

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2014

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2014

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

111 Congress Avenue
Suite 400
Austin, Texas 78701
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
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, 2014, 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, 2014, 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
Houston, Texas

May 21, 2015

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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, 2014**

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 THE 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 the 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 \$68,419,629 as of December 31, 2014.

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, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2014	2013	Change Positive (Negative)
Current and Other Assets	\$ 61,683,965	\$ 47,075,297	\$ 14,608,668
Capital Assets (Net of Accumulated Depreciation)	31,086,055	27,945,892	3,140,163
Total Assets	\$ 92,770,020	\$ 75,021,189	\$ 17,748,831
Long-Term Liabilities	\$ 6,213,979	\$ 10,359,976	\$ 4,145,997
Other Liabilities	654,982	1,128,127	473,145
Total Liabilities	\$ 6,868,961	\$ 11,488,103	\$ 4,619,142
Deferred Inflows of Resources	\$ 17,481,430	\$ 16,809,952	\$ (671,478)
Net Position:			
Net Investment in Capital Assets	\$ 24,217,138	\$ 16,457,789	\$ 7,759,349
Restricted	4,500,000	5,250,000	(750,000)
Unrestricted	39,702,491	25,015,345	14,687,146
Total Net Position	\$ 68,419,629	\$ 46,723,134	\$ 21,696,495

The following table provides a summary of the District's operations for the years ended December 31, 2014, and December 31, 2013. During the current fiscal year, the District's net position increased by \$21,696,495, accounting for a 46.4% growth in net position.

	Summary of Changes in the Statement of Activities		
	2014	2013	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 16,800,637	\$ 15,898,803	\$ 901,834
Charges for Services	5,498,542	5,830,113	(331,571)
Sales Tax Revenues	22,097,117	4,300,070	17,797,047
Other Revenues	254,781	307,180	(52,399)
Total Revenues	\$ 44,651,077	\$ 26,336,166	\$ 18,314,911
Expenses for Services	(22,954,582)	(19,664,827)	(3,289,755)
Change in Net Position	\$ 21,696,495	\$ 6,671,339	\$ 15,025,156
Net Position, Beginning of Year	46,723,134	40,051,795	6,671,339
Net Position, End of Year	\$ 68,419,629	\$ 46,723,134	\$ 21,696,495

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2014, was \$43,620,499, an increase of \$13,931,787 from the prior year. This increase was primarily due to an increase in property tax and sales tax collections.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissions did not amend the budget during current fiscal year. Actual revenues were \$18,145,719 more than budgeted revenues primarily due to higher property tax, sales tax collections and EMS collections. Actual expenditures were \$6,769,526 more than budgeted expenditures. See page 25 for budget and actual comparison.

CAPITAL ASSETS

Capital assets as of December 31, 2014, amount to \$31,086,055 (net of accumulated depreciation). and include land, buildings, furniture and equipment. Additional information on the District's capital assets can be found in Note 5 of this report. Significant capital asset events during the current fiscal year included the following:

Construction in Progress:	
VisiCad DOLF	\$ 342,030
Station Reno Master Plan	5,782,817
Motorola Communication Equipment	3,123,871
Computer Equipment	311,625
Pierce Velocity HDR Rescue Vehicle	672,154
(3) 2015 Ford F550 AEV Type I Ambulances	643,458
New Dispatch System	<u>718,769</u>
Total Construction in Progress	<u>\$ 11,594,724</u>

Capital Assets At Year-End, Net of Accumulated Depreciation

	2014	2013	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,467,017	\$ 1,467,017	\$
Construction in Progress	11,594,724	7,251,363	4,343,361
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	10,541,605	10,881,917	(340,312)
Furniture and Equipment	<u>7,482,709</u>	<u>8,345,595</u>	<u>(862,886)</u>
Total Net Capital Assets	<u>\$ 31,086,055</u>	<u>\$ 27,945,892</u>	<u>\$ 3,140,163</u>

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

LONG-TERM DEBT ACTIVITY

The changes in the debt position of the District during the fiscal year ended December 31, 2014, are summarized as follows:

Note Payable, January 1, 2014	\$ 3,988,103
Less: Note Principal Paid	<u>3,988,103</u>
Note Payable, December 31, 2014	<u>\$ -0-</u>
Capital Lease Payable, January 1, 2014	\$ 7,500,000
Less: Capital Lease Principal Paid	<u>631,083</u>
Capital Lease Payable, December 31, 2014	<u>\$ 6,868,917</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, 2014

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash, Note 4	\$ 29,462,415	\$	\$ 29,462,415
Investments, Note 4	14,012,672		14,012,672
Cash With Harris County	760,741		760,741
Receivables:			
Property Taxes	10,922,844		10,922,844
Penalty and Interest on Delinquent Property Taxes	229,432		229,432
Sales Tax Receipts, Note 11	4,492,907		4,492,907
Accrued Interest	19,514		19,514
Prepaid Costs, Note 6	1,783,440		1,783,440
Land, Note 5		1,467,017	1,467,017
Construction in Progress, Note 5		11,594,724	11,594,724
Capital Assets (Net of Accumulated Depreciation), Note 5		18,024,314	18,024,314
TOTAL ASSETS	<u>\$ 61,683,965</u>	<u>\$ 31,086,055</u>	<u>\$ 92,770,020</u>
LIABILITIES			
Accounts Payable	\$ 44	\$	\$ 44
Long-Term Debt Payable:			
Due Within One Year, Note 12		654,938	654,938
Due After One Year, Note 12		6,213,979	6,213,979
TOTAL LIABILITIES	<u>\$ 44</u>	<u>\$ 6,868,917</u>	<u>\$ 6,868,961</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 17,833,990	\$ (352,560)	\$ 17,481,430
Penalty and Interest on Delinquent Property Taxes	229,432	(229,432)	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 18,063,422</u>	<u>\$ (581,992)</u>	<u>\$ 17,481,430</u>
FUND BALANCE			
Nonspendable: Prepaid Costs	\$ 1,783,440	\$ (1,783,440)	\$
Restricted, Note 4	4,500,000	(4,500,000)	
Unassigned	37,337,059	(37,337,059)	
TOTAL FUND BALANCE	<u>\$ 43,620,499</u>	<u>\$ (43,620,499)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 61,683,965</u>		
NET POSITION			
Net Investment in Capital Assets		\$ 24,217,138	\$ 24,217,138
Restricted		4,500,000	4,500,000
Unrestricted		39,702,491	39,702,491
TOTAL NET POSITION		<u>\$ 68,419,629</u>	<u>\$ 68,419,629</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, 2014**

Total Fund Balance - Governmental Fund	\$	43,620,499
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		31,086,055
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Deferred tax revenues and deferred penalty and interest revenues on delinquent taxes for the 2013 and prior tax levies became part of recognized revenues in the governmental activities of the District.		581,992
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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	\$ (654,938)	
Payable After One Year	<u>(6,213,979)</u>	<u>(6,868,917)</u>
Total Net Postion - Governmental Activities		<u><u>\$ 68,419,629</u></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, 2014

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 16,797,297	\$ 3,340	\$ 16,800,637
EMS Collections/Dispatch Fees, Note 6	5,498,542		5,498,542
Sales Tax Revenues, Note 11	22,097,117		22,097,117
Penalty and Interest	175,708	2,018	177,726
Investment Revenues	69,017		69,017
Miscellaneous Revenues	8,038		8,038
TOTAL REVENUES	<u>\$ 44,645,719</u>	<u>\$ 5,358</u>	<u>\$ 44,651,077</u>
EXPENDITURES/EXPENSES			
Service Operations:			
District Services - Cy-Fair Volunteer			
Fire Department, Note 6	\$ 20,151,934	\$	\$ 20,151,934
Salaries and Benefits	140,161		140,161
Accounting and Auditing	49,025		49,025
Appraisal District Fees	132,094		132,094
Commissioner Fees	11,050		11,050
Legal Fees - General	92,880		92,880
Legal Fees - Delinquent Tax Collections	40,335		40,335
Tax Assessor/Collector Fees	204,872		204,872
Security	59,600		59,600
Utilities	10,157		10,157
Repairs and Maintenance	1,809		1,809
Depreciation, Note 5		1,203,198	1,203,198
Other	449,212		449,212
Capital Outlay	4,343,362	(4,343,362)	
Debt Service:			
Principal	4,619,186	(4,619,186)	
Interest	408,255		408,255
TOTAL EXPENDITURES/EXPENSES	<u>\$ 30,713,932</u>	<u>\$ (7,759,350)</u>	<u>\$ 22,954,582</u>
NET CHANGE IN FUND BALANCE	\$ 13,931,787	\$ (13,931,787)	\$
CHANGE IN NET POSITION		21,696,495	21,696,495
FUND BALANCE/NET POSITION -			
JANUARY 1, 2014	<u>29,688,712</u>	<u>17,034,422</u>	<u>46,723,134</u>
FUND BALANCE/NET POSITION -			
DECEMBER 31, 2014	<u>\$ 43,620,499</u>	<u>\$ 24,799,130</u>	<u>\$ 68,419,629</u>

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

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**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, 2014**

Net Change in Fund Balance - Governmental Fund	\$ 13,931,787
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.	3,340
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.	2,018
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.	(1,203,198)
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.	4,343,362
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.	4,619,186
Change in Net Position - Governmental Activities	<u>\$ 21,696,495</u>

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, 2014

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.

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, 2014

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, 2014

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 2013 tax levy collections during the period October 1, 2013, to December 31, 2014, and taxes collected from January 1, 2014, to December 31, 2014, for all prior tax levies. The 2014 tax levy has been fully deferred to fund 2015 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, 2014

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, 2014

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. The District does not have any nonspendable fund balances.

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 21, 2015, which is the date these statements were available to be issued.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014, 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 \$17,481,430 on the adjusted taxable valuation of \$29,133,761,148 for the 2014 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 \$33,712,415 and the bank balance was \$33,858,740. Of the bank balance, \$4,981,085 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, 2014, as listed below:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 29,462,415	\$ 4,250,000	\$ 33,712,415

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, 2014

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, 2014, 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	\$ 2,759,600	\$ 2,759,600	\$	\$	\$
TexStar	2,503,072	2,503,072			
Certificates of Deposit	4,250,000	4,250,000			
Money Market Mutual Fund	<u>4,500,000</u>	<u>4,500,000</u>			
TOTAL INVESTMENTS	\$ 14,012,672	\$ 14,012,672	\$ - 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, 2014, the District's investments in TexPool and TexStar were rated "AAAm" and the District's investment at The Bank of New York Mellon was rated "AA-" 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

The District has restricted \$4,500,000 for the completion of the Motorola Communication Equipment.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5. CAPITAL ASSETS

	January 1, 2014	Increases	Decreases	December 31, 2014
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,467,017	\$	\$	\$ 1,467,017
Construction in Progress	<u>7,251,363</u>	<u>4,343,361</u>	<u></u>	<u>11,594,724</u>
Total Capital Assets Not Being Depreciated	<u>\$ 8,718,380</u>	<u>\$ 4,343,361</u>	<u>\$ - 0 -</u>	<u>\$ 13,061,741</u>
Capital Assets Subject to Depreciation				
Building and Improvements	\$ 13,589,138	\$	\$	\$ 13,589,138
Furniture and Equipment	<u>13,010,114</u>	<u></u>	<u></u>	<u>13,010,114</u>
Total Capital Assets Subject to Depreciation	<u>\$ 26,599,252</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 26,599,252</u>
Less Accumulated Depreciation				
Building and Improvements	\$ 2,707,221	\$ 340,312	\$	\$ 3,047,533
Furniture and Equipment	<u>4,664,519</u>	<u>862,886</u>	<u></u>	<u>5,527,405</u>
Total Accumulated Depreciation	<u>\$ 7,371,740</u>	<u>\$ 1,203,198</u>	<u>\$ - 0 -</u>	<u>\$ 8,574,938</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,227,512</u>	<u>\$ (1,203,198)</u>	<u>\$ - 0 -</u>	<u>\$ 18,024,314</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 27,945,892</u></u>	<u><u>\$ 3,140,163</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 31,086,055</u></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	\$ 18,601,303
Capital Outlay	<u>1,550,631</u>
	<u><u>\$ 20,151,934</u></u>

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 \$5,498,542.

In 2014, the District also advanced \$1,783,440 to Cy-Fair, which Cy-Fair will apply toward 2015 operations. The amount has been recorded as a prepaid cost in the District's financial statements.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 was secured by the pledge of a \$750,000 certificate of deposit to secure repayment of the note, which was paid off in the current year.

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 District paid off the note during the year ended December 31, 2014:

Notes Payable, January 1, 2014	\$ 3,988,103
Less: Notes Principal Paid	<u>3,988,103</u>
Notes Payable, December 31, 2014	<u>\$ -0-</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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 9. INTERLOCAL AGREEMENTS (Continued)

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.

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, 2014, the District recorded \$22,097,117 in sales tax revenues, of which \$4,492,907 was recorded as a receivable.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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>
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	759,722	154,860	914,582
2020-2023	<u>3,337,124</u>	<u>321,204</u>	<u>3,658,328</u>
	<u>\$ 6,868,917</u>	<u>\$ 1,362,321</u>	<u>\$ 8,231,238</u>

Capital Lease Payable, January 1, 2014	\$ 7,500,000
Less: Capital Lease Principal Paid	<u>(631,083)</u>
Capital Lease Payable, December 31, 2014	<u>\$ 6,868,917</u>
Capital Lease Payable Due Within One Year	\$ 654,938
Capital Lease Payable Due After One Year	<u>6,213,979</u>
Capital Lease Payable, December 31, 2014	<u>\$ 6,868,917</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014

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, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 15,450,000	\$ 16,797,297	\$ 1,347,297
EMS Collections/Dispatch Fees	5,020,000	5,498,542	478,542
Sales Tax Revenues	6,000,000	22,097,117	16,097,117
Penalty and Interest		175,708	175,708
Investment Revenues	30,000	69,017	39,017
Miscellaneous Revenues		8,038	8,038
TOTAL REVENUES	<u>\$ 26,500,000</u>	<u>\$ 44,645,719</u>	<u>\$ 18,145,719</u>
EXPENDITURES			
Services Operations:			
District Services - Cy-Fair Volunteer			
Fire Department	\$ 22,488,406	\$ 20,151,934	\$ 2,336,472
Salaries and Benefits	220,000	140,161	79,839
Accounting and Auditing	53,000	49,025	3,975
Appraisal District Fees	140,000	132,094	7,906
Commissioner Fees	15,000	11,050	3,950
Legal Fees - General	251,000	92,880	158,120
Legal Fees - Delinquent Tax Collections		40,335	(40,335)
Tax Assessor/Collector Fees		204,872	(204,872)
Security	75,000	59,600	15,400
Utilities	10,000	10,157	(157)
Repairs and Maintenance		1,809	(1,809)
Other	157,000	449,212	(292,212)
Capital Outlay		4,343,362	(4,343,362)
Debt Service:			
Principal	535,000	4,619,186	(4,084,186)
Interest		408,255	(408,255)
TOTAL EXPENDITURES	<u>\$ 23,944,406</u>	<u>\$ 30,713,932</u>	<u>\$ (6,769,526)</u>
NET CHANGE IN FUND BALANCE	\$ 2,555,594	\$ 13,931,787	\$ 11,376,193
FUND BALANCE - JANUARY 1, 2014	<u>29,688,712</u>	<u>29,688,712</u>	
FUND BALANCE - DECEMBER 31, 2014	<u><u>\$ 32,244,306</u></u>	<u><u>\$ 43,620,499</u></u>	<u><u>\$ 11,376,193</u></u>

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2014

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
DECEMBER 31, 2014
(UNAUDITED)

Long-Term Debt at December 31, 2014	\$ 6,868,917
Less: Amount in Debt Service Fund	<u>-0-</u>
Net Long-Term Debt at December 31, 2014	<u>\$ 6,868,917</u>
Estimated District Population	<u>431,441</u>
Net Long-Term Debt Per Capita at December 31, 2014	<u>\$ 15.92</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, 2014
(UNAUDITED)

	<u>Total</u>
Number of Emergency Responses Made Within the District	22,978
Number of Emergency Responses Made Outside the District	<u>129</u>
Total Emergency Responses	<u><u>23,107</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2014

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	4/15/14 4/15/15	\$ 100,000	American Alternative Insurance Corporation
GENERAL LIABILITY General Aggregate Per Occurrence	4/15/14 4/15/15	\$ 3,000,000 1,000,000	American Alternative Insurance Corporation
UMBRELLA LIABILITY General Aggregate Each Occurrence	4/15/14 4/15/15	\$ 20,000,000 10,000,000	American Alternative Insurance Corporation
MANAGEMENT LIABILITY Each Wrongful Act Aggregate	4/15/14 4/15/15	\$ 1,000,000 3,000,000	American Alternative Insurance Corporation
AUTOMOBILE LIABILITY Combined Single Limit	4/15/14 4/15/15	\$ 1,000,000	American Alternative Insurance Corporation
PROPERTY Buildings Contents Policy Deductible Flood Deductible	4/15/14 4/15/15	\$ 14,776,370 5,151,189 5,000 1,000	American Alternative Insurance Corporation
WORKERS COMPENSATION Each Accident Disease Each Employee Disease Policy Limit	5/24/14 5/24/15	\$ 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, 2014
(UNAUDITED)

REVENUE AND SUPPORT:	
Contract Harris County Emergency Services District No. 9	\$ 20,151,934
Contributions	<u>87,382</u>
TOTAL REVENUE AND SUPPORT	<u>\$ 20,239,316</u>
EXPENSES:	
Administrative	\$ 2,076,534
Computer System	887,608
Dispatching	2,012,078
Emergency Medical	7,890,888
Fire Chief - Operations	5,131,688
Fire Marshall	8,920
Safety	32,964
Training	150,444
Public Relations	131,199
Vehicle Maintenance	<u>1,280,992</u>
TOTAL EXPENSES	<u>\$ 19,603,315</u>
OTHER INCOME (EXPENSES):	
Net Investment Income	\$ 1,962
Other Income	<u>88,720</u>
TOTAL OTHER INCOME (EXPENSES)	<u>\$ 90,682</u>
CHANGE IN NET ASSETS	\$ 726,683
NET ASSETS – JANUARY 1, 2014	<u>7,278,233</u>
NET ASSETS – DECEMBER 31, 2014	<u><u>\$ 8,004,916</u></u>

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Property Taxes</u>	
TAXES RECEIVABLE -		
JANUARY 1, 2014	\$ 11,810,882	
Adjustments to Beginning Balance	<u>(9,315)</u>	\$ 11,801,567
Original 2014 Tax Levy	\$ 16,307,787	
Adjustment to 2014 Tax Levy	<u>1,173,643</u>	<u>17,481,430</u>
TOTAL TO BE ACCOUNTED FOR		\$ 29,282,997
TAX COLLECTIONS:		
Prior Years	\$ 11,449,007	
Current Year	<u>6,911,146</u>	<u>18,360,153</u>
TAXES RECEIVABLE -		
DECEMBER 31, 2014		<u><u>\$ 10,922,844</u></u>
TAXES RECEIVABLE BY YEAR:		
2014		\$ 10,570,284
2013		91,170
2012		44,140
2011		37,045
2010		32,010
2009		32,103
2008		25,185
2007		19,475
2006		21,817
2005		16,315
2004		18,510
2003		3,788
2002		2,235
2001		1,187
2000		1,386
1999		892
1998		745
1997		754
1996		937
1995		936
1994		917
1993		<u>1,013</u>
TOTAL		<u><u>\$ 10,922,844</u></u>

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
PROPERTY				
VALUATIONS	<u>\$ 29,133,761,148</u>	<u>\$ 28,015,671,285</u>	<u>\$ 26,569,018,530</u>	<u>\$ 25,759,660,045</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>\$ 17,481,430</u>	<u>\$ 16,809,952</u>	<u>\$ 15,941,215</u>	<u>\$ 15,454,686</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>39.53 %</u>	<u>99.46 %</u>	<u>99.72 %</u>	<u>99.76 %</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		
	2014	2013	2012
REVENUES			
Property Taxes	\$ 16,797,297	\$ 15,916,796	\$ 15,407,781
EMS Collections/Dispatch Fees	5,498,542	5,830,113	5,537,860
Sales Tax Revenues	22,097,117	4,300,070	
Penalty and Interest	175,708	245,130	206,363
Investment Revenues	69,017	39,741	44,863
Miscellaneous Revenues	8,038	28,646	51,877
TOTAL REVENUES	<u>\$ 44,645,719</u>	<u>\$ 26,360,496</u>	<u>\$ 21,248,744</u>
EXPENDITURES			
Service Operations:			
District Services - Cy-Fair VFD	\$ 20,151,934	\$ 17,308,207	\$ 18,400,210
Salaries and Benefits	140,161	196,657	188,927
Accounting and Auditing	49,025	48,900	48,525
Appraisal District Fees	132,094	127,787	126,720
Commissioner Fees	11,050	13,900	12,900
Legal Fees - General	92,880	136,030	95,515
Legal Fees - Delinquent Tax Collections	40,335	51,118	35,172
Tax Assessor/Collector Fees	204,872	153,573	204,173
Security	59,600	75,543	
Utilities	10,157	5,734	4,760
Repairs and Maintenance	1,809	1,143	17,022
Other	449,212	214,584	239,600
Capital Outlay	4,343,362	6,969,588	1,762,251
Debt Service:			
Financing Costs			58,306
Note/Capital Lease Principal	4,619,186	158,103	74,930
Note/Capital Lease Interest	408,255	42,398	8,242
TOTAL EXPENDITURES	<u>\$ 30,713,932</u>	<u>\$ 25,503,265</u>	<u>\$ 21,277,253</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 13,931,787</u>	<u>\$ 857,231</u>	<u>\$ (28,509)</u>
OTHER FINANCING SOURCES (USES)			
Capital Lease/Note Proceeds	\$ - 0 -	\$ 7,500,000	\$ 4,221,136
NET CHANGE IN FUND BALANCE	\$ 13,931,787	\$ 8,357,231	\$ 4,192,627
BEGINNING FUND BALANCE	<u>29,688,712</u>	<u>21,331,481</u>	<u>17,138,854</u>
ENDING FUND BALANCE	<u><u>\$ 43,620,499</u></u>	<u><u>\$ 29,688,712</u></u>	<u><u>\$ 21,331,481</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2011	2010	2014	2013	2012	2011	2010
\$ 15,219,815	\$ 15,289,249	37.6 %	60.4 %	72.5 %	76.6 %	77.0 %
4,366,066	4,270,342	12.3	22.1	26.1	22.0	21.5
		49.5	16.3			
237,752	266,863	0.4	0.9	1.0	1.2	1.3
47,033	48,015	0.2	0.2	0.2	0.2	0.2
	1,396		0.1	0.2		
<u>\$ 19,870,666</u>	<u>\$ 19,875,865</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 13,526,151	\$ 13,806,506	45.1 %	65.7 %	86.6 %	68.1 %	69.5 %
135,965	161,895	0.3	0.7	0.9	0.7	0.8
49,425	47,445	0.1	0.2	0.2	0.2	0.2
128,066	127,071	0.3	0.5	0.6	0.6	0.6
11,000	8,250		0.1	0.1	0.1	
72,783	50,381	0.2	0.5	0.4	0.4	0.3
50,522	59,872	0.1	0.2	0.2	0.3	0.3
169,216	187,843	0.5	0.6	1.0	0.9	0.9
		0.1	0.3			
35,462	48,592				0.2	0.2
23,469	38,218			0.1	0.1	0.2
119,801	124,398	1.0	0.8	1.1	0.6	0.6
2,145,240	3,249,067	9.7	26.4	8.3	10.8	16.3
				0.3		
1,034,155	231,657	10.3	0.6	0.4	5.2	1.2
52,540	56,107	0.9	0.2		0.3	0.3
<u>\$ 17,553,795</u>	<u>\$ 18,197,302</u>	<u>68.6 %</u>	<u>96.8 %</u>	<u>100.2 %</u>	<u>88.5 %</u>	<u>91.4 %</u>
<u>\$ 2,316,871</u>	<u>\$ 1,678,563</u>	<u>31.4 %</u>	<u>3.2 %</u>	<u>(0.2) %</u>	<u>11.5 %</u>	<u>8.6 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 2,316,871	\$ 1,678,563					
14,821,983	13,143,420					
<u>\$ 17,138,854</u>	<u>\$ 14,821,983</u>					

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2014

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, 2014</u>	<u>Expense Reimbursements for the year ended December 31, 2014</u>	<u>Title</u>
Jeremy Martinson	06/01/14 05/31/18 (Elected)	\$ 750	\$ -0-	President
Betty Boren Avery	06/01/14 05/31/18 (Elected)	\$ 1,350	\$ 403	Vice President
Bob Janusaitis	06/01/12 05/31/16 (Elected)	\$ 3,000	\$ 1,067	Secretary
Scott Deboer	06/01/14 05/31/18 (Elected)	\$ 1,100	\$ -0-	Treasurer
Suzanne Davis	06/01/12 05/31/16 (Elected)	\$ 2,600	\$ 188	Assistant Secretary/ 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, 2014

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2014*</u>	<u>Title</u>
Coveler & Katz, P.C.		\$ 104,117	Attorney
McCall Gibson Swedlund Barfoot PLLC	01/22/09	\$ 15,750	Auditor
Myrtle Cruz, Inc.		\$ 36,832	Bookkeeper
Harris County Tax Assessor/Collector	Legislative Action	\$ 204,872	Tax Assessor/ Collector
Linebarger Goggan Blair & Sampson, LLP		\$ 40,335	Delinquent Tax Attorney

* Accrual basis

See accompanying independent auditor's report.

