	-	265,248
Capital outlay	483,588	295,291	3,161	-
Total Expenditures	9,223,204	295,291	3,161	265,248
Net Change in Fund Balances	147,014	(91,345)	2,865	-
Beginning fund balances	91,040	220,314	33,006	-
Ending Fund Balances	$ 238,054	$ 128,969	$ 35,871	$ -

See Notes to Financial Statements.

Total Governmental Funds
$ 9,375,085
162,155
26,065
265,248
16,885
9,845,438
7,620,690
1,118,926
265,248
782,040
9,786,904
58,534
344,360
$ 402,894

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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, 2023

Net changes in fund balances - total governmental funds	$	58,534
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		437,758
Depreciation expense		(380,644)
Net book value of capital asset disposal		(24,410)
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		(2,855,139)
Total OPEB liability		70,341
Deferred outflows - pensions		1,446,000
Deferred outflows - OPEB		(7,868)
Deferred inflows - pensions		1,241,071
Deferred inflows - OPEB		(65,673)
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		87,318
Change in Net Position of Governmental Activities	$	7,288

See Notes to Financial Statements.

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Village Fire Department

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
December 31, 2023

		Custodial Fund
Assets		
Cash		$ 9,110
	Total Assets	9,110
Net Position		
Restricted for other governments		9,110
	Total Net Position	$ 9,110

See Notes to Financial Statements.

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Village Fire Department

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended December 31, 2023

	Custodial Fund
Additions	
Insurance premiums collected	$ 3,308,466
Total Additions	3,308,466
Deductions	
Insurance premiums distributed	3,304,390
Total Deductions	3,304,390
Changes in Fiduciary Net Position	4,076
Net position - beginning of the year	(5,034)
Ending Net Position	$ 9,110

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 (the "Interlocal 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. As discussed in Note IV.A., the Department operates and services the Participating Cities based upon the Interlocal Agreement.

The Department operates under a six-member Board of Fire Commissioners (the "Board"). Each of the six Participating Cities appoint one fire commissioner and one alternate. 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, 2023, the Department had no component units.

The Department is not considered a component unit of the Participating Cities but is 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.

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, including its fiduciary fund. Separate statements for each fund category – governmental and fiduciary – are presented. 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. 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 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.

Fiduciary Fund

The fiduciary fund accounts for assets held by the Department in a trustee capacity or as a custodian agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs.

The Department reports the following type of fiduciary fund:

Custodial Fund

The custodial funds report resources, not in a trust, that are held by the Department for other parties outside of the Department. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for the Department's insurance cooperative funds.

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., 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 and fiduciary fund 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 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 uncollectible accounts.

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 net 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 net 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 defined benefit group-term life insurance plan administered 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 and 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.

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, 2023, 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	$ 5,630,467	$ 295,291	$ (5,925,758)	$ -
Capital assets being depreciated:				
Buildings and improvements	1,272,745	5,478,187	(112,223)	6,638,709
Furniture and equipment	1,187,361	113,764	(278,156)	1,022,969
Vehicles	2,167,317	476,274	(72,519)	2,571,072
Total capital assets being depreciated	4,627,423	6,068,225	(462,898)	10,232,750
Less accumulated depreciation for:				
Buildings and improvements	(1,058,303)	(149,578)	88,162	(1,119,719)
Furniture and equipment	(838,587)	(69,970)	278,156	(630,401)
Vehicles	(922,529)	(161,096)	72,170	(1,011,455)
Total accumulated depreciation	(2,819,419)	(380,644)	438,488	(2,761,575)
Capital assets being depreciated, net	1,808,004	5,687,581	(24,410)	7,471,175
Governmental Activities Capital Assets, Net	$ 7,438,471	$ 5,982,872	$ (5,950,168)	$ 7,471,175

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	$ 565,258	$ -	$ 87,318	$ 477,940	$ 430,146
Net Pension liability	-	1,333,756	-	1,333,756	-
Total OPEB liability	217,622	-	70,341	147,281	-
Total Governmental Activities	$ 782,880	$ 1,333,756	$ 157,659	$ 1,958,977	$ 430,146
Long-term liabilities due in more than one year				$ 1,528,831	

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, 2025.

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 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 party.

The Interlocal Agreement was further amended in December 2019 for a term of 48 months beginning on January 1, 2020. In March 2022, the Interlocal Agreement was amended to reinstate Bunker Hill as a participating member.

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.

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 909 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 Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal 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 (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at 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:

	2023	**2022**
Employee deposit rate	7.00%	7.00%
Matching ratio (Department to employee)	2 to 1	2 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	50% Repeating, Transfers	50% Repeating, Transfers
Annuity increase (to retirees)	30% of CPI	30% of CPI

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to, but not yet receiving, benefits	34
Active employees	47
Total	113

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the Department-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), both as adopted by the governing body. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the Department were required to contribute 7.00 percent of their annual gross earnings during the fiscal year. The contribution rates for the Department were 6.7 percent and 7.0 percent in calendar years 2022 and 2023, respectively. The Department's contributions to TMRS for the calendar year ended December 31, 2023 were $401,689 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, 2022 and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2022 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% and 3.0% 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. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for the 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, TMRS' 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	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Market	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
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/(A)

	Increase (Decrease)		
	Total Pension Liability (A)	**Plan Fiduciary Net Position (B)**	**Net Pension Liability/(Asset) (A) - (B)**
Changes for the year:			
Service cost	$ 627,550	$ -	$ 627,550
Interest	1,454,210	-	1,454,210
Difference between expected and actual experience	(220,464)	-	(220,464)
Contributions - employer	-	335,821	(335,821)
Contributions - employee	-	358,893	(358,893)
Net investment income	-	(1,691,390)	1,691,390
Benefit payments, including refunds of employee contributions	(922,607)	(922,607)	-
Administrative expense	-	(14,663)	14,663
Other changes	-	17,496	(17,496)
Net Changes	938,689	(1,916,450)	2,855,139
Balance at December 31, 2021	21,691,387	23,212,770	(1,521,383)
Balance at December 31, 2022	$ 22,630,076	$ 21,296,320	$ 1,333,756

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)	$ 4,235,108	$ 1,333,756	$ (1,086,690)

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 at www.tmrs.com.

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

For the fiscal year ended December 31, 2023, the Department recognized pension expense of $2,855,139.

At December 31, 2023, 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	$ 66,104	$ (200,541)
Changes in actuarial assumptions	-	(29,933)
Net difference between projected and actual investment earnings	1,452,223	-
Contributions subsequent to the measurement date	362,158	-
Total	$ 1,880,485	$ (230,474)

$362,158 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending December 31, 2024. 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
2024	$ (8,554)
2025	(313,370)
2026	(357,654)
2027	(612,595)
2028	4,319
Thereafter	-
Total	$ (1,287,854)

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 Benefits

Plan Description

The Department participates in a defined benefit 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 GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (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).

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, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to, but not yet receiving, benefits	11
Active employees	51
Total	87

Total OPEB Liability

The Department's total OPEB liability of $147,281 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate**	4.05%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 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 setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% 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.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 and 2024 rates as determined in the December 31, 2021 and December 31, 2022 actuarial valuations, respectively.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Changes for the year:	
Service cost	$ 7,691
Interest	4,042
Difference between expected and actual experience	1,390
Changes of assumptions	(79,875)
Benefit payments	(3,589)
Net Changes	(70,341)
Balance at December 31, 2021	217,622
Balance at December 31, 2022	$ 147,281

The discount rate decreased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. There were no other changes of assumption 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 in Discount Rate 3.05%	Discount Rate 4.05%	1% Increase in Discount Rate 5.05%
Department's Total OPEB Liability	$ 177,497	$ 147,281	$ 123,924

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

For the year ended December 31, 2023, the Department recognized OPEB expense of $17,703.

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 experience	$ -	$ 4,614
Changes in actuarial assumptions	-	32,381
Contributions subsequent to the measurement date	4,591	-
Total	$ 4,591	$ 36,995

$4,591 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, 2023. 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
2024	$ (3,934)
2025	(3,934)
2026	(5,206)
2027	(4,453)
2028	(8,216)
Thereafter	(11,246)
Total	$ (36,989)

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 percentages of total City assessments provided by each City are as follows:

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

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, 2023

	Original Budget Amounts	Final Budget Amounts	Budget Basis Actual Amounts		Variance with Final Budget Positive (Negative)
Revenues					
Participant assessments	$ 8,489,848	$ 9,175,085	$ 9,175,085	(1)	$ -
Interest	-	-	16,093		16,093
Other	-	-	16,885		16,885
Total Revenues	8,489,848	9,175,085	9,208,063		32,978
Expenditures					
Personnel	7,417,063	7,747,861	7,620,690		127,171
Operational	921,785	1,020,454	1,118,926		(98,472)
Operational (offset to charges for fuel)	-	-	(162,155)		162,155
Capital outlay	151,000	497,810	483,588		14,222
Total Expenditures	8,489,848	9,266,125	9,061,049		205,076
Net Change in Fund Balance	$ -	$ (91,040)	147,014		$ 238,054
Beginning fund balance			91,040		
		Ending Fund Balance	$ 238,054	(2)	

(1)	General	$ 9,175,085
	Capital replacement	200,000
	Total Assessments	$ 9,375,085

(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, 2023

	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 nine years of information is currently available. The Department will build this schedule over the next one-year period.

Measurement Year*				
2018	2019	2020	2021	2022
$ 386,412	$ -	$ 529,907	$ 559,081	$ 627,550
1,251,321	1,285,293	1,327,335	1,378,256	1,454,210
-	-	185,238	-	-
(2,721)	50,159	(50,144)	76,251	(220,464)
-	(92,617)	-	-	-
(948,762)	(928,285)	(1,212,066)	(922,540)	(922,607)
686,250	314,550	780,270	1,091,048	938,689
18,819,269	19,505,519	19,820,069	20,600,339	21,691,387
$ 19,505,519	$ 19,820,069	$ 20,600,339	$ 21,691,387	$ 22,630,076
$ 228,219	$ 252,465	$ 270,985	$ 322,412	$ 335,821
253,980	290,189	301,573	319,214	358,893
(558,275)	2,720,557	1,511,362	2,707,070	(1,691,390)
(948,762)	(928,285)	(1,212,066)	(922,540)	(922,607)
(10,800)	(153,900)	(9,793)	(12,546)	(14,663)
(564)	(462)	(382)	87	17,496
(1,036,202)	2,319,073	861,679	2,413,697	(1,916,450)
18,654,523	17,618,321	19,937,394	20,799,073	23,212,770
$ 17,618,321	$ 19,937,394	$ 20,799,073	$ 23,212,770	$ 21,296,320
$ 1,887,198	$ (117,325)	$ (198,734)	$ (1,521,383)	$ 1,333,756
90.32%	100.59%	100.96%	107.01%	94.11%
$ 3,628,281	$ 4,145,554	$ 4,308,186	$ 4,560,202	$ 5,127,040
52.01%	-2.83%	-4.61%	-33.36%	26.01%

Village Fire Department

SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year ended December 31, 2023

	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%

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 Department's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period December 31, 2014 - December 31, 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. 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**	**2022**	**2023**
$ 228,109	$ 252,456	$ 271,416	$ 322,412	$ 335,188	$ 393,082
228,109	252,456	271,416	322,412	335,188	393,082
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,628,278	$ 4,145,562	$ 4,308,186	$ 4,560,202	$ 5,127,040	$ 5,738,424
6.29%	6.09%	6.30%	7.07%	6.54%	6.85%

Village Fire Department

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended December 31, 2023

	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 Employee Payroll	$ 3,488,534	$ 3,628,281	$ 4,145,554	$ 4,308,186
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.10%	3.82%	4.06%	4.70%

* Only six 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	2.50%	#
Salary increases	3.50 to 11.50% including inflation	
Discount rate	4.05%	
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, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Measurement Year*			
2021		2022	
$	6,384	$	7,691
	4,088		4,042
	342		1,390
	6,985		(79,875)
	(2,736)		(3,589)
	15,063		(70,341)
	202,559		217,622
$	217,622	$	147,281
$	4,560,202	$	5,127,040
	4.77%		2.87%

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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, 2023

	Original Budget Amounts	Final Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues					
Participant assessments	$ 200,000	$ 380,000	(1)	$ 200,000	$ (180,000)
Interest	-			3,946	3,946
Total Revenues	200,000	380,000		203,946	(176,054)
Expenditures					
Capital outlay	200,000	380,000		295,291	84,709
Total Expenditures	200,000	380,000		295,291	84,709
Net Change in Fund Balance	$ -	$ -		(91,345)	$ (91,345)
Beginning fund balance				220,314	
Ending Fund Balance				$ 128,969	

	General operations	$ 9,175,085
(1)	Capital replacement	200,000
	Total Assessments	$ 9,375,085

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