

ANNUAL FINANCIAL REPORT

of the

VILLAGE FIRE DEPARTMENT

**For the Year Ended
December 31, 2022**

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VILLAGE FIRE DEPARTMENT

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December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Village Fire Department:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village Fire Department (the "Department"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Department as of December 31, 2022, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedules, identified as Supplementary Information on the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements

and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 22, 2023

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

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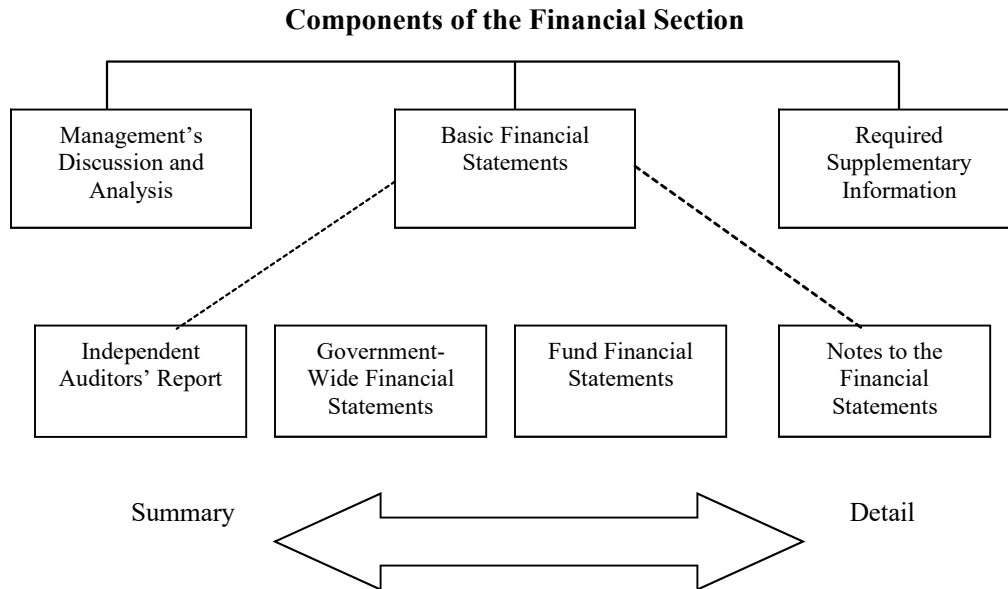
VILLAGE FIRE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2022

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Village Fire Department (the "Department") for the year ending December 31, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the Department's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the Department's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



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

Government-Wide Statements

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

The Statement of Net Position presents information on all of the Department's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. Other nonfinancial factors, such as the condition of the Department's capital assets, need to be considered in order to assess the overall health of the Department.

VILLAGE FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2022

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

VILLAGE FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2022

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. For the Department, assets and deferred outflows of resources exceed liabilities and deferred inflows by \$7,525,415 as of year end.

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

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2022	2021
<u>Assets</u>		
Current and other assets	\$ 2,485,191	\$ 1,039,966
Capital assets, nondepreciable	5,630,467	5,276,652
Capital assets, net of depreciation	1,808,004	1,921,134
Total Assets	9,923,662	8,237,752
Deferred outflows - pensions	434,485	1,112,357
Deferred outflows - OPEB	54,194	56,083
Total Deferred Outflows of Resources	488,679	1,168,440
<u>Liabilities</u>		
Current liabilities	619,448	716,374
Long-term liabilities	782,880	467,758
Total Liabilities	1,402,328	1,184,132
Deferred inflows - pensions	1,471,545	1,450,570
Deferred inflows - OPEB	13,053	15,893
Total Deferred Inflows of Resources	1,484,598	1,466,463
<u>Net Position</u>		
Net investment in capital assets	7,438,471	6,910,103
Unrestricted	86,944	(154,506)
Total Net Position	\$ 7,525,415	\$ 6,755,597

VILLAGE FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2022

Unrestricted net position is the residual amount of net position not included in the net investment in capital assets. The Department's unrestricted net position was \$86,944 as of year end. The Department experienced an overall increase in net position of \$769,818.

Statement of Activities

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

	Governmental Activities	
	2022	2021
<u>Revenues</u>		
Participant assessments	\$ 8,090,383	\$ 6,961,314
Charges for fuel	247,835	-
Interest	7,619	1,941
Emergency medical services	244,899	267,539
Other	4,511	23,891
Gain on sale of capital assets	-	2,300
Total Revenues	8,595,247	7,256,985
<u>Expenses</u>		
Public safety	7,825,429	7,320,554
Total Expenses	7,825,429	7,320,554
Change in Net Position	769,818	(63,569)
Beginning net position	6,755,597	6,819,166
Ending Net Position	\$ 7,525,415	\$ 6,755,597

In comparison to the prior year, revenues for the Department increased by 18% or \$1,338,262. This increase is mainly due to an increase in assessments from the participating cities, as additional assessments were made in the current year for the renovation project that were not made in the prior year. There was also an increase in charges for fuel from the prior year as the Department did not sell any fuel in the prior year to the participating cities due to the construction going on around the fuel pumps.

In comparison to the prior year, expenses for the Department increased by 7% or \$504,875. This increase is mainly due to an increase in personnel expense in the form of salaries and overtime. Due to pay rate increases and overtime activity increases during the year, salaries saw an increase of 8% and overtime expenses saw an increase of 69% compared to the prior year.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

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

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

VILLAGE FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2022

The Department's governmental funds reflect a combined fund balance of \$344,360. Of this, \$6,599 is nonspendable for prepaids, \$220,314 is assigned for equipment replacement, \$33,006 is assigned for improvements to the facility, and an unassigned fund balance of \$84,441.

The general fund is the Department's primary operating fund. At the end of the year, unassigned fund balance of the general fund was \$84,441. There was also \$6,599 that was nonspendable for prepaids, resulting in total general fund balance of \$91,040. Compared to fiscal year 2021, general fund balance increased by \$211,862, which was primarily due to an increase in assessment revenue. Personnel expenses saw an increase of \$616,685, which is due to increases in salaries and overtime. General fund revenue increased by \$1,111,869, which is a result of increases in assessment revenue and revenue derived from fuel sales.

The capital replacement ended the fiscal year with a fund balance of \$220,314, marking an increase of \$29,374 compared to the previous fiscal year. The increase in fund balance is attributable to assessment revenue exceeding capital outlay expenditures in the current year.

The facility fund had an ending fund balance of \$33,006, which represents a net decrease of \$220,468 from the prior year, which is primarily due to costs for renovations to the facility.

The ambulance billing fund had an ending fund balance of \$0 in the current year as a result of a transfer to the general fund.

CAPITAL ASSETS

At the end of the year, the Department's governmental activities had invested \$7,438,471 (net of accumulated depreciation) in a variety of capital assets. This represents a net decrease of \$113,130.

During the year, the Department purchased various medical and rescue equipment items. More detailed information on the Department's capital assets can be found in note III. B. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The participating cities and the Department approved an \$8,689,848 budget for all operating activities for fiscal year 2023, which includes \$200,000 for the capital replacement fund.

The Department and the participating cities have approved for the City of Bunker Hill Village to rejoin the Department as a voting member. This did not impact the budget as they were still responsible for any obligation or liabilities proportioned to them. As it was before, they are entitled to a return of departmental ambulance revenues received by the Department.

The Department also drained their fuel stations and eased up on selling fuel to the participating cities during fiscal year 2020 and completely stopped in 2021 due to the building renovations happening around it. The fuel stations began operations again during the 2022 fiscal year and increased revenue. They are expected to continue in 2023, as well as further growth in fuel revenue.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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VILLAGE FIRE DEPARTMENT

STATEMENT OF NET POSITION

December 31, 2022

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash	\$ 924,986
Prepays	6,599
Inventories	16,376
Other receivables	15,847
Net pension asset	1,521,383
Capital assets, nondepreciable	5,630,467
Capital assets, net	1,808,004
Total Assets	<u>9,923,662</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	434,485
Deferred outflows - OPEB	54,194
Total Deferred Outflows of Resources	<u>488,679</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	619,448
Total Current Liabilities	<u>619,448</u>
Noncurrent liabilities:	
Due within one year	508,732
Due in more than one year	274,148
Total Noncurrent Liabilities	<u>782,880</u>
Total Liabilities	<u>1,402,328</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	1,471,545
Deferred inflows - OPEB	13,053
Total Deferred Inflows of Resources	<u>1,484,598</u>
<u>Net Position</u>	
Net investment in capital assets	7,438,471
Unrestricted	86,944
Total Net Position	<u>\$ 7,525,415</u>

See Notes to Financial Statements.

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VILLAGE FIRE DEPARTMENT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues Charges for Services	Net Revenue (Expense) and Changes in Net Position Primary Government Governmental Activities
Primary Government Governmental Activities			
Public safety	\$ 7,825,429	\$ 247,835	\$ (7,577,594)
Total Governmental Activities	\$ 7,825,429	\$ 247,835	(7,577,594)
General Revenues:			
Participant assessments			8,090,383
Interest			7,619
Emergency medical services			244,899
Other			4,511
		Total General Revenues	8,347,412
		Change in Net Position	769,818
		Beginning net position	6,755,597
		Ending Net Position	\$ 7,525,415

See Notes to Financial Statements.

VILLAGE FIRE DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	<u>General</u>	<u>Capital Replacement</u>	<u>Facility</u>	<u>Ambulance Billing</u>
Assets				
Cash	\$ 282,340	\$ 274,278	\$ 273,469	\$ 94,899
Prepays	6,599	-	-	-
Inventories	16,376	-	-	-
Other receivables	15,847	-	-	-
Due from other funds	-	36	1	-
Total Assets	<u>\$ 321,162</u>	<u>\$ 274,314</u>	<u>\$ 273,470</u>	<u>\$ 94,899</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 230,085	\$ 54,000	\$ 240,464	\$ 94,899
Due to other funds	37	-	-	-
Total Liabilities	<u>230,122</u>	<u>54,000</u>	<u>240,464</u>	<u>94,899</u>
Fund Balances				
Nonspendable:				
Prepays	6,599	-	-	-
Assigned for:				
Equipment replacement	-	220,314	-	-
Facility improvements	-	-	33,006	-
Unassigned	84,441	-	-	-
Total Fund Balances	<u>91,040</u>	<u>220,314</u>	<u>33,006</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 321,162</u>	<u>\$ 274,314</u>	<u>\$ 273,470</u>	<u>\$ 94,899</u>

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

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

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

Net pension asset
Total OPEB liability
Deferred outflows - pensions
Deferred outflows - OPEB
Deferred inflows - pensions
Deferred inflows - OPEB

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

Net Position of Governmental Activities

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 924,986
6,599
16,376
15,847
37
\$ 963,845

\$ 619,448
37
619,485

6,599

220,314

33,006

84,441

344,360

7,438,471

1,521,383

(217,622)

434,485

54,194

(1,471,545)

(13,053)

(565,258)

\$ 7,525,415

VILLAGE FIRE DEPARTMENT

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

For the Year Ended December 31, 2022

	General	Capital Replacement	Facility	Ambulance Billing
<u>Revenues</u>				
Participant assessments	\$ 7,910,383	\$ 180,000	\$ -	\$ -
Charges for fuel	247,835	-	-	-
Interest	3,254	1,654	2,052	659
Emergency medical services	-	-	-	244,899
Other	4,511	-	-	-
Total Revenues	8,165,983	181,654	2,052	245,558
<u>Expenditures</u>				
Current:				
Personnel	6,742,766	-	-	-
Operational	1,201,735	-	-	-
Intergovernmental	-	-	-	95,558
Capital outlay	159,620	152,280	222,520	-
Total Expenditures	8,104,121	152,280	222,520	95,558
Excess (Deficiency) of Revenues Over (Under) Expenditures	61,862	29,374	(220,468)	150,000
<u>Other Financing Sources (Uses)</u>				
Transfers in (out)	150,000	-	-	(150,000)
Total Other Financing Sources (Uses)	150,000	-	-	(150,000)
Net Change in Fund Balances	211,862	29,374	(220,468)	-
Beginning fund balances	(120,822)	190,940	253,474	-
Ending Fund Balances	\$ 91,040	\$ 220,314	\$ 33,006	\$ -

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,090,383
247,835
7,619
244,899
4,511
8,595,247

6,742,766
1,201,735
95,558
534,420
8,574,479

20,768

-
-

20,768

323,592

\$ 344,360

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VILLAGE FIRE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

Net changes in fund balances - total governmental funds \$ 20,768

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	430,239
Depreciation expense	(189,554)

Net pension and total other postemployment benefits (OPEB) liabilities and deferred outflows and deferred inflows related to the net pension asset and total OPEB liability are reported in the governmental funds.

Net pension asset	1,322,649
Total OPEB liability	(15,063)
Deferred outflows - pensions	(677,872)
Deferred outflows - OPEB	(1,889)
Deferred inflows - pensions	(20,975)
Deferred inflows - OPEB	2,840

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(101,325)
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Change in Net Position of Governmental Activities	\$ 769,818
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See Notes to Financial Statements.

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VILLAGE FIRE DEPARTMENT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
December 31, 2022

		<u>Custodial Fund</u>
<u>Assets</u>		
Cash		\$ 5,034
	Total Assets	<u>5,034</u>
 <u>Liabilities</u>		
Current liabilities:		
Insurance premiums payable		-
	Total Liabilities	<u>-</u>
 <u>Net Position</u>		
Restricted for other governments		5,034
	Total Net Position	<u>\$ 5,034</u>

See Notes to Financial Statements.

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VILLAGE FIRE DEPARTMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended December 31, 2022

	<u>Custodial Fund</u>
<u>Additions</u>	
Insurance premiums collected	\$ 1,749,395
Interest revenue	64
Total Additions	<u>1,749,459</u>
 <u>Deductions</u>	
Insurance premiums distributed	<u>1,784,821</u>
Total Deductions	<u>1,784,821</u>
Changes in Fiduciary Net Position	(35,362)
Net position - beginning of the year	-
Prior period adjustment	<u>40,396</u>
Net position - beginning, as restated	<u>40,396</u>
Ending Net Position	<u><u>\$ 5,034</u></u>

See Notes to Financial Statements.

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VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On December 20, 1978, six contracting cities joined into an interlocal cooperation agreement (the “Interlocal Agreement”) to establish a common municipal fire department, chartered as the Village Fire Department (the “Department”), to provide fire and rescue services beginning January 1, 1979. The area of coverage consists of the six cities commonly known as the Memorial Villages (the “Participating Cities”) and is approximately ten square miles. As discussed in Note IV.A., the Department operates and services the Participating Cities based upon the Interlocal Agreement.

The Department operates under a six-member Board of Fire Commissioners (the “Board”). Each of the six Participating Cities appoint one fire commissioner and one alternate. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department (the primary government) and its component units. In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other indications of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. As of December 31, 2022, the Department had no component units.

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

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Department's funds, including its fiduciary fund. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Department reports the following governmental funds:

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

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

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

The *ambulance billing fund* is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is considered a major fund for reporting purposes.

Fiduciary Fund

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

The Department reports the following type of fiduciary fund:

Custodial Fund

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

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

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

1. Cash and Cash Equivalents

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

2. Investments

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

3. Receivables

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

4. Prepaid Items

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

5. Capital Assets

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

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

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

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

6. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.

- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the Department's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

7. Compensated Employee Absences

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

8. Participants' Assessment

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

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

11. Fund Balance Policies

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

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

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

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

12. Estimates

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

13. Pensions

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

14. Other Postemployment Benefits

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

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

15. Reclassifications

Certain prior year amounts have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that the Department's deposits may not be returned in the event of a bank failure. The Department's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of December 31, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets nondepreciable:				
Construction in progress	\$ 5,276,652	\$ 353,815	\$ -	\$ 5,630,467
Capital assets being depreciated:				
Buildings and improvements	1,272,745	-	-	1,272,745
Furniture and equipment	1,110,937	76,424	-	1,187,361
Vehicles	2,167,317	-	-	2,167,317
Total capital assets being depreciated	4,550,999	76,424	-	4,627,423
Less accumulated depreciation for:				
Buildings and improvements	(1,045,680)	(12,623)	-	(1,058,303)
Furniture and equipment	(791,369)	(47,218)	-	(838,587)
Vehicles	(792,816)	(129,713)	-	(922,529)
Total accumulated depreciation	(2,629,865)	(189,554)	-	(2,819,419)
Capital assets being depreciated, net	1,921,134	(113,130)	-	1,808,004
Governmental Activities Capital Assets, Net	\$ 7,197,786	\$ 240,685	\$ -	\$ 7,438,471

Construction in progress at year end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Total In Progress</u>	<u>Remaining Commitment</u>
Fire Station Additions and Renovations	\$ 5,900,312	\$ 5,478,187	\$ 422,124
Ambulances	424,720	152,280	272,440
	<u>\$ 6,325,032</u>	<u>\$ 5,630,467</u>	<u>\$ 694,565</u>

C. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 463,933	\$ 451,449	\$ 350,124	\$ 565,258	\$ 508,732
Total OPEB liability	202,559	15,063	-	217,622	-
Total Governmental Activities	\$ 666,492	\$ 466,512	\$ 350,124	\$ 782,880	\$ 508,732
Long-term liabilities due in more than one year				\$ 274,148	

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

D. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2022 is as follows:

Due to	Due from	Amounts
Capital Replacement Fund	General Fund	\$ 36
Facility Fund	General Fund	1
		\$ 37

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

E. Interfund Transfers

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

Transfer Out	Transfer In	Amounts
Ambulance Billing Fund	General Fund	\$ 150,000

The ambulance billing fund made a transfer to the general fund for ambulance revenue being retained by the Department.

IV. OTHER INFORMATION

A. Interlocal Agreement Between the Participating Cities

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

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

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

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

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

B. Agreement with the City of Houston

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

C. Charges for Fuel

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

D. Special Revenue Fund – Ambulance Billing

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

An eight percent fee is paid to the contractor that issues the billings and collects the payments for the Department. The service fee is considered to be an obligation of the Participating Cities and is paid from the funds collected on their behalf. The net fees are paid pro-rata to each of the Participating Cities based upon each City's percentage of the Department budget. The Department may retain fees if approved by the Participating Cities.

Each Participating City approved a resolution that allowed the Department to retain current year collections to cover expenses incurred in the facility fund as a result of the fire station renovation. Because of this resolution, no remittances to the Participating Cities were made in fiscal year 2022.

E. Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Department periodically assesses the proper insurance and retention of risk to cover losses to which it may be exposed.

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

F. Contingent Liabilities

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

G. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The Department participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the “Board”); however, TMRS does not receive any funding from the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

Benefits Provided

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

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

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

	<u>2022</u>	<u>2021</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (Department to employee)	2 to 1	1.5 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

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

Contributions

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

Employees for the Department were required to contribute 7.00 percent of their annual gross earnings during the fiscal year. The contribution rates for the Department were 7.21 percent and 6.70 percent in calendar years 2021 and 2022, respectively. The Department’s contributions to TMRS for the calendar year ended December 31, 2022 were \$319,214 which were equal to the required contributions.

Net Pension Liability/(Asset)

The Department’s Net Pension Liability (Asset) (NPL/(A)) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Market	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

Discount Rate

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

Changes in the NPL/(A)

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Changes for the year:			
Service cost	\$ 559,081	\$ -	\$ 559,081
Interest	1,378,256	-	1,378,256
Changes in current period benefits	-	-	-
Difference between expected and actual experience	76,251	-	76,251
Changes in assumptions	-	-	-
Contributions - employer	-	322,412	(322,412)
Contributions - employee	-	319,214	(319,214)
Net investment income	-	2,707,070	(2,707,070)
Benefit payments, including refunds of employee contributions	(922,540)	(922,540)	-
Administrative expense	-	(12,546)	12,546
Other changes	-	87	(87)
Net Changes	1,091,048	2,413,697	(1,322,649)
Balance at December 31, 2020	20,600,339	20,799,073	(198,734)
Balance at December 31, 2021	\$ 21,691,387	\$ 23,212,770	\$ (1,521,383)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Department's Net Pension Liability/(Asset)	\$ 1,231,730	\$ (1,521,383)	\$ (3,818,686)

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended December 31, 2022, the Department recognized pension income of \$288,642.

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

At December 31, 2022, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 99,297	\$ 35,045
Changes in actuarial assumptions	-	45,604
Net difference between projected and actual investment earnings	-	1,390,896
Contributions subsequent to the measurement date	335,188	-
Total	\$ 434,485	\$ 1,471,545

\$335,188 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the NPL/(A) for the fiscal year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Calendar Year Ended December 31	Pension Expense
2023	\$ (230,734)
2024	(599,868)
2025	(295,052)
2026	(250,768)
2027	4,174
Thereafter	-
Total	\$ (1,372,248)

2. Deferred Compensation Plan

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

3. Village Fire Department Cafeteria Plan

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

H. Other Postemployment Benefits

TMRS Supplemental Death Benefits

Plan Description

The Department participates in a defined benefit OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees.

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

Benefits

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

Participation in the SDBF as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees	47
Total	82

Total OPEB Liability

The Department's total OPEB liability of \$217,622 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	1.84%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Changes for the year:	
Service cost	\$ 6,384
Interest	4,088
Difference between expected and actual experience	342
Changes of assumptions	6,985
Benefit payments	(2,736)
Net Changes	15,063
Balance at December 31, 2020	202,559
Balance at December 31, 2021	\$ 217,622

The discount rate decreased from 2.00% as of December 31, 2020 to 1.84% as of December 21, 2021. There were no other changes of assumption or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

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

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

	1% Decrease (0.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
Department's Total OPEB Liability	\$ 269,319	\$ 217,622	\$ 178,230

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

For the year ended December 31, 2022, the Department recognized OPEB expense of \$17,703.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 295	\$ 7,573
Changes in actuarial assumptions	50,318	5,480
Contributions subsequent to the measurement date	3,581	-
Total	\$ 54,194	\$ 13,053

\$3,581 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending December 31, 2023. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Calendar Year Ended December 31	OPEB Expense
2023	\$ 7,231
2024	7,231
2025	7,231
2026	5,959
2027	6,712
Thereafter	3,196
Total	\$ 37,560

I. Concentrations and Economic Dependency

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

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

VILLAGE FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2022

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

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

J. Prior Period Adjustment

Beginning net position was restated to account for the Department's insurance cooperative custodial fund as follows:

	Custodial Fund
Beginning net position	\$ -
Custodial fund adjustment	40,396
Restated beginning net position	\$ 40,396

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REQUIRED SUPPLEMENTARY INFORMATION

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VILLAGE FIRE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND

For the Year Ended December 31, 2022

	Original Budget Amounts	Final Budget Amounts	Budget Basis Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Participant assessments	\$ 7,273,447	\$ 7,910,383	\$ 7,910,383 (1) \$	-
Interest	-	-	3,254	3,254
Other	-	-	4,511	4,511
Total Revenues	7,273,447	7,910,383	7,918,148	7,765
Expenditures				
Personnel	6,217,421	6,693,220	6,742,766	(49,546)
Operational	825,626	865,941	1,201,735	(335,794)
Operational (offset to charges for fuel)	-	-	(247,835)	247,835
Capital outlay	230,400	380,400	159,620	220,780
Total Expenditures	7,273,447	7,939,561	7,856,286	83,275
Revenues Over (Under) Expenditures	-	(29,178)	61,862	91,040
Other Financing Sources (Uses)				
Transfers in	-	150,000	150,000	-
Total Other Financing Sources	-	150,000	150,000	-
Net Change in Fund Balance	\$ -	\$ 120,822	211,862	\$ 91,040
Beginning fund balance			(120,822)	
		Ending Fund Balance	\$ 91,040 (2)	
(1) General operations	\$ 7,910,383			
Capital replacement	180,000			
Total Assessments	\$ 8,090,383			

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

VILLAGE FIRE DEPARTMENT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended December 31, 2022

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

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

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

VILLAGE FIRE DEPARTMENT
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended December 31, 2022

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

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

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

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

3. Other Information:

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

Fiscal Year*				
2018	2019	2020	2021	2022
\$ 228,109	\$ 252,456	\$ 271,416	\$ 322,442	\$ 335,188
<u>228,109</u>	<u>252,456</u>	<u>271,416</u>	<u>322,442</u>	<u>335,188</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,628,278	\$ 4,145,562	\$ 4,308,190	\$ 4,548,541	\$ 5,117,374
6.29%	6.09%	6.30%	7.09%	6.55%

VILLAGE FIRE DEPARTMENT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended December 31, 2022

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

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

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

Notes to Required Supplementary Information:

1.) Valuation Date:

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

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

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50 to 11.50% including inflation
Discount rate	1.84%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3.) Other Information:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Meas. Year*	
2021	
\$	6,384
	4,088
	342
	6,985
	(2,736)
	<u>15,063</u>
	<u>202,559</u>
\$	<u>217,622</u>
\$	4,560,202
	4.77%

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SUPPLEMENTARY INFORMATION

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VILLAGE FIRE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL REPLACEMENT FUND
For the Year Ended December 31, 2022

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Participant assessments	\$ 180,000	\$ 180,000 (1)	\$ 180,000	\$ -
Interest	-	1,654	1,654	-
Total Revenues	180,000	181,654	181,654	-
Expenditures				
Capital outlay	370,940	370,940 (2)	152,280	218,660
Total Expenditures	370,940	370,940	152,280	218,660
Net Change in Fund Balance	\$ (190,940)	\$ (189,286)	29,374	\$ 218,660
Beginning fund balance			190,940	
		Ending Fund Balance	\$ 220,314	
General operations	\$ 7,910,383			
(1) Capital replacement	180,000			
Total Assessments	\$ 8,090,383			

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

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VILLAGE FIRE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FACILITY FUND

For the Year Ended December 31, 2022

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Interest	\$ -	\$ 2,052	\$ 2,052	\$ -
Total Revenues	-	2,052	2,052	-
Expenditures				
Capital outlay	253,474	255,526	222,520	33,006
Total Expenditures	253,474	255,526	222,520	33,006
Net Change in Fund Balance	\$ (253,474)	\$ (253,474)	(220,468)	\$ 33,006
Beginning fund balance			253,474	
		Ending Fund Balance	\$ 33,006	
General operations	\$ 7,910,383			
Capital replacement	180,000			
Total Assessments	\$ 8,090,383			

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

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