HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

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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, 2018, 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.

Board of Commissioners
Harris County Emergency
Services District No. 9

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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Asset and Related Ratios, and the Schedule of District Contributions 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 and the other supplementary information 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 20, 2019

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. Please read it in conjunction with the District's financial statements.

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 Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and 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 financial statements provide 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 Statement of Net Position includes all the District's assets, liabilities and, if applicable, 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 is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities 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.

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 Fund Balance Sheet to the Statement of Net Position, and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities 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.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund. In addition, the Schedule of Changes in Net Pension Asset and Related Ratios and the Schedule of District Contributions are included in RSI.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $164,700,846 as of December 31, 2018.

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:

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	$ 106,892,964	$ 96,970,209	$ 9,922,755
Capital Assets (Net of Accumulated Depreciation)	78,311,285	64,090,454	14,220,831
Total Assets	$ 185,204,249	$ 161,060,663	$ 24,143,586
Deferred Outflows of Resources	$ 7,432	$ 2,623	$ 4,809
Total Liabilities	$ 182,389	$ 2,162,237	$ 1,979,848
Deferred Inflows of Resources	$ 20,328,446	$ 19,631,593	$ (696,853)
Net Position:			
Net Investment in Capital Assets	$ 78,311,285	$ 64,090,454	$ 14,220,831
Unrestricted	86,389,561	75,179,002	11,210,559
Total Net Position	$ 164,700,846	$ 139,269,456	$ 25,431,390

The following table provides a summary of the District's operations for the years ended December 31, 2018, and December 31, 2017. During the current fiscal year, the District's net position increased by $25,431,390, accounting for a 18% growth in net position.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	$ 19,465,468	$ 18,662,246	$ 803,222
Charges for Services	6,310,226	6,602,241	(292,015)
Sales Tax Revenues	33,652,117	31,601,173	2,050,944
Other Revenues	1,475,278	498,708	976,570
Total Revenues	$ 60,903,089	$ 57,364,368	$ 3,538,721
Expenses for Services	(35,471,699)	(33,164,391)	(2,307,308)
Change in Net Position	$ 25,431,390	$ 24,199,977	$ 1,231,413
Net Position, Beginning of Year	139,269,456	115,069,479	24,199,977
Net Position, End of Year	$ 164,700,846	$ 139,269,456	$ 25,431,390

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's fund balance as of December 31, 2018, was $85,849,324, an increase of $11,245,007 from the prior year. This increase was primarily due to property tax and sales tax collections exceeding service operations and capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissions did not amend the budget during current fiscal year. Actual revenues were $10,308,146 more than budgeted revenues primarily due to higher than anticipated property tax, sales tax collections and EMS collections. Actual expenditures were $4,148,450 more than budgeted expenditures primarily due to higher than anticipated capital outlay costs, caused by the timing of projects.

CAPITAL ASSETS

Capital assets as of December 31, 2018, total $78,311,285 (net of accumulated depreciation) and include land, buildings, furniture and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 5,065,144	$ 4,075,599	$ 989,545
Construction in Progress	5,873,089	17,598,435	(11,725,346)
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Improvements	47,264,791	19,917,026	27,347,765
Furniture and Equipment	20,108,261	22,499,394	(2,391,133)
Total Net Capital Assets	$ 78,311,285	$ 64,090,454	$ 14,220,831

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 & Peeler, 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 FUND BALANCE SHEET
DECEMBER 31, 2018

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 71,437,237	$	$ 71,437,237
Investments	11,785,605		11,785,605
Cash With Harris County	2,663,139		2,663,139
Receivables:			
Property Taxes	11,407,243		11,407,243
Penalty and Interest on Delinquent Property Taxes		203,163	203,163
Sales Tax Receipts	5,955,487		5,955,487
Accrued Interest	42,190		42,190
Other	573,150		573,150
Prepaid Costs	2,822,627		2,822,627
Net Pension Asset		3,123	3,123
Land		5,065,144	5,065,144
Construction in Progress		5,873,089	5,873,089
Capital Assets (Net of Accumulated Depreciation)		67,373,052	67,373,052
TOTAL ASSETS	$ 106,686,678	$ 78,517,571	$ 185,204,249
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pensions	$ -0-	$ 7,432	$ 7,432
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 106,686,678	$ 78,525,003	$ 185,211,681
LIABILITIES			
Accounts Payable	$ 182,389	$ -0-	$ 182,389
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 20,654,965	$ (326,825)	$ 20,328,140
Deferred Inflows - Pensions		306	306
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 20,654,965	$ (326,519)	$ 20,328,446
FUND BALANCE			
Nonspendable: Prepaid Costs	$ 2,822,627	$ (2,822,627)	$
Assigned to 2019 Budget Deficit	17,776,492	(17,776,492)	
Committed for Construction Projects	1,621,426	(1,621,426)	
Unassigned	63,628,779	(63,628,779)	
TOTAL FUND BALANCE	$ 85,849,324	$ (85,849,324)	$ -0-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 106,686,678		
NET POSITION			
Net Investment in Capital Assets		$ 78,311,285	$ 78,311,285
Unrestricted		86,389,561	86,389,561
TOTAL NET POSITION		$ 164,700,846	$ 164,700,846

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balance - Governmental Fund	$ 85,849,324
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.	78,311,285
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenues in the governmental activities of the District.	529,988
Portions of the change in net pension asset are not immediately recognized as pension expense are recorded as deferred outflows or inflows of resources.	7,126
Certain assets are not available in the current period and, therefore, are not reported as assts in governmental funds. These assets at year-end consist of net pension asset.	3,123
Total Net Postion - Governmental Activities	$ 164,700,846

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 FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	$ 19,489,614	$ (24,146)	$ 19,465,468
EMS Collections/Dispatch Fees	6,310,226		6,310,226
Sales Tax Revenues	33,652,117		33,652,117
Penalty and Interest	192,850	(15,911)	176,939
Investment Revenues	1,126,404		1,126,404
Miscellaneous Revenues	171,935		171,935
TOTAL REVENUES	$ 60,943,146	$ (40,057)	$ 60,903,089
EXPENDITURES/EXPENSES			
Service Operations:			
District Services - Cy-Fair Volunteer Fire Department	$ 26,556,737	$	$ 26,556,737
Salaries and Benefits	201,522	(5,609)	195,913
Accounting and Auditing	63,450		63,450
Appraisal District Fees	185,223		185,223
Commissioner Fees	9,800		9,800
Legal Fees - General	184,057		184,057
Legal Fees - Delinquent Tax Collections	43,714		43,714
Tax Assessor/Collector Fees	188,184		188,184
Utilities	62,987		62,987
Repairs and Maintenance	1,563,452	81,451	1,644,903
Depreciation		4,873,577	4,873,577
Other	1,357,374		1,357,374
Capital Outlay	19,281,639	(19,281,639)	
Loss on Disposal of Assets		105,780	105,780
TOTAL EXPENDITURES/EXPENSES	$ 49,698,139	$ (14,226,440)	$ 35,471,699
NET CHANGE IN FUND BALANCE	$ 11,245,007	$ (11,245,007)	$
CHANGE IN NET POSITION		25,431,390	25,431,390
FUND BALANCE/NET POSITION - JANUARY 1, 2018	74,604,317	64,665,139	139,269,456
FUND BALANCE/NET POSITION - DECEMBER 31, 2018	$ 85,849,324	$ 78,851,522	$ 164,700,846

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balance - Governmental Fund	$ 11,245,007
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.	(24,146)
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.	(15,911)
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.	(4,873,577)
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.	19,094,408
The changes in deferred outflows and inflows of resources are recorded as pension expense in the government-wide financial statements.	5,609
Change in Net Position - Governmental Activities	$ 25,431,390

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

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 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").

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:

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements

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

Governmental Funds

The District has one governmental fund; therefore, this fund is considered 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 2017 tax levy collections during the period October 1, 2017, to December 31, 2018, and taxes collected from January 1, 2018, to December 31, 2018, for all prior tax levies. The 2018 tax levy has been fully deferred to fund 2019 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.

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:

	Years
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 system for all employees. The Internal Revenue Service has determined that fees of office received by Commissioners are considered wages subject to federal income tax withholding for payroll tax purposes only. See Note 10 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:

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. The District does not have any restricted fund balances.

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. As of December 31, 2018, the District has committed $1,621,426 of its General Fund fund balance for the completion of the construction of a new tower and dispatch facility as well as the installation of a district-wide fire station alerting system.

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. The District has assigned $17,776,492 of its General Fund fund balance to cover a budgeted shortfall in fiscal year 2019.

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.

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, 2018, the District levied an ad valorem tax at the rate of $0.05271 per $100 of assessed valuation, which resulted in a tax levy of $20,328,140 on the adjusted taxable valuation of $38,565,955,186 for the 2018 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 $76,231,344 and the bank balance was $76,378,304. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at December 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	$ 71,437,237	$ 4,794,107	$ 76,231,344

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy should be reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR. As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 2,846,932	$ 2,846,932
TexSTAR	2,583,398	2,583,398
Texas CLASS	1,561,168	1,561,168
Certificates of Deposit	4,794,107	4,794,107
TOTAL INVESTMENTS	$ 11,785,605	$ 11,785,605

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District's investments in TexPool, TexSTAR and Texas CLASS were rated "AAAm" by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit below FDIC coverage.

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, TexSTAR and Texas CLASS 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. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

NOTE 5. CAPITAL ASSETS

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 4,075,599	$ 989,545	$	$ 5,065,144
Construction in Progress	17,598,435	18,292,095	30,017,441	5,873,089
Total Capital Assets Not Being Depreciated	$ 21,674,034	$ 19,281,640	$ 30,017,441	$ 10,938,233
Capital Assets Subject to Depreciation				
Building and Improvements	$ 24,593,208	$ 28,098,934	$	$ 52,692,142
Furniture and Equipment	37,178,032	1,918,506	235,274	38,861,264
Total Capital Assets Subject to Depreciation	$ 61,771,240	$ 30,017,440	$ 235,274	$ 91,553,406
Less Accumulated Depreciation				
Building and Improvements	$ 4,676,182	$ 751,169	$	$ 5,427,351
Furniture and Equipment	14,678,638	4,122,408	48,043	18,753,003
Total Accumulated Depreciation	$ 19,354,820	$ 4,873,577	$ 48,043	$ 24,180,354
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 42,416,420	$ 25,143,863	$ 187,231	$ 67,373,052
Total Capital Assets, Net of Accumulated Depreciation	$ 64,090,454	$ 44,425,503	$ 30,204,672	$ 78,311,285

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 entered into a three-year contract with Cy-Fair, effective January 1, 2015. The contract was approved on February 19, 2015, and the term of the contract is from January 1, 2015, through December 31, 2017. Effective January 1, 2018, the contract shall automatically renew for no more than four extensions, with each extension lasting for a three-month period. 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	$ 25,643,520
Capital Outlay	913,217
	$ 26,556,737

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 $6,310,226, of which $573,150 was recorded as a receivable at year-end. In 2018, the District also advanced $2,822,627 to Cy-Fair, which Cy-Fair will apply toward 2019 operations. This amount has been recorded as a prepaid cost in the District's financial statements.

NOTE 7. 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 a Interlocal Ground Lease Agreement approved January 26, 2002, 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 ground 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 8. 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 9. 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, 2018, the District recorded $33,652,117 in sales tax revenues, of which $5,955,487 was recorded as a receivable at year-end.

NOTE 10. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 760 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled but not yet receiving benefits	1
Active employees	2

NOTE 10. PENSION PLAN (Continued)

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 4.3% for the 2018 accounting year. The deposit rate payable by the employee members for calendar year 2018 is 6.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

For the District's accounting year ended December 31, 2018, the annual pension cost for the TCDRS plan for its employees was $5,776; the actual contributions were $5,776. The employees contributed $9,690 to the plan for the 2018 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumption:

Actuarial valuation date	12/31/17
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	19.6 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment return [1]	8.00%
Projected salary increases [1]	4.90%
Inflation	2.75%
Cost-of-living adjustments	0.00%

[1] Includes inflation at the stated rate

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. All other assumptions and methods are the same as used in the prior valuation.

NOTE 10. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 Active Employee Mortality Table for males and the RP-2014 Active Employee Mortality Table for females projected with 110% of the MP-2014 ultimate scale after 2014.

Service retirees, beneficiaries and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Disabled retirees - 130% of the RP-2014 Disability Annuitant Mortality Table for males and 115% of the RP-2014 Disability Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

NOTE 10. PENSION PLAN (Continued)

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013- December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities-Development	11.00%	4.55%
International Equities-Emerging	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
High-Yield Bonds	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%

NOTE 10. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2016	$ 6,087	$ 8,104	$ (2,017)
Changes for the year:			
Service Costs	3,835		3,835
Interest on the Total Pension Liability	804		804
Effect of Econimic/Demographic Gains or Losses	1,542		1,542
Effect of assumptions changes or inputs	49		49
Administrative Expenses		(10)	10
Member Contributions		3,484	(3,484)
Net investment income		1,279	(1,279)
Employer Contributions		2,503	(2,503)
Other		80	(80)
Balances of December 31, 2017	$ 12,317	$ 15,440	$ (3,123)

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total Pension Liability	$ 14,660	$ 12,317	$ 10,427
Fiduciary Net Position	15,440	15,440	15,440
Net Pension Liability/(Asset)	$ (780)	$ (3,123)	$ (5,013)

NOTE 10. PENSION PLAN (Continued)

As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -0-	$ 1,418
Changes of assumptions	-0-	45
Net difference between projected and actual earnings	113	-0-
Contributions paid to TCDRS subsequent to the measurement date	-0-	5,776
Total	113	7,239

$5,776 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	$ 121
2019	121
2020	121
2021	57
2022	133
Thereafter	797

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 18,000,000	$ 19,489,614	$ 1,489,614
EMS Collections/Dispatch Fees	5,020,000	6,310,226	1,290,226
Sales Tax Revenues	27,500,000	33,652,117	6,152,117
Penalty and Interest		192,850	192,850
Investment Revenues	100,000	1,126,404	1,026,404
Miscellaneous Revenues	15,000	171,935	156,935
TOTAL REVENUES	$ 50,635,000	$ 60,943,146	$ 10,308,146
EXPENDITURES			
Services Operations:			
District Services - Cy-Fair Volunteer Fire Department	$ 28,934,689	$ 26,556,737	$ 2,377,952
Salaries and Benefits	270,000	201,522	68,478
Accounting and Auditing	65,000	63,450	1,550
Appraisal District Fees	150,000	185,223	(35,223)
Commissioner Fees	15,000	9,800	5,200
Legal Fees - General	95,000	184,057	(89,057)
Legal Fees - Delinquent Tax Collections		43,714	(43,714)
Tax Assessor/Collector Fees		188,184	(188,184)
Utilities	40,000	62,987	(22,987)
Repairs and Maintenance	40,000	1,563,452	(1,523,452)
Other	1,237,000	1,357,374	(120,374)
Capital Outlay	14,703,000	19,281,639	(4,578,639)
TOTAL EXPENDITURES	$ 45,549,689	$ 49,698,139	$ (4,148,450)
NET CHANGE IN FUND BALANCE	$ 5,085,311	$ 11,245,007	$ 6,159,696
FUND BALANCE - JANUARY 1, 2018	74,604,317	74,604,317	
FUND BALANCE - DECEMBER 31, 2018	$ 79,689,628	$ 85,849,324	$ 6,159,696

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2018

	Year Ended December 31, 2017	Year Ended December 31, 2016
Total Pension Liability		
Service cost	$ 3,835	$ 5,850
Interest on total pension liability	804	232
Effect of assumption changes or inputs	49	
Effect of economic/demographic (gains) or losses	1,542	5
Net change in total pension liability	$ 6,230	$ 6,087
Total pension liability, beginning	6,087	-0-
Total pension liability, ending (a)	$ 12,317	$ 6,087
Fiduciary Net Position		
Employer contributions	$ 2,503	$ 3,337
Member contributions	3,484	4,646
Investment income net of investment expenses	1,279	
Other	70	121
Net change in fiduciary net position	$ 7,336	$ 8,104
Fiduciary net position, beginning	8,104	-0-
Fiduciary net position, ending (b)	$ 15,440	$ 8,104
Net pension liability/(asset), ending = (a) – (b)	$ (3,123)	$ (2,017)
Fiduciary net position as a % of total pension liability	125.36%	133.13%
Pensionable covered payroll	$ 58,071	$ 77,429
Net pension liability/(asset) as a % of covered payroll	(5.38%)	(2.60%)

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2018

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll[1]	Actual Contribution as a % of Covered Payroll
2017	$ 2,503	$ 2,503	$ -0-	$ 58,071	4.3%
2016	$ 3,337	$ 3,337	$ -0-	$ 77,429	4.3%

[1] *Payroll is calculated based on contributions as reported to TCDRS.*

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1. PENSION PLAN - TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19.6 years (based on contribution rate calculated in 12/31/17 valuation)
Asset Valuation Method	5-year, smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9%, average, including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the MP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP -2014 Healthy Annuitant Mortality Table for females both projected with 110% of MP-2014 Ultimate scale after 2014.
Changers in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions reflected in Schedule	2015: No changes in plan provisions. 2016: No changes in plan provisions. 2017: New Annuity purchase rates were reflected for benefits earned after 2017.

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2018

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, 2018 (UNAUDITED)

	Total
Number of Emergency Responses Made Within the District	27,343
Number of Emergency Responses Made Outside the District	128
Total Emergency Responses	27,471

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2018

Type of Coverage	From To	Amount of Coverage	Insurer/Name
POSITION SCHEDULE BOND Treasurer	4/15/18 4/15/19	$ 100,000	American Alternative Insurance Corporation
PUBLIC EMPLOYEE BLANKET CRIME BOND Limit	4/15/18 4/15/19	$ 100,000	American Alternative Insurance Corporation
GENERAL LIABILITY General Aggregate Per Occurrence	4/15/18 4/15/19	$ 3,000,000 1,000,000	American Alternative Insurance Corporation
EXCESS LIABILITY General Aggregate Each Occurrence	4/15/18 4/15/19	$ 20,000,000 10,000,000	American Alternative Insurance Corporation
MANAGEMENT LIABILITY Each Wrongful Act Aggregate	4/15/18 4/15/19	$ 1,000,000 3,000,000	American Alternative Insurance Corporation
AUTOMOBILE LIABILITY Combined Single Limit	4/15/18 4/15/19	$ 1,000,000	American Alternative Insurance Corporation
PROPERTY Buildings Contents Policy Deductible Flood Deductible	4/15/18 4/15/19	$ 30,891,627 6,026,163 5,000 1,000	American Alternative Insurance Corporation
WORKERS COMPENSATION Each Accident Disease Each Employee Disease Policy Limit	5/24/18 5/24/19	$ 1,000,000 1,000,000 1,000,000	Texas Mutual Insurance Company
PUBLIC OFFICIAL BOND Treasurer	8/1/15 6/1/19	$ 100,000	CNA Surety

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, 2018
(UNAUDITED)

REVENUE AND SUPPORT:	
Contract Harris County Emergency Services District No. 9	$ 27,805,847
Contributions	74,706
TOTAL REVENUE AND SUPPORT	$ 27,880,553
EXPENSES:	
Administrative	$ 4,835,603
Communications	420,061
Dispatching	1,293,311
Emergency Medical	8,295,279
Facilities Maintenance	522,001
Fire Chief - Operations	6,326,139
Fire Marshall	2,304,371
Information Technology	898,120
Investigations	24,381
Safety	251,537
Training	911,005
Public Relations	169,533
Vehicle Maintenance	1,738,720
TOTAL EXPENSES	$ 27,990,061
OTHER INCOME (EXPENSES):	
Net Investment Income	$ 400,620
Other Income	732,331
TOTAL OTHER INCOME (EXPENSES)	$ 1,132,951
CHANGE IN NET ASSETS	$ 1,023,443
NET ASSETS – JANUARY 1, 2018	6,106,611
NET ASSETS – DECEMBER 31, 2018	$ 7,130,054

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Property Taxes	
TAXES RECEIVABLE -		
JANUARY 1, 2018	$ 10,640,945	
Adjustments to Beginning Balance	(166,124)	$ 10,474,821
Original 2018 Tax Levy	$ 19,643,908	
Adjustment to 2018 Tax Levy	684,232	20,328,140
TOTAL TO BE ACCOUNTED FOR		$ 30,802,961
TAX COLLECTIONS:		
Prior Years	$ 10,147,995	
Current Year	9,247,723	19,395,718
TAXES RECEIVABLE - DECEMBER 31, 2018		$ 11,407,243
TAXES RECEIVABLE BY YEAR:		
2018		$ 11,080,417
2017		106,978
2016		47,318
2015		25,700
2014		19,801
2013		22,174
2012		19,637
2011		17,481
2010		16,411
2009		19,207
2008 and prior		32,119
TOTAL		$ 11,407,243

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, 2018

	2018	2017	2016	2015
PROPERTY VALUATIONS	$ 38,565,955,186	$ 37,243,069,778	$ 35,405,872,510	$ 32,545,577,273
TOTAL TAX RATES PER $100 VALUATION	$ 0.05271	$ 0.0527	$ 0.05331	$ 0.055
ADJUSTED TAX LEVY*	$ 20,328,140	$ 19,631,593	$ 18,876,568	$ 17,903,018
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	45.49 %	99.46 %	99.75 %	99.86 %

* 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		
	2018	2017	2016
REVENUES			
Property Taxes	$ 19,489,614	$ 18,649,961	$ 17,945,974
EMS Collections/Dispatch Fees	6,310,226	6,602,241	6,683,944
Sales Tax Revenues	33,652,117	31,601,173	25,851,572
Penalty and Interest	192,850	196,865	195,871
Investment Revenues	1,126,404	243,625	129,279
Miscellaneous Revenues	171,935	65,689	76,141
TOTAL REVENUES	$ 60,943,146	$ 57,359,554	$ 50,882,781
EXPENDITURES			
Service Operations:			
District Services - Cy-Fair VFD	$ 26,556,737	$ 25,367,798	$ 22,406,809
Salaries and Benefits	201,522	71,999	116,237
Accounting and Auditing	63,450	62,950	59,950
Appraisal District Fees	185,223	103,109	135,540
Commissioner Fees	9,800	12,350	13,450
Legal Fees - General	184,057	112,162	257,276
Legal Fees - Delinquent Tax Collections	43,714	44,641	40,014
Tax Assessor/Collector Fees	188,184	195,047	194,757
Professional Fees			
Utilities	62,987	13,243	10,205
Repairs and Maintenance	1,563,452	965,082	1,058,134
Other	1,357,374	1,841,850	1,193,715
Capital Outlay	19,281,639	24,624,120	12,757,703
Debt Service:			
Capital Lease Principal			
Capital Lease Interest			
TOTAL EXPENDITURES	$ 49,698,139	$ 53,414,351	$ 38,243,790
NET CHANGE IN FUND BALANCE	$ 11,245,007	$ 3,945,203	$ 12,638,991
BEGINNING FUND BALANCE	74,604,317	70,659,114	58,020,123
ENDING FUND BALANCE	$ 85,849,324	$ 74,604,317	$ 70,659,114

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
$ 17,423,819	$ 16,797,297	32.0 %	32.6 %	35.3 %	34.7 %	37.6 %
5,702,888	5,498,542	10.4	11.5	13.1	11.4	12.3
26,545,680	22,097,117	55.2	55.1	50.8	53.0	49.5
176,884	175,708	0.3	0.3	0.4	0.4	0.4
83,922	69,017	1.8	0.4	0.3	0.2	0.2
138,861	8,038	0.3	0.1	0.1	0.3	
$ 50,072,054	$ 44,645,719	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
$ 19,906,719	$ 20,151,934	43.6 %	44.2 %	44.0 %	39.8 %	45.1 %
96,155	140,161	0.3	0.1	0.2	0.2	0.3
54,100	49,025	0.1	0.1	0.1	0.1	0.1
139,180	132,094	0.3	0.2	0.3	0.3	0.3
13,400	11,050					
129,346	92,880	0.3	0.2	0.5	0.3	0.2
37,862	40,335	0.1	0.1	0.1	0.1	0.1
152,280	204,872	0.3	0.3	0.4	0.3	0.5
75,001	59,600				0.1	0.1
10,057	10,157	0.1				
271,684	1,809	2.6	1.7	2.1	0.5	
1,006,430	449,212	2.2	3.2	2.3	2.0	1.0
6,656,391	4,343,362	31.6	42.9	25.1	13.3	9.7
6,868,917	4,619,186				13.7	10.3
254,908	408,255				0.5	0.9
$ 35,672,430	$ 30,713,932	81.5 %	93.0 %	75.1 %	71.2 %	68.6 %
$ 14,399,624	$ 13,931,787	18.5 %	7.0 %	24.9 %	28.8 %	31.4 %
43,620,499	29,688,712					
$ 58,020,123	$ 43,620,499					

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2018

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

District Telephone Number - (713) 984-8222

Commissioners	Term of Office (Appointed or Elected)	Fees of Office for the year ended December 31, 2018	Expense Reimbursements for the year ended December 31, 2018	Title
Tommy Balez	06/01/18 05/31/22 (Elected)	$ -0-	$ -0-	President
Bob Janusaitis	06/01/16 05/31/20 (Elected)	$ 2,321	$ -0-	Vice President
Jessica Rivas	06/01/18 05/31/22 (Elected)	$ -0-	$ -0-	Treasurer
David Langenberg	06/01/16 05/31/20 (Elected)	$ 1,650	$ 242	Secretary
Scott Deboer	06/01/18 05/31/22 (Elected)	$ 2,350	$ -0-	Assistant Treasurer/ Assistant Secretary

The limit on fees of office that a Commissioner may receive during a year was $3,000 as set by the Health and Safety Code-Chapter 775. Effective September 1, 2017, a Commissioner is entitled to receive compensation in the same manner and amount as are provided by Section 49.060 of the Texas Water Code, currently $7,200 per fiscal year. The above fees of office and expense reimbursements are the amounts 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, 2018

Consultants:	Date Hired	Fees for the year ended December 31, 2018*	Title
Coveler & Peeler, P.C.	01/20/11	$ 181,685	General Counsel
McCall Gibson Swedlund Barfoot PLLC	01/22/09	$ 20,250	Auditor
Myrtle Cruz, Inc.	04/15/10	$ 46,014	Bookkeeper
Harris County Tax Assessor/Collector	Legislative Action	$ 188,184	Tax Assessor/ Collector
Linebarger Goggan Blair & Sampson, LLP		$ 43,714	Delinquent Tax Attorney
Sales Tax Assurance LLC	02/20/14	$ 965,814	Sales Tax Consultant

* Accrual basis

See accompanying independent auditor's report.