

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2013

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Emergency
Services District No. 9
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of Harris County Emergency Services District No. 9 (the "District"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by Harris County on pages 27 through 30 and the other supplementary information on pages 32 through 37 are presented for purposes of additional analysis and are not a required part 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

May 22, 2014

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2013

Management's discussion and analysis of Harris County Emergency Services District No. 9's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the District's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance. This report also includes other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Position. This information is found in the Statement of Net Position column on page 8. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of Statement of Activities on page 10 reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, property tax and sales tax revenues, costs of assessing and collecting taxes and general expenditures.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position on page 9, and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities on page 11 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to financial statements can be found on pages 12 through 23 in this report.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$46,723,134 as of December 31, 2013.

A portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings, furniture and equipment, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide additional vehicles, equipment and facilities to its service provider.

The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2013	2012	Change Positive (Negative)
Current and Other Assets	\$ 47,075,297	\$ 37,881,835	\$ 9,193,462
Capital Assets (Net of Accumulated Depreciation)	27,945,892	22,265,557	5,680,335
Total Assets	\$ 75,021,189	\$ 60,147,392	\$ 14,873,797
Long-Term Liabilities	\$ 10,359,976	\$ 4,071,276	\$ (6,288,700)
Other Liabilities	1,128,127	83,106	(1,045,021)
Total Liabilities	\$ 11,488,103	\$ 4,154,382	\$ (7,333,721)
Deferred Inflows of Resources	\$ 16,809,952	\$ 15,941,215	\$ (868,737)
Net Position:			
Net Investment in Capital Assets	\$ 16,457,789	\$ 21,591,185	\$ (5,133,396)
Restricted	5,250,000	750,000	4,500,000
Unrestricted	25,015,345	17,710,610	7,304,735
Total Net Position	\$ 46,723,134	\$ 40,051,795	\$ 6,671,339

The following table provides a summary of the District's operations for the years ended December 31, 2013, and December 31, 2012. During the current fiscal year, the District's net position increased by \$6,671,339, accounting for a 16.7% growth in net position.

	Summary of Changes in the Statement of Activities		
	2013	2012	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 15,898,803	\$ 15,412,196	\$ 486,607
Charges for Services	5,830,113	5,537,860	292,253
Sales Tax Revenues	4,300,070		4,300,070
Other Revenues	307,180	267,699	39,481
Total Revenues	\$ 26,336,166	\$ 21,217,755	\$ 5,118,411
Expenses for Services	(19,664,827)	(20,586,225)	921,398
Change in Net Position	\$ 6,671,339	\$ 631,530	\$ 6,039,809
Net Position, Beginning of Year	40,051,795	39,420,265	631,530
Net Position, End of Year	\$ 46,723,134	\$ 40,051,795	\$ 6,671,339

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2013, was \$29,688,712, an increase of \$8,357,231 from the prior year. This increase was primarily due to an increase in property tax, sales tax collections, EMS collections and proceeds from the capital lease.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissions did not amend the budget during current fiscal year. Actual revenues were \$6,580,496 more than budgeted revenues primarily due to higher property tax, sales tax collections and EMS collections. Actual expenditures were \$6,057,250 more than budgeted expenditures. In addition, the District received \$7,500,000 of capital lease proceeds that were unbudgeted. See page 25 for budget and actual comparison.

CAPITAL ASSETS

Capital assets as of December 31, 2013, amounts to \$27,945,892 (net of accumulated depreciation). and include land, buildings, furniture and equipment.

Significant capital asset events during the current fiscal year included the following:

Completed Projects:	
Monument Sign	\$ 9,330
3 2013 Ford F650 AEV Type I Ambulances	<u>822,950</u>
Total Completed Projects	<u>\$ 832,280</u>
Construction in Progress:	
VisiCad DOLF	\$ 342,030
Station Reno Master Plan	3,073,366
Motorola Communication Equipment	3,000,000
Computer Equipment	311,625
New Dispatch System	<u>524,342</u>
Total Construction in Progress	<u>\$ 7,251,363</u>

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CAPITAL ASSETS (Continued)

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2013	2012	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,467,017	\$ 1,467,017	\$
Construction in Progress	7,251,363	1,252,630	5,998,733
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	10,881,917	11,212,386	(330,469)
Furniture and Equipment	8,345,595	8,333,524	12,071
Total Net Capital Assets	<u>\$ 27,945,892</u>	<u>\$ 22,265,557</u>	<u>\$ 5,680,335</u>

Additional information on the District's capital assets can be found in Note 5 of this report.

LONG-TERM DEBT ACTIVITY

The changes in the debt position of the District during the fiscal year ended December 31, 2013, are summarized as follows:

Note Payable, January 1, 2013	\$ 4,146,206
Less: Note Principal Paid	<u>158,103</u>
Note Payable, December 31, 2013	<u>\$ 3,988,103</u>
Capital Lease Payable, January 1, 2013	\$ -0-
Add: Capital Lease Proceeds	<u>7,500,000</u>
Capital Lease Payable, December 31, 2013	<u>\$ 7,500,000</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 9, c/o Coveler & Katz, P.C., Two Memorial City Plaza, 820 Gessner, Suite 1710, Houston, TX 77024-8261.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2013

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash, Note 4	\$ 12,374,538	\$	\$ 12,374,538
Investments, Note 4	14,760,402		14,760,402
Cash With Harris County	2,246,202		2,246,202
Receivables:			
Property Taxes	11,810,882		11,810,882
Penalty and Interest on Delinquent Property Taxes	227,414		227,414
Sales Tax Receipts, Note 11	3,201,791		3,201,791
Accrued Interest	11,763		11,763
Loan Proceeds Due from Bank	996,132		996,132
Prepaid Costs, Note 6	1,446,173		1,446,173
Land, Note 5		1,467,017	1,467,017
Construction in Progress, Note 5		7,251,363	7,251,363
Capital Assets (Net of Accumulated Depreciation), Note 5		19,227,512	19,227,512
TOTAL ASSETS	<u>\$ 47,075,297</u>	<u>\$ 27,945,892</u>	<u>\$ 75,021,189</u>
LIABILITIES			
Long-Term Debt Payable:			
Due Within One Year	\$	\$ 1,128,127	\$ 1,128,127
Due After One Year		10,359,976	10,359,976
TOTAL LIABILITIES	<u>\$ -0-</u>	<u>\$ 11,488,103</u>	<u>\$ 11,488,103</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 17,159,171	\$ (349,219)	\$ 16,809,952
Penalty and Interest on Delinquent Property Taxes	227,414	(227,414)	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 17,386,585</u>	<u>\$ (576,633)</u>	<u>\$ 16,809,952</u>
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 1,446,173	\$ (1,446,173)	\$
Restricted, Note 4	5,250,000	(5,250,000)	
Unassigned	22,992,539	(22,992,539)	
TOTAL FUND BALANCE	<u>\$ 29,688,712</u>	<u>\$ (29,688,712)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 47,075,297</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 16,457,789	\$ 16,457,789
Restricted		5,250,000	5,250,000
Unrestricted		25,015,345	25,015,345
TOTAL NET POSITION		<u>\$ 46,723,134</u>	<u>\$ 46,723,134</u>

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Total Fund Balance - Governmental Fund	\$	29,688,712
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		27,945,892
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Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2012 and prior tax levies became part of recognized revenues in the governmental activities of the District.		576,633
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Payable Within One Year	\$ (1,128,127)	
Payable After One Year	<u>(10,359,976)</u>	<u>(11,488,103)</u>
Total Net Postion - Governmental Activities		<u>\$ 46,723,134</u>

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 15,916,796	\$ (17,993)	\$ 15,898,803
EMS Collections/Dispatch Fees, Note 6	5,830,113		5,830,113
Sales Tax Revenues, Note 11	4,300,070		4,300,070
Penalty and Interest	245,130	(6,337)	238,793
Investment Revenues	39,741		39,741
Sale of VFD Assets	25,209		25,209
Miscellaneous Revenues	3,437		3,437
TOTAL REVENUES	\$ 26,360,496	\$ (24,330)	\$ 26,336,166
EXPENDITURES/EXPENSES			
Service Operations:			
District Services - Cy-Fair Volunteer			
Fire Department, Note 6	\$ 17,308,207	\$	\$ 17,308,207
Salaries and Benefits	196,657		196,657
Accounting and Auditing	48,900		48,900
Appraisal District Fees	127,787		127,787
Commissioner Fees	13,900		13,900
Legal Fees - General	136,030		136,030
Legal Fees - Delinquent Tax Collections	51,118		51,118
Tax Assessor/Collector Fees	153,573		153,573
Security	75,543		75,543
Utilities	5,734		5,734
Repairs and Maintenance	1,143		1,143
Depreciation, Note 5		1,150,678	1,150,678
Other	214,584		214,584
Capital Outlay	6,969,588	(6,831,013)	138,575
Debt Service:			
Note Principal	158,103	(158,103)	
Note Interest	42,398		42,398
TOTAL EXPENDITURES/EXPENSES	\$ 25,503,265	\$ (5,838,438)	\$ 19,664,827
EXCESS (DEFICIENCY) OF REVENUES OVER			
EXPENDITURES/EXPENSES	\$ 857,231	\$ 5,814,108	\$ 6,671,339
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds, Note 12	\$ 7,500,000	\$ (7,500,000)	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 8,357,231	\$ (8,357,231)	\$
CHANGE IN NET POSITION		6,671,339	6,671,339
FUND BALANCE/NET POSITION -			
JANUARY 1, 2013	21,331,481	18,720,314	40,051,795
FUND BALANCE/NET POSITION -			
DECEMBER 31, 2013	\$ 29,688,712	\$ 17,034,422	\$ 46,723,134

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

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net Change in Fund Balance - Governmental Fund	\$ 8,357,231
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are levied.	(17,993)
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenues are recorded when the penalty and interest are assessed.	(6,337)
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,150,678)
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Governmental funds report capital asset cost as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital assets purchased are expensed in the Statement of Activities.	6,831,013
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Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	158,103
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Change in Net Position - Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 0;">\$ 6,671,339</div>
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The accompanying notes to financial
statements are an integral part of this report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. CREATION OF DISTRICT

Harris County Rural Fire Prevention District No. 9 (the "District"), was created by an order of the Commissioners Court of Harris County, Texas, on November 14, 1983, and began activity in 1984. At an election held February 12, 1994, the District was converted into Harris County Emergency Services District No. 9, a district operating under Chapter 775 of the Health and Safety Code. The District is empowered to provide fire protection, ambulance and rescue services to the persons in its boundaries which will be conducive to their public safety, health, welfare and convenience.

The District is governed by a Board of Commissioners consisting of five individuals residing within the District who are elected by voters within the District. The Board of Commissioners sets the policies of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has one governmental fund; therefore, this fund is considered to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax and sales tax revenues, costs of assessing and collecting taxes and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include the 2012 tax levy collections during the period October 1, 2012, to December 31, 2013, and taxes collected from January 1, 2013, to December 31, 2013, for all prior tax levies. The 2013 tax levy has been fully deferred to fund 2014 costs.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are capitalized if they have an individual cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings and Improvements	40
Furniture and Equipment	5-20
Vehicles	7-15

Budgeting

In compliance with governmental accounting principles, the Board of Commissioners annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

Payments are made into the social security medicare system for employees. The Internal Revenue Service has determined that fees of office received by Commissioners are considered to be wages subject to federal income tax withholding for payroll tax purposes only. See Note 8 for the District's pension plan.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through May 22, 2014, which is the date these statements were available to be issued.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. TAX LEVY

On February 12, 1994, voters of the District approved a maximum tax rate of \$0.06 per \$100 of assessed valuation on all taxable property within the District. During the year ended December 31, 2013, the District levied an ad valorem tax at the rate of \$0.06 per \$100 of assessed valuation, which resulted in a tax levy of \$16,809,952 on the adjusted taxable valuation of \$28,015,671,285 for the 2013 tax year.

The District's tax calendar is as follows:

- Levy Date - Before the later of September 30 or the 60th day after receipt of the certified tax roll.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$13,124,538 and the bank balance was \$13,910,473. Of the bank balance, \$1,604,300 was covered by federal depository insurance and the balance was covered by the pledge of securities held in safekeeping by a third-party institution in the District's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2013, as listed below:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	<u>\$ 12,374,538</u>	<u>\$ 750,000</u>	<u>\$ 13,124,538</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

All investments are recorded at cost, which the District considers to be fair value. The District invests in TexPool and TexStar, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. First Southwest Asset Management, Inc. manages the daily operations of TexStar. The fair value of the District's position in each pool is the same as the value of pool shares.

As of December 31, 2013, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 4,008,388	\$ 4,008,388	\$	\$	\$
TexStar	2,502,183	2,502,183			
Certificates of Deposit	750,000	750,000			
Money Market Mutual Fund	4,500,000	4,500,000			
Treasury Bill	2,999,831	2,999,831			
TOTAL INVESTMENTS	\$ 14,760,402	\$ 14,760,402	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2013, the District's investments in TexPool and TexStar were rated "AAAm" by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexStar to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

A certificate of deposit in the amount of \$750,000 has been pledged to secure repayment of a note. See Note 7. In addition, \$4,500,000 is restricted for the completion of the Motorola Communication Equipment.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5. CAPITAL ASSETS

	January 1, 2013	Increases	Decreases	December 31, 2013
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,467,017	\$	\$	\$ 1,467,017
Construction in Progress	<u>1,252,630</u>	<u>6,831,013</u>	<u>832,280</u>	<u>7,251,363</u>
Total Capital Assets Not Being Depreciated	<u>\$ 2,719,647</u>	<u>\$ 6,831,013</u>	<u>\$ 832,280</u>	<u>\$ 8,718,380</u>
Capital Assets Subject to Depreciation				
Building and Improvements	\$ 13,579,808	\$ 9,330	\$	\$ 13,589,138
Furniture and Equipment	<u>12,187,164</u>	<u>822,950</u>	<u></u>	<u>13,010,114</u>
Total Capital Assets Subject to Depreciation	<u>\$ 25,766,972</u>	<u>\$ 832,280</u>	<u>\$ - 0 -</u>	<u>\$ 26,599,252</u>
Less Accumulated Depreciation				
Building and Improvements	\$ 2,367,422	\$ 339,799	\$	\$ 2,707,221
Furniture and Equipment	<u>3,853,640</u>	<u>810,879</u>	<u></u>	<u>4,664,519</u>
Total Accumulated Depreciation	<u>\$ 6,221,062</u>	<u>\$ 1,150,678</u>	<u>\$ - 0 -</u>	<u>\$ 7,371,740</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,545,910</u>	<u>\$ (318,398)</u>	<u>\$ - 0 -</u>	<u>\$ 19,227,512</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,265,557</u>	<u>\$ 6,512,615</u>	<u>\$ 832,280</u>	<u>\$ 27,945,892</u>

NOTE 6. CONTRACT FOR FIRE PROTECTION AND RESCUE SERVICES

The District contracts with Cy-Fair Volunteer Fire Department ("Cy-Fair") to provide fire prevention, ambulance and rescue services to the persons and commercial interests within the District. The District has a three-year contract with Cy-Fair, effective January 1, 2012. The contract was amended on November 21, 2013, and extended the term from January 1, 2015 through December 31, 2017. The contract can be terminated before the expiration date by mutual agreement. The District has the right to set the monthly monetary amount that will be invoiced to the District by Cy-Fair. In no event has the District agreed to remit more funds to Cy-Fair than it received from its tax collections less administrative costs. Expenditures during the current fiscal year were utilized by Cy-Fair as follows:

Operations	\$ 16,909,069
Capital Outlay	<u>399,138</u>
	<u>\$ 17,308,207</u>

In 2013, the District also advanced \$1,446,173 to Cy-Fair, which Cy-Fair will apply toward 2014 operations. The amount has been recorded as a prepaid costs in the District's financial statements.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6. CONTRACT FOR FIRE PROTECTION AND RESCUE SERVICES
(Continued)

Cy-Fair bills for ambulance service when service is provided. The District records the revenue when it is received from Cy-Fair. During the current fiscal year, the District recorded ambulance service revenues of \$5,830,113.

NOTE 7. NOTES PAYABLE

On July 19, 2012, the District entered into a secured promissory note with Amegy Bank, N.A. to finance the renovation of its 911 emergency dispatch center and the purchase of dispatch equipment in the amount of \$749,302 at an interest rate of 2.20%. The note is due and payable in semi-annual installments of principal in the amount of \$74,930 per semi-annual period, plus accrued interest, payable beginning January 19, 2013, and July 19, 2013, respectively. The final payment date is July 19, 2017. The note is secured by the pledge of a \$750,000 certificate of deposit.

On December 31, 2012, the District entered into a promissory note with Houston Community Bank, N.A. to finance building renovations in the amount of \$3,471,834 at an interest rate of 3.28%. The District will make draws against the note, as needed, during construction. Interest is due and payable on the principal balance every month thereafter prior to and on the completion date. After the completion date, interest will be due in semi-annual payments beginning 20 months from the date thereof and every six months thereafter prior to the maturity date. Annual principal payments of \$347,184 will be due beginning 12 months after the completion date until the note is paid in full. The following is a summary of transactions regarding note payable for the year ended December 31, 2013:

Notes Payable, January 1, 2013	\$ 4,146,206
Less: Notes Principal Paid	<u>158,103</u>
Notes Payable, December 31, 2013	<u>\$ 3,988,103</u>
Notes Payable Due Within One Year	\$ 497,044
Notes Payable Due After One Year	<u>3,491,059</u>
Notes Payable, December 31, 2013	<u>\$ 3,988,103</u>

As of December 31, 2013, debt service requirements on the note are as follows:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 7. NOTES PAYABLE (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 497,044	\$ 124,411	\$ 621,455
2015	497,044	109,726	606,770
2016	497,044	95,041	592,085
2017	413,871	80,447	494,318
2018	347,184	68,326	415,510
2019-2023	1,735,916	170,814	1,906,730
	<u>\$ 3,988,103</u>	<u>\$ 648,765</u>	<u>\$ 4,636,868</u>

NOTE 8. PENSION PLAN

Effective October 26, 2000, the District adopted a simplified employee pension plan which benefits all of the District's employees. During the current year, the District did not make a contribution to the plan.

NOTE 9. INTERLOCAL AGREEMENTS

On January 24, 2002, the District entered into an Interlocal Agreement for Construction and Use of Emergency Services Facilities (the "Agreement") with North Harris Montgomery Community College District, now known as Lone Star College System (the "College"), to provide training to firefighter, emergency medical service personnel and other providers of emergency services.

Under the terms of the Agreement, the College has agreed to lease the District a five-acre tract of land on which the District constructed a fire station on behalf of Cy-Fair and a fire and emergency training center to be utilized by the College. On February 7, 2008, the lease was amended to expand the use of land to approximately eight acres. The property and the facilities will be provided to the parties at no cost. The College is responsible for all costs of operation and maintenance of the facility. The College and the District entered into an annual training agreement regarding education and use of the facilities for training. The initial term of the training agreement is five years, beginning on the first day of the month of occupancy by the College. The training agreement automatically renews for successive five year periods unless notice is given by either party. In the event of termination of the training agreement, the District has the option of removing the emergency training center or selling the facility to the College at the then fair market value.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 11. SALES AND USE TAX

In accordance with Chapter 775 of the Health and Safety Code, the District is authorized to adopt and impose a sales and use tax if authorized by a majority of the qualified voters of the District. The election to adopt a sales and use tax is governed by the provisions of Subchapter E, Chapter 323 of the Tax Code.

The voters of the District approved the establishment and adoption of a sales and use tax of up to a maximum of one percent. The Board set a local sales and use tax of one percent on all applicable sales and uses within the boundaries of the District, excluding any territory in the District where sales and use tax is currently two percent. The sales tax became effective on October 1, 2013. During the year ended December 31, 2013, the District recorded \$4,300,070 in sales tax revenues, of which \$3,201,791 was recorded as a receivable.

NOTE 12. EQUIPMENT LEASE-PURCHASE AGREEMENT

Commencing on October 1, 2013, the District entered into an Equipment Lease-Purchase Agreement with Motorola Solutions, Inc. The District agrees to lease certain equipment as described in the Agreement in the amount of \$7,500,000 at an annual interest rate of 3.78%. The District agrees to make 10 annual principal and interest payments totaling \$914,582 beginning on October 1, 2014.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 631,083	\$ 283,499	\$ 914,582
2015	654,938	259,644	914,582
2016	679,695	234,887	914,582
2017	705,387	209,195	914,582
2018	732,051	182,531	914,582
2019-2023	4,096,846	476,064	4,572,910
	<u>\$ 7,500,000</u>	<u>\$ 1,645,820</u>	<u>\$ 9,145,820</u>
Capital Lease Payable, January 1, 2013		\$ - 0 -	
Add: Capital Lease Proceeds		<u>7,500,000</u>	
Capital Lease Payable, December 31, 2013		<u>\$ 7,500,000</u>	
Capital Lease Payable Due Within One Year		\$ 631,083	
Capital Lease Payable Due After One Year		<u>6,868,917</u>	
Capital Lease Payable, December 31, 2013		<u>\$ 7,500,000</u>	

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 14,700,000	\$ 15,916,796	\$ 1,216,796
EMS Collections/Dispatch Fees	5,020,000	5,830,113	810,113
Sales Tax Revenues		4,300,070	4,300,070
Penalty and Interest		245,130	245,130
Investment Revenues	60,000	39,741	(20,259)
Sale of Assets		25,209	25,209
Miscellaneous Revenues		3,437	3,437
TOTAL REVENUES	<u>\$ 19,780,000</u>	<u>\$ 26,360,496</u>	<u>\$ 6,580,496</u>
EXPENDITURES			
Services Operations:			
District Services - Cy-Fair Volunteer			
Fire Department	\$ 18,039,015	\$ 17,308,207	\$ 730,808
Salaries and Benefits	208,000	196,657	11,343
Accounting and Auditing	53,000	48,900	4,100
Appraisal District Fees	140,000	127,787	12,213
Commissioner Fees	15,000	13,900	1,100
Legal Fees - General	190,000	136,030	53,970
Legal Fees - Delinquent Tax Collections		51,118	(51,118)
Tax Assessor/Collector Fees		153,573	(153,573)
Security	75,000	75,543	(543)
Utilities	6,000	5,734	266
Repairs and Maintenance		1,143	(1,143)
Other	185,000	214,584	(29,584)
Capital Outlay		6,969,588	(6,969,588)
Debt Service:			
Note Principal	535,000	158,103	376,897
Note Interest		42,398	(42,398)
TOTAL EXPENDITURES	<u>\$ 19,446,015</u>	<u>\$ 25,503,265</u>	<u>\$ (6,057,250)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 333,985</u>	<u>\$ 857,231</u>	<u>\$ 523,246</u>
OTHER FINANCING SOURCES(USES)			
Capital Lease Proceeds	<u>\$ -0-</u>	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>
NET CHANGE IN FUND BALANCE	\$ 333,985	\$ 8,357,231	\$ 8,023,246
FUND BALANCE - JANUARY 1, 2013	<u>21,331,481</u>	<u>21,331,481</u>	
FUND BALANCE - DECEMBER 31, 2013	<u>\$ 21,665,466</u>	<u>\$ 29,688,712</u>	<u>\$ 8,023,246</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2013

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2013
(UNAUDITED)

Long-Term Debt at December 31, 2013	\$ 11,488,103
Less: Amount in Debt Service Fund	<u>-0-</u>
Net Long-Term Debt at December 31, 2013	<u>\$ 11,488,103</u>
Estimated District Population	<u>422,386</u>
Net Long-Term Debt Per Capita at December 31, 2013	<u>\$ 27.20</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
LISTING OF THE NUMBER OF EMERGENCY RESPONSES
MADE WITHIN AND OUTSIDE THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

	<u>Total</u>
Number of Emergency Responses Made Within the District	22,958
Number of Emergency Responses Made Outside the District	<u>138</u>
Total Emergency Responses	<u>23,096</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2013

Type of Coverage	From To	Amount of Coverage	Insurer/Name
PUBLIC OFFICIAL BOND Treasurer	02/25/13 02/25/15	\$ 100,000	Hartford Casualty Insurance Company
PUBLIC EMPLOYEE BLANKET CRIME BOND Limit	4/15/13 4/15/14	\$ 100,000	American Alternative Insurance Corporation
GENERAL LIABILITY General Aggregate Products/Completed Operations Personal and Advertising Injury Per Occurrence Damage to Rented Premises Medical Expense (Any one person)	4/15/13 4/15/14	\$ 3,000,000 3,000,000 1,000,000 1,000,000 1,000,000 5,000	American Alternative Insurance Corporation
UMBRELLA LIABILITY General Aggregate Each Occurrence	4/15/13 4/15/14	\$ 20,000,000 10,000,000	American Alternative Insurance Corporation
MANAGEMENT LIABILITY Each Wrongful Act Aggregate	4/15/13 4/15/14	\$ 1,000,000 3,000,000	American Alternative Insurance Corporation
AUTOMOBILE LIABILITY Combined Single Limit	4/15/13 4/15/14	\$ 1,000,000	American Alternative Insurance Corporation
PROPERTY Buildings Contents Policy Deductible Flood Deductible	4/15/13 4/15/14	\$ 14,208,048 4,953,067 5,000 1,000	American Alternative Insurance Corporation
WORKERS COMPENSATION Each Accident Disease Each Employee Disease Policy Limit	5/24/13 5/24/14	\$ 1,000,000 1,000,000 1,000,000	Texas Mutual Insurance Company

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
STATEMENT OF ACTIVITIES
CY-FAIR VOLUNTEER FIRE DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2013
(UNAUDITED)

REVENUE AND SUPPORT:	
Contract Harris County Emergency Services District No. 9	\$ 17,269,766
Contributions	<u>90,271</u>
TOTAL REVENUE AND SUPPORT	<u>\$ 17,360,037</u>
EXPENSES:	
Administrative	\$ 1,800,014
Computer System	710,932
Dispatching	1,640,434
Emergency Medical	6,756,959
Fire Chief - Operations	5,522,018
Fire Marshall	10,322
Safety	85,408
Training	279,371
Public Relations	14,209
Vehicle Maintenance	<u>1,093,868</u>
TOTAL EXPENSES	<u>\$ 17,913,535</u>
OTHER INCOME (EXPENSES):	
Net Investment Income	\$ 1,915
Other Income	<u>140,601</u>
TOTAL OTHER INCOME (EXPENSES)	<u>\$ 142,516</u>
CHANGE IN NET ASSETS	\$ (410,982)
NET ASSETS – JANUARY 1, 2013	<u>7,689,215</u>
NET ASSETS – DECEMBER 31, 2013	<u>\$ 7,278,233</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Property Taxes</u>	
TAXES RECEIVABLE -		
JANUARY 1, 2013	\$ 10,125,378	
Adjustments to Beginning Balance	<u>(42,413)</u>	\$ 10,082,965
Original 2013 Tax Levy	\$ 15,469,303	
Adjustment to 2013 Tax Levy	<u>1,340,649</u>	<u>16,809,952</u>
TOTAL TO BE ACCOUNTED FOR		\$ 26,892,917
TAX COLLECTIONS:		
Prior Years	\$ 9,733,746	
Current Year	<u>5,348,289</u>	<u>15,082,035</u>
TAXES RECEIVABLE -		
DECEMBER 31, 2013		<u>\$ 11,810,882</u>
TAXES RECEIVABLE BY YEAR:		
2013		\$ 11,461,663
2012		88,912
2011		48,467
2010		34,461
2009		32,189
2008		28,540
2007		22,674
2006		23,644
2005		17,637
2004		19,242
2003		18,203
2002		4,960
2001		1,568
2000		1,714
1999		1,051
1998		927
1997		809
1996		990
1995		996
1994		978
1993		508
1992		<u>749</u>
TOTAL		<u>\$ 11,810,882</u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
PROPERTY				
VALUATIONS	<u>\$ 28,015,671,285</u>	<u>\$ 26,569,018,530</u>	<u>\$ 25,759,660,045</u>	<u>\$ 25,346,720,276</u>
TOTAL TAX RATES				
PER \$100 VALUATION	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>
ADJUSTED TAX LEVY*	<u>\$ 16,809,952</u>	<u>\$ 15,941,215</u>	<u>\$ 15,454,686</u>	<u>\$ 15,208,053</u>
PERCENTAGE OF TAXES				
COLLECTED TO TAXES				
LEVIED	<u>31.82 %</u>	<u>99.44 %</u>	<u>99.69 %</u>	<u>99.77 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2013	2012	2011
REVENUES			
Property Taxes	\$ 15,916,796	\$ 15,407,781	\$ 15,219,815
EMS Collections/Dispatch Fees	5,830,113	5,537,860	4,366,066
Sales Tax Revenues	4,300,070		
Penalty and Interest	245,130	206,363	237,752
Investment Revenues	39,741	44,863	47,033
Miscellaneous Revenues	28,646	51,877	
TOTAL REVENUES	<u>\$ 26,360,496</u>	<u>\$ 21,248,744</u>	<u>\$ 19,870,666</u>
EXPENDITURES			
Service Operations:			
District Services - Cy-Fair VFD	\$ 17,308,207	\$ 18,400,210	\$ 13,526,151
Salaries and Benefits	196,657	188,927	135,965
Accounting and Auditing	48,900	48,525	49,425
Appraisal District Fees	127,787	126,720	128,066
Commissioner Fees	13,900	12,900	11,000
Legal Fees - General	136,030	95,515	72,783
Legal Fees - Delinquent Tax Collections	51,118	35,172	50,522
Tax Assessor/Collector Fees	153,573	204,173	169,216
Security	75,543		
Utilities	5,734	4,760	35,462
Repairs and Maintenance	1,143	17,022	23,469
Other	214,584	239,600	119,801
Capital Outlay	6,969,588	1,762,251	2,145,240
Debt Service:			
Financing Costs		58,306	
Note/Capital Lease Principal	158,103	74,930	1,034,155
Note/Capital Lease Interest	42,398	8,242	52,540
TOTAL EXPENDITURES	<u>\$ 25,503,265</u>	<u>\$ 21,277,253</u>	<u>\$ 17,553,795</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 857,231</u>	<u>\$ (28,509)</u>	<u>\$ 2,316,871</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease/Note Proceeds	\$ 7,500,000	\$ 4,221,136	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 8,357,231	\$ 4,192,627	\$ 2,316,871
BEGINNING FUND BALANCE	<u>21,331,481</u>	<u>17,138,854</u>	<u>14,821,983</u>
ENDING FUND BALANCE	<u>\$ 29,688,712</u>	<u>\$ 21,331,481</u>	<u>\$ 17,138,854</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2010	2009	2013	2012	2011	2010	2009
\$ 15,289,249	\$ 14,721,779	60.4 %	72.5 %	76.6 %	77.0 %	77.6 %
4,270,342	3,879,341	22.1	26.1	22.0	21.5	20.4
		16.3				
266,863	232,432	0.9	1.0	1.2	1.3	1.2
48,015	87,256	0.2	0.2	0.2	0.2	0.5
1,396	60,467	0.1	0.2			0.3
<u>\$ 19,875,865</u>	<u>\$ 18,981,275</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 13,806,506	\$ 13,643,288	65.7 %	86.6 %	68.1 %	69.5 %	71.9 %
161,895	162,038	0.7	0.9	0.7	0.8	0.9
47,445	43,210	0.2	0.2	0.2	0.2	0.2
127,071	122,317	0.5	0.6	0.6	0.6	0.6
8,250	9,000	0.1	0.1	0.1		
50,381	78,288	0.5	0.4	0.4	0.3	0.4
59,872	60,922	0.2	0.2	0.3	0.3	0.3
187,843	187,075	0.6	1.0	0.9	0.9	1.0
		0.3				
48,592	45,806			0.2	0.2	0.2
38,218	17,462		0.1	0.1	0.2	0.1
124,398	132,739	0.8	1.1	0.6	0.6	0.7
3,249,067	2,057,683	26.4	8.3	10.8	16.3	10.8
			0.3			
231,657	884,626	0.6	0.4	5.2	1.2	4.7
56,107	90,285	0.2		0.3	0.3	0.5
<u>\$ 18,197,302</u>	<u>\$ 17,534,739</u>	<u>96.8 %</u>	<u>100.2 %</u>	<u>88.5 %</u>	<u>91.4 %</u>	<u>92.3 %</u>
\$ 1,678,563	\$ 1,446,536	3.2 %	(0.2) %	11.5 %	8.6 %	7.7 %
\$ - 0 -	\$ - 0 -					
\$ 1,678,563	\$ 1,446,536					
13,143,420	11,696,884					
<u>\$ 14,821,983</u>	<u>\$ 13,143,420</u>					

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2013

District Mailing Address - Harris County Emergency Services District No. 9
c/o Coveler & Katz, P.C.
Two Memorial City Plaza
820 Gessner, Suite 1710
Houston, TX 77024-8261

District Telephone Number - (713) 984-8222

<u>Commissioners</u>	<u>Term of Office (Appointed or Elected)</u>	<u>Fees of Office for the year ended December 31, 2013</u>	<u>Expense Reimbursements for the year ended December 31, 2013</u>	<u>Title</u>
Mike Larrivee	06/01/10 05/31/14 (Elected)	\$ 3,000	\$ 1172	President
Suzanne B. Davis	06/01/12 05/31/16 (Elected)	\$ 3,000	\$ 105	Vice President
Bob Janusaitis	06/01/12 05/31/16 (Elected)	\$ 3,000	\$ 685	Secretary
John Bodman	07/01/11 05/31/14 (Appointed)	\$ 1,900	\$ 185	Treasurer
Kevin Kyle	05/19/11 05/31/14 (Appointed)	\$ 3,000	\$ 189	Investment Officer

The limit of fees of office that a Commissioner may receive during a year is \$3,000 as set by the Health and Safety Code-Chapter 775. Fees of office and expense reimbursements are the amounts actually paid to a Commissioner during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2013

Consultants:	<u>Date Hired</u>	Fees for the year ended <u>December 31, 2013*</u>	<u>Title</u>
Coveler & Katz, P.C. Two Memorial City Plaza 820 Gessner, Suite 1710 Houston, Texas 77024-8261		\$ 163,180	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	01/22/09	\$ 15,920	Auditor
Myrtle Cruz, Inc. 1621 Milam Street, 3 rd Floor Houston, TX 77002		\$ 35,482	Bookkeeper
Harris County Tax Assessor/Collector 1001 Preston, Suite 100 Harris, TX 77002	Legislative Action	\$ 153,573	Tax Assessor/ Collector
Linebarger Goggan Blair & Sampson, LLP 1301 Travis Street, Suite 300 Houston, TX 77002		\$ 51,118	Delinquent Tax Attorney

* Accrual basis

See accompanying independent auditor's report.