

Montgomery County Hospital District

Annual Financial Report

Year Ended September 30, 2021

Montgomery County Hospital District
 Annual Financial Report
 For the Fiscal Year Ended September 30, 2021
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Financial Section

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Independent Auditor's Report

The Board of Directors of
Montgomery County Hospital District
1400 South Loop 336 West
Conroe, Texas 77304

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the major fund of Montgomery County Hospital District (the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity'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 entity'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.

To The Board of Directors of
Montgomery County Hospital District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the major fund of the District, as of September 30, 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 and the Required Supplementary Information, as listed in 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 16, 2022

Management's Discussion and Analysis

This discussion and analysis provides readers of the financial statements of Montgomery County Hospital District, (the "District"), with a narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This discussion should be read in conjunction with the basic financial statements and the notes to the financial statements. This discussion and analysis includes comparative data for the prior year.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at September 30, 2021 by \$88,682,702 (net position). As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, net position also includes \$36,051,757 related to its net investment in capital assets. With the presentation of the investment in capital assets, unrestricted net position amounts to \$52,630,945 (unrestricted net position) which may be used to meet the District's ongoing obligations to citizens and creditors.
- The revenues for the District's government-wide activities were \$63,796,311 while expenses were \$61,052,984 resulting in the increase in total net position of \$2,743,327 from operations.
- The District's governmental fund reported an ending fund balance at September 30, 2021 of \$48,582,100, an increase of \$5,214,386 from the prior year. Approximately 61% of the ending balance, \$29,654,080, is unassigned.
- At year-end, the unassigned General Fund balance was 49% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements*, which include the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are presented using the full accrual basis of accounting; therefore, revenues are reported when they are earned and expenses are reported when the goods or services are received, regardless of the timing of cash being received or paid.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. The GASB believes that, over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Because the Statement of Activities separates program revenue (revenue generated by specific programs through tenant rent, fees and program charges for services) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each function has to rely on general revenues for funding. The governmental activities of the District include administration, healthcare assistance, emergency medical services, radio, facilities, and information technology, public health and emergency preparedness, and interest and fiscal charges.

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and emergency medical services.

The government-wide financial statements can be found in the basic financial statements section.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are presented in its governmental fund.

Governmental Fund. A *governmental fund* is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government-wide financial statements are reported using full accrual accounting while governmental fund financial statements report only inflows and outflows of expendable resources, as well as balances of available resources at the end of the fiscal year. Governmental fund financial statements report revenue when earned, provided it is collectible within the reporting period or soon enough afterward to pay liabilities of the current period. Likewise, liabilities are recognized as expenditures only when payment is due since they must be liquidated with available cash. Such information may be useful in evaluating a government'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 government's near-term financing decisions. To assist the reader, a comparison between the two bases of accounting is provided. 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 the governmental fund and governmental activities.

The District maintained one governmental fund, the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund which is considered to be the major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General fund. The budgetary comparison can be used to demonstrate compliance with the budget in its original and final forms.

Notes to Financial Statements. The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. As such, the notes are an integral part of the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comprised of a comparison between the District's General Fund final budget and actual results, schedule of changes in the net pension liability (assets) and related ratios and schedule of District contributions to Texas County and District Retirement System (TCDRS), which are in the section titled "Required Supplementary Information".

Government-wide Financial Analysis

As noted earlier, the GASB believes net position may, over time, serve as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$88,682,702 at September 30, 2021, as shown in the table that follows.

Montgomery County Hospital District's Net Position

	Governmental Activities					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 55,106,295	59	\$ 51,176,617	57	\$ 3,929,678	8
Non-current capital assets	37,752,807	41	39,104,454	43	(1,351,647)	(3)
Total assets	92,859,102	100	90,281,071	100	2,578,031	
Total deferred outflows of resources	6,735,291	100	2,270,427	100	4,464,864	197
Other liabilities	5,349,705	59	3,062,094	60	2,287,611	75
Long-term liabilities	3,785,641	41	2,076,625	40	1,709,016	82
Total liabilities	9,135,346	100	5,138,719	100	3,996,627	
Total deferred inflows of resources	1,776,345	100	1,473,404	100	302,941	21
Net position:						
Net investment in capital assets	36,051,757	41	38,908,675	45	(2,856,918)	(7)
Unrestricted	52,630,945	59	47,030,700	55	5,600,245	12
Total net position	\$ 88,682,702	100	\$ 85,939,375	100	\$ 2,743,327	

The District's total assets of \$92,859,102 are largely comprised of capital assets net of accumulated depreciation of \$37,752,807, or 41% of total assets. Capital assets are non-liquid assets and cannot be used to satisfy the District's obligations. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Long-term liabilities of \$3,785,641 or 41% of total liabilities, largely increased from prior fiscal year due to a new capital lease addition during the year. A more in-depth description of long-term liabilities can be found in Note 8 in the notes to the financial statements.

At September 30, 2021, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$88,682,702. Approximately 41% of total net position or \$36,051,757 represents net investments in capital assets. The \$52,630,945 (59%) of unrestricted net position represents resources available to fund the programs of the District's next year.

The District's governmental activities increased net position by \$2,743,327. Key components of this decrease are as follows:

Montgomery County Hospital District's Changes in Net Position

	Governmental Activities					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues:						
Program revenues:						
Charges for services:						
Administration	\$ 244,643	-	\$ 227,405	-	\$ 17,238	8
Healthcare assistance	648	-	2,318	-	(1,670)	(72)
Emergency medical services	19,225,085	30	15,552,138	28	3,672,947	24
Radio, facilities, and information technology	473,427	1	325,358	1	148,069	46
Operating grants and contributions:						
Emergency medical services	4,912,480	8	2,890,978	5	2,021,502	70
Public health emergency preparedness	980,556	2	-	-	980,556	100
General revenues:						
Property taxes	36,802,578	58	34,845,239	62	1,957,339	6
Grants and contributions not restricted to a specific program	728,945	1	739,420	1	(10,475)	(1)
Investment earnings	152,195	-	634,222	1	(482,027)	(76)
Miscellaneous	286,777	-	1,175,866	2	(889,089)	(76)
Loss on asset disposal	(11,023)	-	(20,711)	-	9,688	(47)
Total revenues	63,796,311	100	56,372,233	100	7,424,078	
Expenses						
Administration	8,587,720	14	7,871,156	13	716,564	9
Healthcare assistance	6,483,777	11	6,665,592	11	(181,815)	(3)
Emergency medical services	38,300,699	62	36,423,829	63	1,876,870	5
Radio, facilities, and information technology	7,667,660	13	7,369,406	13	298,254	4
Public health and emergency preparedness	-	-	11,640	-	(11,640)	(100)
Interest and fiscal charges	13,128	-	7,289	-	5,839	80
Total expenses	61,052,984	100	58,348,912	100	2,704,072	
Change in net position	2,743,327		(1,976,679)		4,720,006	
Net position - beginning	85,939,375		87,916,054		(1,976,679)	
Net position - ending	\$ 88,682,702		\$ 85,939,375		\$ 2,743,327	

The District's total revenues of \$63,796,311 were all from governmental activities. Property tax revenue accounts for \$36,802,578, or 58%, and emergency medical services revenue accounts for \$24,137,565, or 38% of total government-wide revenues. Total revenues increased \$7,424,078 over the prior year. The increase in revenues resulted from an increase in property tax base and an increase in EMS rates.

Total expenses for the year ended September 30, 2021 totaled \$61,052,984. Administration accounted for \$8,587,720 or 14%, healthcare assistance accounted for \$6,483,777 or 11%, emergency medical services accounted for \$38,300,699, or 62%, and radio, facilities, and information technology accounted for \$7,667,660, or 13% of total government-wide expenses.

Governmental Fund Financial Analysis

The District uses fund accounting to ensure and demonstrate compliance with legal requirements.

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

The general fund is the District's operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$29,654,080 and total fund balance was \$48,582,100. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represents 49% and 80% of total general fund expenditures, respectively. The fund balance of the District's general fund increased by \$5,214,386 during the current fiscal year. Increases in property tax base and EMS rates were the primary reason for the increase in fund balance.

General Fund Budgetary Highlights

The District's budget is prepared on a modified accrual basis. There were no significant variances in the original budget to final amended budget or between the final amended budget and actual results of the General Fund. Instances in which actual expenditures exceeded budget are disclosed in the notes to the required supplementary information.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2021 amounts to \$37,752,807 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and site improvements, equipment, vehicles, and communication system.

Major capital asset activity during the year included the following:

- Construction in progress additions in the amount of \$1,125,573
- Zoll monitor acquisitions in the amount of \$1,722,325

Montgomery County Hospital District's Capital Assets
(net of depreciation)

	Governmental Activities					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 2,899,759	8	\$ 2,899,759	7	\$ -	-
Construction in progress	455,565	1	1,580,241	4	(1,124,676)	(71)
Buildings and site improvements	21,364,368	56	20,395,778	53	968,590	5
Equipment	4,017,511	11	2,867,070	7	1,150,441	40
Vehicles	3,411,102	9	4,854,613	12	(1,443,511)	(30)
Communication system	5,604,502	15	6,506,993	17	(902,491)	(14)
Totals	\$ 37,752,807	100	\$ 39,104,454	100	\$ (1,351,647)	

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Liabilities

At September 30, 2021, the District had total outstanding long-term liabilities in the amount of \$3,785,641, which was related to capital leases, compensated absences, net pension liability and healthcare claims. The following table summarizes the District's long-term liabilities.

Montgomery County Hospital District's Outstanding Long-term Liabilities

	Governmental Activities					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Capital leases	\$ 1,701,050	45	\$ 195,779	9	\$ 1,505,271	769
Compensated absences	1,556,322	41	1,641,026	79	(84,704)	(5)
Net pension liability	348,406	9	-	-	348,406	100
Healthcare claims	179,863	5	239,820	12	(59,957)	(25)
Total	\$ 3,785,641	100	\$ 2,076,625	100	\$ 1,709,016	

The District's total long-term liabilities increased by \$1,709,016 during the 2021 fiscal year, mostly due to a new addition for Zoll monitors in the District's capital lease obligations. Additional information on the District's long-term liabilities can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- District staff totals 390 employees, 251 of which are EMS first responders.
- The unemployment rate for Montgomery County is currently 5.1%, which is a decrease from the rate of 7.9% last year due to COVID-19 related events. This compares favorably to the State's average unemployment of 5.6%.
- The population of Montgomery County at September 30, 2021 is approximately 620,000.
- A maintenance and operations tax rate of \$.0567 was adopted for the 2021-2022 fiscal year.

The District's budgeted fund balance for the 2022 fiscal year is expected to decrease by approximately \$4,358,810.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those who are interested in the government's financial status. Questions concerning any of the information provided in this report or requests for addition financial information should be addressed to the Montgomery County Hospital District, P.O. Box 478, Conroe, Texas 77305.

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Basic Financial Statements

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Montgomery County Hospital District
Statement of Net Position
September 30, 2021

Exhibit A-1

	<u>Primary Governmental Activities</u>	<u>Component Unit MCPHD</u>
ASSETS		
Cash and cash equivalents	\$ 17,463,319	\$ 2,987,797
Investments	24,859,897	-
Receivables, net	11,469,229	7,500
Intergovernmental receivables	-	134,524
Due from component unit	152,661	-
Inventories	924,738	-
Prepaid items	236,451	-
Capital assets, net of accumulated depreciation		
Land and improvements	2,899,759	-
Construction in progress	455,565	-
Buildings and site improvements	21,364,368	-
Equipment	4,017,511	-
Vehicles	3,411,102	8,093
Communication system	5,604,502	-
	<u>37,752,807</u>	<u>8,093</u>
Total capital assets		
	92,859,102	3,137,914
Total assets		
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pensions	<u>6,735,291</u>	<u>-</u>
Total deferred outflows of resources	6,735,291	-
LIABILITIES		
Accounts payable and accrued liabilities	5,339,253	14,378
Accrued interest	10,452	-
Due to primary government	-	152,661
Noncurrent liabilities		
Due within one year		
Capital lease payable	331,154	-
Compensated absences	1,556,322	-
Healthcare claims	179,863	7,775
Due in more than one year		
Capital lease payable	1,369,896	-
Net pension liability	348,406	-
	<u>9,135,346</u>	<u>174,814</u>
Total liabilities		
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pensions	<u>1,776,345</u>	<u>-</u>
Total deferred inflows of resources	1,776,345	-
NET POSITION		
Net investment in capital assets	36,051,757	8,093
Unrestricted	<u>52,630,945</u>	<u>2,955,007</u>
TOTAL NET POSITION	<u>\$ 88,682,702</u>	<u>\$ 2,963,100</u>

The Notes to Financial Statements are an integral part of this statement.

Montgomery County Hospital District

Statement of Activities

Year Ended September 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
Administration	\$ 8,587,720	\$ 244,643	\$ -
Healthcare assistance	6,483,777	648	-
Emergency medical services	38,300,699	19,225,085	4,912,480
Radio, facilities, and information technology	7,667,660	473,427	-
Public health and emergency preparedness	-	-	980,556
Interest and fiscal charges	13,128	-	-
Total governmental activities	<u>61,052,984</u>	<u>19,943,803</u>	<u>5,893,036</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 61,052,984</u>	<u>\$ 19,943,803</u>	<u>\$ 5,893,036</u>
COMPONENT UNIT			
Montgomery County Public Health District	<u>\$ 2,477,755</u>	<u>\$ 15,601</u>	<u>\$ 3,273,133</u>

General revenues
Property taxes
Grants and contributions not restricted to a specific program
Investment earnings
Miscellaneous
Loss on asset disposal
Total general revenues
Change in net position
Net position - beginning
NET POSITION - ENDING

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		Component Unit
Governmental Activities	Total	MCPHD
\$ (8,343,077)	\$ (8,343,077)	
(6,483,129)	(6,483,129)	
(14,163,134)	(14,163,134)	
(7,194,233)	(7,194,233)	
980,556	980,556	
(13,128)	(13,128)	
<u>(35,216,145)</u>	<u>(35,216,145)</u>	
(35,216,145)	(35,216,145)	
		\$ 810,979
36,802,578	36,802,578	-
728,945	728,945	-
152,195	152,195	-
286,777	286,777	90,018
(11,023)	(11,023)	-
<u>37,959,472</u>	<u>37,959,472</u>	<u>90,018</u>
2,743,327	2,743,327	900,997
<u>85,939,375</u>	<u>85,939,375</u>	<u>2,062,103</u>
<u>\$ 88,682,702</u>	<u>\$ 88,682,702</u>	<u>\$ 2,963,100</u>

Montgomery County Hospital District
 Balance Sheet - Governmental Fund
 September 30, 2021

Exhibit C-1

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 17,463,319
Investments	24,859,897
Receivables	
Taxes receivable, net	874,905
EMS receivable, net	5,934,742
Other receivables	4,659,582
Due from component unit	152,661
Inventories	924,738
Prepaid items	<u>236,451</u>
TOTAL ASSETS	<u>\$ 55,106,295</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 5,339,253</u>
Total liabilities	5,339,253
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	874,905
Unavailable revenue - long-term receivable	<u>310,037</u>
Total deferred inflows of resources	1,184,942
FUND BALANCE	
Nonspendable - inventories	924,738
Nonspendable - prepaid items	236,451
Committed - capital replacement	1,900,000
Committed - capital maintenance	100,000
Committed - open purchase orders	2,733,629
Committed - uncompensated care	7,500,000
Committed - catastrophic events	5,000,000
Assigned - open purchase orders	533,202
Unassigned	<u>29,654,080</u>
Total fund balance	<u>48,582,100</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 55,106,295</u>

The Notes to Financial Statements are an integral part of this statement.

Montgomery County Hospital District
 Reconciliation of the Governmental Fund Balance Sheet
 to the Statement of Net Position
 September 30, 2021

Exhibit C-2

TOTAL FUND BALANCE - GOVERNMENTAL FUND BALANCE SHEET \$ 48,582,100

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 fund. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 69,116,789	
Accumulated depreciation of governmental capital assets	<u>(31,363,982)</u>	37,752,807

Property taxes receivable and long-term receivable will be collected subsequent to year-end, but are not available soon enough to pay expenditures; therefore, these are deferred in the fund. 1,184,942

Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the fund. Liabilities at year-end related to such items, consist of:

Capital leases	\$ (1,701,050)	
Accrued interest on capital leases	(10,452)	
Compensated absences	(1,556,322)	
Net pension liability	(348,406)	
Healthcare claims	<u>(179,863)</u>	(3,796,093)

Deferred inflows for pension are included in the statement of net position and are not reported in the fund due to they are not current financial liabilities. (1,776,345)

Deferred outflows for pension are included in the statement of net position and are not reported in the fund due to they are not a current financial resource available to pay for current expenditures. 6,735,291

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 88,682,702

Montgomery County Hospital District
Statement of Revenues, Expenditures and Changes
in Fund Balance – Governmental Fund
Year Ended September 30, 2021

Exhibit C-3

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 36,827,858
Program revenues	25,070,898
Charges for services	244,643
Intergovernmental	1,709,501
Investment earnings	152,195
Miscellaneous	<u>286,777</u>
Total revenues	64,291,872
EXPENDITURES	
Current	
Administration	8,671,307
Healthcare assistance	6,492,681
Emergency medical services	36,500,398
Radio, facilities, and information technology	5,738,229
Debt service	
Principal retirement	217,054
Interest and fiscal charges	4,342
Capital outlay	<u>3,222,155</u>
Total expenditures	<u>60,846,166</u>
Excess of revenues over expenditures	3,445,706
OTHER FINANCING SOURCES	
Capital lease	1,722,325
Proceeds from sale of capital assets	<u>46,355</u>
Total other financing sources	1,768,680
Net change in fund balance	5,214,386
Fund balance - beginning	<u>43,367,714</u>
FUND BALANCE - ENDING	<u><u>\$ 48,582,100</u></u>

The Notes to Financial Statements are an integral part of this statement.

Montgomery County Hospital District

Exhibit C-4

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities Year Ended September 30, 2021

TOTAL NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUND	\$	5,214,386
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Some property taxes and long-term receivables will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues and charges for services increased (decreased) by this amount this year.		(86,327)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay	\$ 3,222,155	
Depreciation expense	<u>(4,516,424)</u>	(1,294,269)
The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is a increase (decrease) to net position.		(57,378)
Issuance of a capital lease provides current financial resources to governmental funds, but issuing a capital lease increases long-term liabilities in the statement of net position.		(1,722,325)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		217,054
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consist of the following:		
Accrued interest on capital leases		(10,304)
The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental fund.		84,704
The (increase) decrease in self-insured health coverage is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental fund.		59,957
The net change in net pension asset and related deferred inflows and outflows is reported in the statement of activities but does not require the use of, or provide current financial resources and, therefore, is not reported in the governmental fund. The net change consists of the following:		
Deferred inflows (increased) decreased	\$ (302,941)	
Deferred outflows increased (decreased)	4,464,864	
Net pension asset increased (decreased)	<u>(3,824,094)</u>	<u>337,829</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>2,743,327</u>

The Notes to Financial Statements are an integral part of this statement.

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Montgomery County Hospital District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Montgomery County Hospital District (the District) is a political subdivision created in 1977 by an act of the Texas legislature and a vote of ratification by the residents of Montgomery County, Texas. Originally, the District operated the Medical Center Hospital in Conroe, Texas, which was sold on May 26, 1993 to Health Trust, Inc. (Health Trust). Since 1993, the District has partnered with the new owners of the hospital to provide indigent medical care to the residents of Montgomery County. The District also contracts with other healthcare providers in the county to provide indigent care for the county residents. In addition to indigent care, the District provides emergency medical ambulance services for county residents and has constructed a countywide communication system to facilitate providing healthcare services to the residents. As required by generally accepted accounting principles (GAAP), these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions, as part of the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Discretely Presented Component Unit

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the District is a part of any other governmental or type of reporting entity. The overriding elements associated with prescribed criteria considered in determining the District's financial reporting entity status as that of a primary government are: 1) it has a separately elected governing body, 2) it is legally separate and 3) it is fiscally independent of other state and local governments. Additionally prescribed criteria under GAAP include considerations pertaining to other organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these considerations, the District has a discretely presented component unit. The Montgomery County Public Health District (MCPHD) is the result of a Cooperative Agreement between Montgomery County, Texas, the City of Panorama and the City of Conroe. The MCPHD's purpose is to provide essential public health services as defined in Section 121.002 of the Texas Health and Safety Code:

- Monitor the health status of individuals in the community to identify community health problems;
- Diagnose and investigate community health problems and community health hazards;
- Inform, educate, and empower the community with respect to health issues;
- Mobilize community partnerships in identifying and solving community health problems;
- Develop policies and plans that support individual and community efforts to improve health;
- Enforce laws and rules that protect the public health and ensure safety in accordance with those laws and rules;
- Link individuals who have a need for community and personal health services to appropriate community and private providers;
- Ensure a competent workforce for the provision of essential public health services;
- Research new insights and innovative solutions to community health problems;
- Evaluate the effectiveness, accessibility, and quality of personal and population-based services in a community.

The MCPHD has assigned or contracted with the District to administer all programs, services, and administrative needs of the MCPHD.

Montgomery County Hospital District

Notes to the Financial Statements

B. Basis of Presentation – Government-wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the District and its component unit. Governmental activities are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District. The governmental activities column incorporates data from the governmental fund.

As discussed earlier, the government has a discretely presented component unit which is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted in another fund.

D. 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. Property taxes are recognized as revenues in the year for which they are levied. 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 District considers revenues, excluding property taxes, to be available if they are collected within 120 days of the end of the current fiscal period. Property taxes are recognized as revenues 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, 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.

Montgomery County Hospital District

Notes to the Financial Statements

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues for amounts collected within the availability period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the availability period for this revenue source (within 120 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 within the availability period for this revenue source (within 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in the qualified investment pools. The carrying value of investment pools is determined by the valuation policy of the investment pool, either at amortized cost or net asset value of the underlying pool shares. The carrying value of the non-negotiable certificates of deposits is reported at cost. The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable medical supplies, radio repair parts, and vehicle repair parts. The cost of such inventory is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, equipment, vehicles, and communication system assets (e.g. radio towers, structures, equipment, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the District constructs or acquires additional capital assets each period, including communication system assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Montgomery County Hospital District

Notes to the Financial Statements

Land and improvements and construction in progress are not depreciated. The buildings and site improvements, equipment, vehicles, and communication system assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and site improvements	8-30
Equipment	2-15
Vehicles	5-8
Communication system	5-30

5. *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. The District has two items that qualify for reporting in this category. The deferred inflow for pensions results from the difference in projected and actual earnings on plan investments and the effects of actuarial differences and changes in assumptions. The plan's investment earnings difference is amortized over 5 years and the actuarial differences and changes in assumptions is amortized over a period equal to the average of the expected remaining service lives of all employees. The District also recognizes a deferred outflow for contributions made to the plan after the plan's measurement date which are recognized in the subsequent year.

In addition to liabilities, the statement of net position and governmental fund balance sheet 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 or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental fund reports unavailable revenues from property taxes and long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the District has one type of this item which is reported in the government-wide statement of net position. This item is *deferred inflows of resources for pensions*. This deferred resource inflow related to the net pension asset results from differences in expected and actual experience and also includes change in assumptions and projected versus actual earnings in the current fiscal year.

6. *Pensions*

For purposes of measuring the net pension asset (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 County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. 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.

Montgomery County Hospital District

Notes to the Financial Statements

7. *Net Position Policies*

Net position of governmental activities and MCPHD is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District classifies net position as follows:

Net investment in capital assets – the component of net position that reports capital assets, net of accumulated depreciation, and net of related debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – the component of net position that is constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes federal and state grants.

Unrestricted – the component of net position that includes the residual difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources that is not classified in the categories mentioned above.

8. *Net Position Flow Assumption*

Sometimes the District 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 fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. *Fund Balance Policies*

Fund balance of governmental funds is reported in various classifications based on the nature of any limitations requiring the use of resources for specific purposes. The District classifies governmental fund balance as follows:

Nonspendable – Amounts that cannot be spent either because the underlying resources are not in spendable form or because they are legally or contractually required to be maintained intact, e.g., inventory and prepaid items.

Restricted – Amounts that represent resources subject to externally enforceable constraints, e.g., grants and creditors.

Committed – Amounts that can only be used for specific purposes as imposed by the Board of Directors by formal action and can only be removed by the Board of Directors through similar action. These amounts may be used at Board discretion for unanticipated, non-recurring needs, one-time opportunities, or anticipated future obligations. Committed Fund Balances may also include open purchase orders approved by the Board of Directors.

Assigned – Amounts that represent resources set aside by the District for a particular purpose, such as open purchase orders approved by management. The Board of Directors has by resolution authorized the Chief Executive Officer (CEO) or his designee to assign funds. 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.

Montgomery County Hospital District

Notes to the Financial Statements

Unassigned – The difference between total fund balance and the nonspendable, restricted, committed, and assigned components. The unassigned fund balance should be at least three months of regular, on-going operating expenditures.

10. Fund Balance Flow Assumptions

Sometimes the District 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 District'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.

F. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the Montgomery Central Appraisal District as of July 31 of each year. Prior to October 1 of each year, the District sets its tax rate thus creating the tax levy. The taxes are levied and payable October 1 on property values assessed as of January 1. Taxes may be paid without penalty before February 1 of the following year and create a tax lien as of July 1 of each year. The tax assessor/collector for Montgomery County bills and collects the property taxes for the District. Property tax revenues are recognized when levied to the extent that they result in current receivables. The combined current tax rate to finance general governmental services for the year ended September 30, 2021 was \$0.0588 per \$100, allocated to the General Fund.

3. Compensated Absences

The District records all vacation, sick leave and holiday benefits as a single benefit called Paid Time Off (PTO). Employees are allowed to carry over the number of hours equal to one year of accrued PTO. Any accrued PTO in excess of the carryover amount will be paid to the employee based on the policies in place at the District.

For the governmental fund, accumulated compensated absences are normally paid from the General Fund and are treated as an expenditure when paid. All compensated absences are accrued when incurred in the government-wide financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

4. Use of Estimates

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

Montgomery County Hospital District

Notes to the Financial Statements

G. Implementation of New Accounting Standards

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2018; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 84 to reporting periods beginning after December 15, 2019, with earlier application encouraged. GASB 84 was implemented in the District's 2021 financial statements with no impact to amounts reported under previous standards.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Data

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the CEO submits to the District board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, the budget is legally enacted through passage of a resolution following the notice and hearing requirements set forth in section 1063.152 of the District's enabling act.
3. The CEO may approve a department's request to transfer an unencumbered balance, or portion thereof within any department; however, the board must approve a transfer of funds between departments.
4. Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Note 3. Deposits and Investments

Primary Government

At September 30, 2021, the carrying amount of the District's deposits (cash, interest-bearing savings accounts, and money market accounts) was \$17,461,369 and the bank's balances totaled to \$17,977,243. At September 30, 2021, all bank balances were covered by federal deposit insurance, or pledged collateral held by the financial institution in the District's name. The District's investments consisted of local investment pools and certificates of deposit at fiscal year-end.

The District is required by the Government Code Chapter 2256, the Public Funds Investment Act (the Act), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investment, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Montgomery County Hospital District

Notes to the Financial Statements

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

Certain investment types are not required to be measured at fair value; these include money market funds, certain investment pools and non-negotiable certificates of deposits, which are measured at amortized cost or cost, and other investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

The District’s investments are in investment pools and certificates of deposit as presented in the table below. The investment pools and non-negotiable certificates of deposit are not subject to disclosure regarding the fair value hierarchy. The District’s investment balances and weighted average maturity of such investments are as follows:

Investment Type	Primary Government	Weighted Average Maturity (Days)
Investments measured at cost		
Certificates of deposit - non-negotiable	\$ 17,187,660	113
Investments measured at amortized cost		
External investment pools		
TexPool	3,841,816	37
TexSTAR	3,830,421	43
Total Value	\$ 24,859,897	
Portfolio weighted average maturity		90

TexPool is an external investment pool that measures for financial reporting purposes all of its investments at amortized cost. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergencies.

TexSTAR is an external investment pool that measures for financial reporting purposes all of its investments at amortized cost. TexSTAR has a redemption notice period of one day and no maximum transaction amounts. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergencies.

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting its investments to instruments with shorter-term maturities. The maximum stated maturity of any individual investment shall be no longer than five years, and the dollar-weighted average maturities of any pooled fund shall be no longer than one year.

Montgomery County Hospital District

Notes to the Financial Statements

Concentration of credit risk. The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity, and financial institutions to reduce risk of loss from over concentration of assets in specific classes of investments, specific maturities or specific issuers. In accordance with the District's policy, the District may meet its obligation to diversify by placing all or part of its investment portfolio in public fund investment pools, money market mutual funds, and certificates of deposit.

Credit risk. For fiscal year 2021, the District invested in TexPool and TexStar. TexPool is duly chartered by the State Comptroller's Office and administered and managed by Federated Investors, Inc. TexStar is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. TexPool and TexStar are rated AAAM by Standard and Poor at September 30, 2021. Non-negotiable certificates of deposit are fully insured and collateralized by their respective financial institutions.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2021, District's deposits were not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered, or securities are held by the District or its agent in the District's name.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

TexSTAR

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provides custodial, transfer agency, fund accounting, and depository services.

Discretely Presented Component Unit

As of September 30, 2021, the MCPHD bank balance was \$2,987,597 and was insured and collateralized by the bank's agent in the District's name.

Montgomery County Hospital District

Notes to the Financial Statements

Note 4. Receivables

Amounts recorded as receivable in the General Fund, as of September 30, 2021, are as follows:

	Receivables	Less Allowance for Uncollectibles	Net Receivables
Receivables:			
Taxes	\$ 1,172,084	\$ (297,179)	\$ 874,905
Emergency medical service fees	8,499,280	(2,564,538)	5,934,742
Due from State	3,870,080	-	3,870,080
Other	789,502	-	789,502
Totals	\$ 14,330,946	\$ (2,861,717)	\$ 11,469,229

Note 5. Property Taxes

The District is authorized to levy a tax on taxable property located within the District in an amount not to exceed the rollback rate for the purpose of paying operating expenses and for debt service. The current tax rate is approximately \$0.0588 per \$100 valuation. Taxes for fiscal year 2021 were levied on property within the District having an assessed valuation of approximately \$62 billion.

Note 6. Primary Government and Component Unit Activity

The District has several interlocal agreements with MCPHD. The management agreement stipulates that the District will manage employees that serve MCPHD for which the District is reimbursed for the costs associated with the personnel. The District also pays vendor-related expenses on behalf of the MCPHD and is reimbursed for these costs as incurred. The District performs certain administrative, human resources, accounting, information technology and records management functions for MCPHD and charges a monthly management fee of approximately \$8,333 per month.

The District and MCPHD have an interlocal agreement to provide community paramedicine services. The District will provide the services and MCPHD will reimburse the District up to \$300 for each patient encounter. For the year ended September 30, 2021, the District recognized as revenue and MCPHD recognized as expense a total of \$1,042,400 for services rendered.

The District and MCPHD have also entered into a lease agreement whereby MCPHD leases office space from the District for approximately \$111,581 per year.

Amounts receivable and payable between the District and its component unit at September 30, 2021 were as follows:

Primary Government/Component Unit	Receivables	Payables
District - General Fund	\$ 152,661	\$ -
Component unit - MCPHD	-	152,661
Totals	\$ 152,661	\$ 152,661

Montgomery County Hospital District
Notes to the Financial Statements

Note 7. Capital Assets

Government capital assets activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 2,899,759	\$ -	\$ -	\$ -	\$ 2,899,759
Construction in progress	1,580,241	1,125,573	(2,250,249)	-	455,565
Total capital assets, not being depreciated	4,480,000	1,125,573	(2,250,249)	-	3,355,324
Capital assets, being depreciated:					
Buildings and site improvements	28,201,332	7,652	1,935,155	-	30,144,139
Equipment	13,426,797	2,072,759	267,187	(304,651)	15,462,092
Vehicles	10,343,463	16,171	47,907	(20,734)	10,386,807
Communication system	9,768,427	-	-	-	9,768,427
Total capital assets being depreciated	61,740,019	2,096,582	2,250,249	(325,385)	65,761,465
Less accumulated depreciation for:					
Buildings and site improvements	(7,805,554)	(974,217)	-	-	(8,779,771)
Equipment	(10,559,727)	(1,132,127)	-	247,273	(11,444,581)
Vehicles	(5,488,850)	(1,507,589)	-	20,734	(6,975,705)
Communication system	(3,261,434)	(902,491)	-	-	(4,163,925)
Total accumulated depreciation	(27,115,565)	(4,516,424)	-	268,007	(31,363,982)
Total capital assets, being depreciated, net	34,624,454	(2,419,842)	2,250,249	(57,378)	34,397,483
Government activities capital assets, net	\$ 39,104,454	\$ (1,294,269)	\$ -	\$ (57,378)	\$ 37,752,807

Depreciation expense was charged to functions/programs for the fiscal year 2021 as follows:

Governmental activities:	
Administration	\$ 341,465
Healthcare assistance	1,629
Emergency medical services	1,692,133
Radio, facilities, and information technology	2,481,197
Total	\$ 4,516,424

Montgomery County Hospital District

Notes to the Financial Statements

Montgomery County Public Health District's capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
MCPHD activities:					
Capital assets, being depreciated:					
Vehicles	\$ 24,278	\$ -	\$ -	\$ -	\$ 24,278
Total capital assets being depreciated	24,278	-	-	-	24,278
Less accumulated depreciation for:					
Vehicles	(11,330)	(4,855)	-	-	(16,185)
Total accumulated depreciation	(11,330)	(4,855)	-	-	(16,185)
Total capital assets, being depreciated, net	12,948	(4,855)	-	-	8,093
MCPHD activities capital assets, net	\$ 12,948	\$ (4,855)	\$ -	\$ -	\$ 8,093

Depreciation expense was charged \$4,855 for the fiscal year 2021 to the Public Health Department.

Note 8. Long-term Liabilities

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the period ended September 30, 2021 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 195,779	\$ 1,722,325	\$ (217,054)	\$ 1,701,050	\$ 331,154
Compensated absences	1,641,026	1,601,766	(1,686,470)	1,556,322	1,556,322
Healthcare claims	239,820	4,307,342	(4,367,299)	179,863	179,863
Net pension liability (asset)	(3,475,688)	12,195,233	(8,371,139)	348,406	-
Governmental activities long-term liabilities	\$ (1,399,063)	\$ 19,826,666	\$ (14,641,962)	\$ 3,785,641	\$ 2,067,339
Component unit activities:					
Healthcare claims	\$ 6,412	\$ 190,152	\$ (188,789)	\$ 7,775	\$ 7,775
Component unit activities long-term liabilities	\$ 6,412	\$ 190,152	\$ (188,789)	\$ 7,775	\$ 7,775

For governmental activities, capital leases payable, compensated absences, healthcare claims and net pension liability are liquidated by the General Fund.

Montgomery County Hospital District

Notes to the Financial Statements

B. Capital Leases

The District entered into lease agreements for financing the acquisition of vehicles, equipment and the construction of buildings. The following is a summary of changes in the capital leases of the governmental activities for the fiscal year:

Description	Beginning Balance	Additions	Reductions	Ending Balance
EMS Station 43	\$ 157,479	\$ -	\$ (157,479)	\$ -
Vehicle Lease	38,300	-	(9,575)	28,725
Zoll Monitors	-	1,722,325	(50,000)	1,672,325
Totals	\$ 195,779	\$ 1,722,325	\$ (217,054)	\$ 1,701,050

The future debt service requirements for capital leases as of September 30, 2021 are noted below:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 331,154	\$ 41,808	\$ 372,962
2023	332,440	40,522	372,962
2024	342,126	30,836	372,962
2025	342,527	20,860	363,387
2026	352,803	10,584	363,387
Totals	\$ 1,701,050	\$ 144,610	\$ 1,845,660

Amortization of leased equipment is included with depreciation expense.

Leased buildings and equipment and vehicles under capital leases in capital assets at September 30, 2021, include the following:

Building and site improvements	\$ 1,053,549
Vehicles	38,837
Zoll monitors	1,722,325
Less: Accumulated depreciation	(288,212)
Total	\$ 2,526,499

Note 9. Pension Plan

A. Plan Description

The District's nontraditional defined benefit pension plan, Texas County and District Retirement System (TCDRS), provides pensions for all of its full-time employees. The TCERS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent CAFR for TCERS can be found at the following link: www.tcdrs.org.

Montgomery County Hospital District

Notes to the Financial Statements

B. Benefits Provided

TCDRS provides retirement, disability, and death benefits. The plan provisions are adopted by the governing body of the District within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with five or more years of service at age 60 and above, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after five years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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

The Plan is open to new entrants.

C. 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	19
Inactive employees entitled to but not yet receiving benefits	239
Active employees	<u>382</u>
Total	<u><u>640</u></u>

D. Contributions

The District has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 6.54 percent or \$1,882,768 for the calendar year 2020. The District contributed \$1,968,671 in actuarially required and supplemental contributions for the fiscal year ended September 30, 2021.

The deposit rate payable by the employee member for calendar year 2020 was 7.0 percent as adopted by the Board of Directors. The employee deposit rate and the employer contribution rate may be changed by the Board of Directors within the options available in the TCDRS Act.

Montgomery County Hospital District

Notes to the Financial Statements

E. Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll growth	2.00%
Real rate of return	5.00%
Long-term investment return	7.50%

The actuarial assumptions that determined the total pension liability as of December 31, 2020, were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68. In addition, mortality rates were based on the following mortality tables:

Depositing Members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and Non-depositing Members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Montgomery County Hospital District

Notes to the Financial Statements

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2021 information for a 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon, the most recent analysis was performed for the period January 1, 2013 – December 31, 2016. The target allocation and best estimates of geometric 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
U.S. equities	11.50 %	4.25%
Global equities	2.50	4.55%
International equities - developed markets	5.00	4.25%
International equities - emerging markets	6.00	4.75%
Investment - grade bonds	3.00	-0.85%
Strategic credit	9.00	2.11%
Direct lending	16.00	6.70%
Distressed debt	4.00	5.70%
REIT equities	2.00	3.45%
Master limited partnerships	2.00	5.10%
Private real estate partnerships	6.00	4.90%
Private equity	25.00	7.25%
Hedge funds	6.00	1.85%
Cash equivalents	2.00	-0.70%
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods. The employer is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected levels of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 7.60% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Montgomery County Hospital District

Notes to the Financial Statements

F. Plan Fiduciary Net Position

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(asset) (a) - (b)
Balance at December 31, 2019	\$ 38,682,528	\$ 42,158,216	\$ (3,475,688)
Changes for the year			
Service cost	3,503,081	-	3,503,081
Interest on total pension liability	3,405,061	-	3,405,061
Effect of economic demographic gains or losses	653,416	-	653,416
Effect of assumptions changes or inputs	4,596,949	-	4,596,949
Refunds of contributions	(139,425)	(139,425)	-
Benefit payments	(162,077)	(162,077)	-
Administrative expense	-	(36,726)	36,726
Member contributions	-	2,015,194	(2,015,194)
Net investment income	-	4,362,576	(4,362,576)
Employer contributions	-	1,882,768	(1,882,768)
Other changes	-	110,601	(110,601)
Net changes	<u>11,857,005</u>	<u>8,032,911</u>	<u>3,824,094</u>
Balance at December 31, 2020	<u>\$ 50,539,533</u>	<u>\$ 50,191,127</u>	<u>\$ 348,406</u>

Sensitivity Analysis

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
	District's net pension liability / (asset)	\$ 11,515,090	\$ 348,406

Montgomery County Hospital District

Notes to the Financial Statements

G. Pension Expense/Revenue and Deferred Outflows of Resources Related to Pensions

For the fiscal year ended September 30, 2021, the District recognized pension expense of \$1,618,340.

At September 30, 2021, the District reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,222,235	\$ 475,126
Change in assumptions	4,066,494	41,340
Net difference between projected and actual earnings on pension plan investments	-	1,259,879
Contributions made subsequent to the measurement date	1,446,562	-
Totals	\$ 6,735,291	\$ 1,776,345

The \$1,446,562 reported as deferred outflows of resources related to pensions from District contributions subsequent to the measurement date will be recognized as pension expense in the fiscal year ending September 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2022	\$ 291,456
2023	598,545
2024	(20,792)
2025	568,142
2026	706,349
Thereafter	1,368,684
Total	\$ 3,512,384

Note 10. Summary Disclosure of Significant Contingencies

Risk Management

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage and auto, subject to various policy limits and deductibles. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$3 million aggregate subject to various deductibles per occurrence.

The District purchases commercial insurance for workers' compensation benefits with a \$1,000,000 occurrence and per employee policy limit. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

Montgomery County Hospital District

Notes to the Financial Statements

Health Insurance

During 2021, employees of the District were covered by a partially self-insured health insurance plan. The District paid administrative fees and the cost of healthcare claims. Participating employees authorized payroll deductions to partially offset the costs paid by the District. All contributions were paid to a third party administrator acting on behalf of the District. The contract between the District and the third party administrator is renewable annually.

The District was protected against catastrophic individual and aggregate loss by stop-loss coverage up to \$100,000 per individual and \$5,097,155 in aggregate through a commercial insurer licensed to do business in Texas in accordance with the Texas Insurance Code. Estimates of claims payable and of claims incurred but not reported at September 30, 2021 and 2020, are reflected as accrued healthcare claims. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements and damage awards, the process used in computing claims liability is an estimate.

Changes in balances of healthcare claims are as follows:

	2021	2020
Healthcare claims, beginning of year	\$ 239,820	\$ 347,536
Incurred claims	4,307,342	3,858,858
Claim payments	<u>(4,367,299)</u>	<u>(3,966,574)</u>
Healthcare claims, end of year	<u>\$ 179,863</u>	<u>\$ 239,820</u>

Contingencies

The District participates in a number of federal and state financial assistance programs. These programs are subject to financial and compliance audits by the grantor agencies. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

Note 11. Healthcare Assistance Program

The healthcare assistance program was established by the District to provide health care services to the indigent residents of Montgomery County. The District entered into contracts with various healthcare providers to provide healthcare services to Montgomery County indigents. Qualifications for the program are based on income level, citizenship, county residency, medical need and financial resources. In conjunction with the sale of the Medical Center Hospital in Conroe (now Conroe Regional Medical Center) to Health Trust on May 26, 1993, the District entered into an Indigent Care Agreement with Health Trust and its successors. The terms of the Indigent Care Agreement ended on May 31, 2008. The Indigent Care Agreement was not renewed. As of June 1, 2008, the District is funding a voluntary estimate of medical care expenses to qualified indigents to those providers that previously were participants in the Indigent Care Agreement.

Montgomery County Hospital District

Notes to the Financial Statements

Note 12. Operating Lease

The District, as the lessor, entered into long-term lease agreements of radio communication towers and equipment for periods ranging from 6 to 25 years. The District's cost for this equipment and related depreciation are shown below:

Radio tower communications equipment	\$	5,367,314
Less: Accumulated depreciation		<u>(1,966,131)</u>
Total	\$	<u>3,401,183</u>

The District reports these leases as operating leases based on the terms of the agreements. Accordingly, the assets noted above are recorded in the District's capital assets. Revenue of \$335,661 was recognized in the current year related to the lease of the radio communication towers and equipment plus \$60,000 for management fees and costs.

Minimum future lease payments as of September 30, 2021 are as follows:

Year Ended September 30,	
2022	\$ 337,209
2023	338,774
2024	340,353
2025	285,574
2026	216,766
Thereafter	<u>2,026,122</u>
Totals	\$ <u>3,544,798</u>

Note 13. Recent Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 87 will be implemented in the District's fiscal year 2022 financial statements and the impact has not yet been determined.

Required Supplementary Information

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Montgomery County Hospital District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget to Actual – General Fund
Year Ended September 30, 2021

Exhibit D-1

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 36,828,661	\$ 36,828,661	\$ 36,827,858	\$ (803)
Program revenues	19,038,391	20,365,331	25,070,898	4,705,567
Charges for Services	243,447	243,447	244,643	1,196
Intergovernmental	600,000	600,000	1,709,501	1,109,501
Investment earnings	85,836	85,836	152,195	66,359
Miscellaneous	207,610	207,610	286,777	79,167
Total revenues	57,003,945	58,330,885	64,291,872	5,960,987
EXPENDITURES				
Current				
Administration	7,860,900	8,746,224	8,671,307	74,917
Healthcare assistance	9,514,812	9,527,416	6,492,681	3,034,735
Emergency medical services	35,127,863	36,354,476	36,500,398	(145,922)
Radio, facilities, and information technology	5,935,034	6,151,999	5,738,229	413,770
Debt service				
Principal retirement	191,528	255,908	217,054	38,854
Interest and fiscal charges	7,513	7,065	4,342	2,723
Capital outlay	2,069,171	3,379,801	3,222,155	157,646
Total expenditures	60,706,821	64,422,889	60,846,166	3,576,723
Excess of expenditures over revenues	(3,702,876)	(6,092,004)	3,445,706	9,537,710
OTHER FINANCING SOURCES				
Capital lease	187,196	1,866,936	1,722,325	(144,611)
Proceeds from sale of capital assets	-	-	46,355	46,355
Total other financing sources	187,196	1,866,936	1,768,680	(98,256)
Net change in fund balance	(3,515,680)	(4,225,068)	5,214,386	9,439,454
Fund balance - beginning	43,367,714	43,367,714	43,367,714	-
FUND BALANCE - ENDING	\$ 39,852,034	\$ 39,142,646	\$ 48,582,100	\$ 9,439,454

The Notes to Required Supplementary Information are an integral part of this schedule.

Montgomery County Hospital District

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Year Ended September 30, 2021*

	<u>2021</u>	<u>2020</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 3,503,081	\$ 3,186,897
Interest	3,405,061	2,878,563
Effect of plan changes	-	-
Effect of economic/demographic (gains) or losses	653,416	448,789
Effect of assumptions changes or inputs	4,596,949	-
Refund of contributions	(139,425)	(226,101)
Benefit payments, including refunds of employee contributions	<u>(162,077)</u>	<u>(132,193)</u>
Net change in total pension liability	<u>11,857,005</u>	<u>6,155,955</u>
Total pension liability - beginning	<u>38,682,528</u>	<u>32,526,573</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u><u>\$ 50,539,533</u></u>	<u><u>\$ 38,682,528</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - district	\$ 1,882,768	\$ 1,878,689
Contributions - employee	2,015,194	1,851,878
Net investment income (loss)	4,362,576	5,455,456
Benefit payments, including refunds of employee contributions	(162,077)	(132,193)
Refund of contributions	(139,425)	(226,101)
Administrative expense	(36,726)	(32,126)
Other	<u>110,601</u>	<u>121,329</u>
Net change in plan fiduciary net position	<u>8,032,911</u>	<u>8,916,932</u>
Plan fiduciary net position - beginning	<u>42,158,216</u>	<u>33,241,284</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u><u>\$ 50,191,127</u></u>	<u><u>\$ 42,158,216</u></u>
NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)	<u><u>\$ 348,406</u></u>	<u><u>\$ (3,475,687)</u></u>
Plan fiduciary net position as a percentage of total pension liability	99.31%	108.99%
Covered payroll	28,788,492	26,455,402
Net pension liability (asset) as a percentage of covered payroll	1.21%	-13.14%

*GASB Statement No. 68 requires 10 years of data; however, we have shown only the years for which the GASB statements have been implemented. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the plan's measurement date, December 31.

The Notes to Required Supplementary Information are an integral part of this schedule.

Exhibit E-1

	2019	2018	2017	2016	2015
\$	2,985,032	\$ 2,789,010	\$ 2,759,688	\$ 2,241,909	\$ 1,935,546
	2,458,698	2,068,859	1,662,372	1,439,974	1,105,667
	-	-	-	(124,742)	473,611
	(48,347)	260,230	(510,769)	(1,013,480)	827,063
	-	(82,680)	-	176,666	-
	(398,177)	(333,377)	(260,640)	(103,230)	-
	(68,884)	(38,637)	(26,925)	(18,562)	(193,020)
	<u>4,928,322</u>	<u>4,663,405</u>	<u>3,623,726</u>	<u>2,598,535</u>	<u>4,148,867</u>
	<u>27,598,251</u>	<u>22,934,846</u>	<u>19,311,120</u>	<u>16,712,585</u>	<u>12,563,718</u>
\$	<u>32,526,573</u>	<u>\$ 27,598,251</u>	<u>\$ 22,934,846</u>	<u>\$ 19,311,120</u>	<u>\$ 16,712,585</u>
\$	1,631,063	\$ 1,479,097	\$ 4,539,035	\$ 1,406,230	\$ 1,093,580
	1,679,036	1,524,842	1,385,264	1,333,823	1,190,523
	(543,548)	3,633,221	1,300,958	(197,756)	822,292
	(68,884)	(372,014)	(287,565)	(121,792)	(193,020)
	(398,177)	-	-	-	-
	(26,700)	(20,537)	(14,145)	(11,770)	(10,485)
	87,804	35,077	297,659	270	1,284
	<u>2,360,594</u>	<u>6,279,686</u>	<u>7,221,206</u>	<u>2,409,005</u>	<u>2,904,174</u>
	<u>30,880,690</u>	<u>24,601,004</u>	<u>17,379,798</u>	<u>14,970,793</u>	<u>12,066,619</u>
\$	<u>33,241,284</u>	<u>\$ 30,880,690</u>	<u>\$ 24,601,004</u>	<u>\$ 17,379,798</u>	<u>\$ 14,970,793</u>
\$	<u>(714,711)</u>	<u>\$ (3,282,439)</u>	<u>\$ (1,666,158)</u>	<u>\$ 1,931,322</u>	<u>\$ 1,741,792</u>
	102.20%	111.89%	107.26%	90.00%	89.58%
	23,986,225	21,783,458	19,775,929	19,054,613	17,006,833
	-2.98%	-15.07%	-8.43%	10.14%	10.24%

Montgomery County Hospital District
 Schedule of District Contributions to Texas County
 and District Retirement System (TCDRS)
 Year Ended September 30, 2021*

	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 1,968,671	\$ 1,848,678
Contributions in relation to the actuarially determined contributions	<u>(1,968,671)</u>	<u>(1,848,678)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 30,101,998	\$ 28,384,921
Contributions as a percentage of covered payroll	6.54%	6.51%

*GASB Statement No. 68 requires 10 years of data; however, we have shown only the years for which the GASB statements have been implemented. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the District's fiscal year end, September 30.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,680,793	\$ 1,558,054	\$ 1,552,855	\$ 1,611,799	\$ 1,306,500
<u>(1,855,754)</u>	<u>(1,558,054)</u>	<u>(4,385,991)</u>	<u>(1,611,799)</u>	<u>(1,306,500)</u>
<u>\$ (174,961)</u>	<u>\$ -</u>	<u>\$ (2,833,136)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 25,719,067	\$ 22,920,977	\$ 21,414,773	\$ 19,339,917	\$ 18,236,372
6.54%	6.80%	7.25%	8.33%	7.16%

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Montgomery County Hospital District
 Notes to the Required Supplementary Information

Note 1. Budget

A. Budgetary Information

The District adopts a budget each fiscal year in accordance with Generally Accepted Accounting Principles (GAAP).

Encumbrance accounting is utilized in all governmental fund types. Any encumbered appropriation lapse at year-end must be reappropriated in the following year. Encumbrances for materials, other goods and purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year-end do not constitute expenditures or liabilities under GAAP. The District honors these commitments and records GAAP expenditures in the subsequent year as the transactions are completed. At year end, the District committed a portion of fund balance for outstanding encumbrances of \$2,733,629 and assigned a portion of fund balance for outstanding encumbrances of \$533,202 in the general fund.

There were no significant variances in the general fund between final budget and actual.

Actual expenditures exceeded the final budget as follows:

	Final Budget	Actual Expenditures	Excess
General Fund:			
Emergency medical services	\$ 36,354,476	\$ 36,500,398	\$ (145,922)

Montgomery County Hospital District
Notes to the Required Supplementary Information

B. Pensions

Valuation Date

Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20.0 years (based on the contribution rate calculated in 12/31/2020 valuation)
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.6% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: Employer contributions reflected that the current services matching rate was increased to 175% for future benefits. 2016: Employer contributions reflected that the current services matching rate was increased to 200%. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule.