

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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-TCDRS, the Schedule of District Contributions-TCDRS, the Notes to Required Supplementary Information-TCDRS, The Schedule of Changes in Net Pension Asset and Related Ratios-LOSAP, and the Notes to Required Supplementary Information-LOSAP be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 presented for purposes of additional analysis and is 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 an 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.

A handwritten signature in dark ink that reads "McCall Gibson Swedlund Barfoot PLLC". The script is cursive and fluid, with the letters connected in a continuous line.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 26, 2024

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023. 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, sales tax revenues and EMS collections, costs of assessing and collecting taxes, general and operating expenditures.

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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 \$267,864,762 as of December 31, 2023.

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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Changes in the Statement of Net Position | | |
|--|---|-----------------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Current and Other Assets | \$ 178,128,348 | \$ 160,865,818 | \$ 17,262,530 |
| Capital Assets (Net of Accumulated Depreciation) | <u>130,163,657</u> | <u>125,038,355</u> | <u>5,125,302</u> |
| Total Assets | <u>\$ 308,292,005</u> | <u>\$ 285,904,173</u> | <u>\$ 22,387,832</u> |
| Deferred Outflows of Resources | \$ 10,706,073 | \$ 8,747,079 | \$ 1,958,994 |
| Total Liabilities | <u>\$ 19,420,953</u> | <u>\$ 18,005,319</u> | <u>\$ (1,415,634)</u> |
| Deferred Inflows of Resources | <u>\$ 31,712,363</u> | <u>\$ 34,077,185</u> | <u>\$ 2,364,822</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 130,163,657 | \$ 125,038,355 | \$ 5,125,302 |
| Unrestricted | <u>137,701,105</u> | <u>117,530,393</u> | <u>20,170,712</u> |
| Total Net Position | <u>\$ 267,864,762</u> | <u>\$ 242,568,748</u> | <u>\$ 25,296,014</u> |

The following table provides a summary of the District's operations for the years ended December 31, 2023, and December 31, 2022. During the current fiscal year, the District's net position increased by \$25,296,014, accounting for a 10% growth in net position.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|-----------------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 26,750,622 | \$ 26,495,741 | \$ 254,881 |
| EMS Collections/Dispatch Fees | 9,422,950 | 8,452,397 | 970,553 |
| Sales Tax Revenues | 57,854,059 | 55,459,354 | 2,394,705 |
| Other Revenues | <u>5,035,414</u> | <u>777,808</u> | <u>4,257,606</u> |
| Total Revenues | <u>\$ 99,063,045</u> | <u>\$ 91,185,300</u> | <u>\$ 7,877,745</u> |
| Expenses for Services | <u>73,767,031</u> | <u>70,877,537</u> | <u>(2,889,494)</u> |
| Change in Net Position | \$ 25,296,014 | \$ 20,307,763 | \$ 4,988,251 |
| Net Position, Beginning of Year | <u>242,568,748</u> | <u>222,260,985</u> | <u>20,307,763</u> |
| Net Position, End of Year | <u>\$ 267,864,762</u> | <u>\$ 242,568,748</u> | <u>\$ 25,296,014</u> |

**HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's fund balance as of December 31, 2023, was \$144,239,563, an increase of \$17,790,271 from the prior year. This increase was primarily due to property tax, sales tax and dispatch collections exceeding service operations and capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did amend the budget during current fiscal year to increase estimated sales tax revenues, EMS collections and investment revenues. Actual revenues were \$3,705,864 more than budgeted and actual expenditures were \$27,233,351 less than budgeted expenditures which resulted in a positive variance of \$30,939,215. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2023 total \$130,163,657 (net of accumulated depreciation) and include land, buildings, furniture and equipment.

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | |
|---|-----------------------|-----------------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 9,728,822 | \$ 9,728,822 | \$ |
| Construction in Progress | 24,142,416 | 22,154,694 | 1,987,722 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Buildings and Improvements | 70,674,711 | 72,907,902 | (2,233,191) |
| Furniture, Equipment and Vehicles | 25,617,708 | 20,246,936 | 5,370,772 |
| Total Net Capital Assets | <u>\$ 130,163,657</u> | <u>\$ 125,038,354</u> | <u>\$ 5,125,303</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 & 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, 2023

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|--|------------------------------|------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash | \$ 18,124,707 | \$ | \$ 18,124,707 |
| Investments | 122,636,212 | | 122,636,212 |
| Cash With Harris County | 8,520,267 | | 8,520,267 |
| Receivables: | | | |
| Property Taxes | 14,679,319 | | 14,679,319 |
| Penalty and Interest on Delinquent Property Taxes | | 327,555 | 327,555 |
| Sales Tax Receipts | 10,467,012 | | 10,467,012 |
| Contract Revenue | 224,321 | | 224,321 |
| Other | 14,419 | | 14,419 |
| Prepaid Costs | 2,614,485 | | 2,614,485 |
| Net Pension Asset | | 520,051 | 520,051 |
| Land | | 9,728,822 | 9,728,822 |
| Construction in Progress | | 24,142,416 | 24,142,416 |
| Capital Assets (Net of Accumulated Depreciation) | | 96,292,419 | 96,292,419 |
| TOTAL ASSETS | <u>\$ 177,280,742</u> | <u>\$ 131,011,263</u> | <u>\$ 308,292,005</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows - Pensions | <u>\$ - 0 -</u> | <u>\$ 10,706,073</u> | <u>\$ 10,706,073</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 177,280,742</u></u> | <u><u>\$ 141,717,336</u></u> | <u><u>\$ 318,998,078</u></u> |

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

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2023

| | General Fund | Adjustments | Statement of Net Position |
|--|------------------------------|------------------------------|------------------------------|
| LIABILITIES | | | |
| Accounts Payable | \$ 5,382,803 | \$ | \$ 5,382,803 |
| Net Pension Liability | | 12,076,007 | 12,076,007 |
| Accrued Expenses - Other | 4,936 | | 4,936 |
| Compensated Absences | | 1,957,207 | 1,957,207 |
| TOTAL LIABILITIES | <u>\$ 5,387,739</u> | <u>\$ 14,033,214</u> | <u>\$ 19,420,953</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes | \$ 27,653,440 | \$ (627,581) | \$ 27,025,859 |
| Deferred Inflows - Pensions | | 4,686,504 | 4,686,504 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>\$ 27,653,440</u> | <u>\$ 4,058,923</u> | <u>\$ 31,712,363</u> |
| FUND BALANCE | | | |
| Nonspendable: Prepaid Costs | \$ 2,614,485 | \$ (2,614,485) | \$ |
| Unassigned | 141,625,078 | (141,625,078) | |
| TOTAL FUND BALANCE | <u>\$ 144,239,563</u> | <u>\$ (144,239,563)</u> | <u>\$ - 0 -</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u><u>\$ 177,280,742</u></u> | | |
| NET POSITION | | | |
| Net Investment in Capital Assets | | \$ 130,163,657 | \$ 130,163,657 |
| Unrestricted | | 137,701,105 | 137,701,105 |
| TOTAL NET POSITION | | <u><u>\$ 267,864,762</u></u> | <u><u>\$ 267,864,762</u></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 FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | |
|--|----------------|
| Total Fund Balance - Governmental Fund | \$ 144,239,563 |
|--|----------------|

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. | 130,163,657 |
|--|-------------|

| | |
|---|---------|
| Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenues in the governmental activities of the District. | 955,136 |
|---|---------|

| | |
|--|-----------|
| Portions of the change in net pension asset are not immediately recognized as pension expense are recorded as deferred outflows or inflows of resources. | 6,019,569 |
|--|-----------|

| | |
|--|---------|
| 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. | 520,051 |
|--|---------|

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:

| | | |
|---|---------------------|-----------------------|
| Compensated Absences | \$ (1,957,207) | |
| Net Pension Liability | <u>(12,076,007)</u> | <u>(14,033,214)</u> |
| Total Net Postion - Governmental Activities | | <u>\$ 267,864,762</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 FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

| | General Fund | Adjustments | Statement of Activities |
|------------------------------------|-----------------------|-----------------------|----------------------------|
| REVENUES | | | |
| Property Taxes | \$ 26,614,573 | \$ 136,049 | \$ 26,750,622 |
| EMS Collections/Dispatch Fees | 9,422,950 | | 9,422,950 |
| Sales Tax Revenues | 57,854,059 | | 57,854,059 |
| Contract Revenue | 142,367 | | 142,367 |
| Penalty and Interest | 305,697 | 125,260 | 430,957 |
| Investment Revenues | 3,991,917 | | 3,991,917 |
| Insurance Proceeds | 120,751 | | 120,751 |
| Sale of Assets | 27,101 | | 27,101 |
| Miscellaneous Revenues | 322,321 | | 322,321 |
| TOTAL REVENUES | <u>\$ 98,801,736</u> | <u>\$ 261,309</u> | <u>\$ 99,063,045</u> |
| EXPENDITURES/EXPENSES | | | |
| Service Operations: | | | |
| Dispatch | \$ 1,983,471 | \$ (8,056) | \$ 1,975,415 |
| Information Technology | 2,505,922 | 4,326 | 2,510,248 |
| Safety | 273,179 | | 273,179 |
| Public Relations | 504,647 | 4,089 | 508,736 |
| Emergency Medical Services | 16,034,032 | 141,031 | 16,175,063 |
| Communications | 1,704,146 | 1,922 | 1,706,068 |
| Administration | 2,994,855 | 63,840 | 3,058,695 |
| Facilities Maintenance | 1,237,053 | 3,804 | 1,240,857 |
| Vehicle Maintenance | 2,580,604 | 9,811 | 2,590,415 |
| Quartermaster | 3,780,736 | 4,631 | 3,785,367 |
| Suppression | 20,851,539 | 128,597 | 20,980,136 |
| Human Resources | 14,928,827 | (2,473,126) | 12,455,701 |
| Repairs and Maintenance | | | |
| Depreciation | | 6,507,151 | 6,507,151 |
| Capital Outlay | 11,632,454 | (11,632,454) | |
| TOTAL EXPENDITURES/EXPENSES | <u>\$ 81,011,465</u> | <u>\$ (7,244,434)</u> | <u>\$ 73,767,031</u> |
| NET CHANGE IN FUND BALANCE | \$ 17,790,271 | \$ (17,790,271) | \$ |
| CHANGE IN NET POSITION | | 25,296,014 | 25,296,014 |
| FUND BALANCE/NET POSITION - | | | |
| JANUARY 1, 2023 | <u>126,449,292</u> | <u>116,119,456</u> | <u>242,568,748</u> |
| FUND BALANCE/NET POSITION - | | | |
| DECEMBER 31, 2023 | <u>\$ 144,239,563</u> | <u>\$ 123,625,199</u> | <u>\$ 267,864,762</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 FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | |
|--|---------------|
| Net Change in Fund Balance - Governmental Fund | \$ 17,790,271 |
|--|---------------|

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. | 136,049 |
|--|---------|

| | |
|---|---------|
| 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. | 125,260 |
|---|---------|

| | |
|---|-----------|
| Compensated Absences are reported as a liability in the Statement of Net Position. Therefore, an expense is recored in the Statement of Activities. | (353,995) |
|---|-----------|

| | |
|--|-------------|
| 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. | (6,507,151) |
|--|-------------|

| | |
|---|------------|
| 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. | 11,632,454 |
|---|------------|

| | |
|--|-----------|
| The changes in deferred outflows and inflows of resources are recorded as pension expense in the government-wide financial statements. | 2,473,126 |
|--|-----------|

| | |
|--|----------------------|
| Change in Net Position - Governmental Activities | <u>\$ 25,296,014</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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 financial 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, sales tax and EMS collection revenues, costs of assessing and collecting taxes, operating 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 2022 tax levy collections during the period October 1, 2022, to December 31, 2023, and taxes collected from January 1, 2023, to December 31, 2023, for all prior tax levies. The 2023 tax levy has been fully deferred to fund 2024 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, 2023

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

An annual unappropriated budget is adopted for the General Fund by the District's Board of Commissioners. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current 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, Note 11, and Note 12 for the District's pension plans.

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, 2023

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, 2023, 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. The District 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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, the District levied an ad valorem tax at the rate of \$0.044360 per \$100 of assessed valuation, which resulted in a tax levy of \$27,025,859 on the adjusted taxable valuation of \$60,918,986,710 for the 2023 tax year.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

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 \$18,124,707 and the bank balance was \$19,605,304. The District was exposed to custodial credit risk in the amount of \$1,952,349 at year-end. The exposer was alleviated on January 2, 2024.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 Hermes, 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. UMB 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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 First Southwest, 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, 2023, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|-----------------------------|-----------------------|--------------------------------------|
| <u>GENERAL FUND</u> | | |
| TexPool | \$ 4,314,802 | \$ 4,314,802 |
| TexSTAR | 116,593,155 | 116,593,155 |
| Texas CLASS | <u>1,728,255</u> | <u>1,728,255</u> |
| TOTAL INVESTMENTS | <u>\$ 122,636,212</u> | <u>\$ 122,636,212</u> |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2023, the District’s investments in TexPool, TexSTAR and Texas CLASS were rated “AAAm” by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool, 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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. CAPITAL ASSETS

| | January 1, 2023 | Increases | Decreases | December 31, 2023 |
|--|------------------------------|-----------------------------|----------------------------|------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 9,728,822 | \$ | \$ | \$ 9,728,822 |
| Construction in Progress | <u>22,154,694</u> | <u>11,632,454</u> | <u>9,644,732</u> | <u>24,142,416</u> |
| Total Capital Assets Not Being Depreciated | <u>\$ 31,883,516</u> | <u>\$ 11,632,454</u> | <u>\$ 9,644,732</u> | <u>\$ 33,871,238</u> |
| Capital Assets Subject to Depreciation | | | | |
| Building and Improvements | \$ 85,687,802 | \$ | \$ | \$ 85,687,802 |
| Furniture, Equipment and Vehicles | <u>49,169,046</u> | <u>9,644,732</u> | <u>618,161</u> | <u>58,195,617</u> |
| Total Capital Assets Subject to Depreciation | <u>\$ 134,856,848</u> | <u>\$ 9,644,732</u> | <u>\$ 618,161</u> | <u>\$ 143,883,419</u> |
| Less Accumulated Depreciation | | | | |
| Building and Improvements | \$ 12,779,900 | \$ 2,233,191 | \$ | \$ 15,013,091 |
| Furniture, Equipment and Vehicles | <u>28,922,110</u> | <u>4,273,960</u> | <u>618,161</u> | <u>32,577,909</u> |
| Total Accumulated Depreciation | <u>\$ 41,702,010</u> | <u>\$ 6,507,151</u> | <u>\$ 618,161</u> | <u>\$ 47,591,000</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 93,154,838</u> | <u>\$ 3,137,581</u> | <u>\$ - 0 -</u> | <u>\$ 96,292,419</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u><u>\$ 125,038,354</u></u> | <u><u>\$ 14,770,035</u></u> | <u><u>\$ 9,644,732</u></u> | <u><u>\$ 130,163,657</u></u> |

NOTE 6. 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 7. 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 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. During the prior year, the District extended the current service agreement with Cy-Fair until December 31, 2019. During the current year, the District began transitioning employees and operations over from Cy-Fair. On January 1, 2020, the District merged with Cy-Fair and became the direct provider of fire and EMS services and directly responsible for all operations.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8. 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 an 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 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, 2023, the District recorded \$57,854,059 in sales tax revenues, of which \$10,467,012 was recorded as a receivable at year-end.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 more than 850 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 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 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, 2022 the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | <u>72</u> |
| Inactive employees entitled but not yet receiving benefits | <u>2</u> |
| Active employees | <u>416</u> |

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10. PENSION PLAN (Continued)

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 9.23% for the 2023 accounting year. The deposit rate payable by the employee members for calendar year 2023 is 7.00% 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, 2023, the annual pension cost for the TCDRS plan for its employees was \$3,604,615; the actual contributions were \$3,604,615. The employees contributed \$2,713,205 to the plan for the 2023 fiscal year.

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumption:

| | |
|---|-------------------------------|
| Actuarial valuation date | 12/31/2022 |
| Actuarial cost method | Entry Age |
| Amortization method | Level |
| | percentage of payroll, closed |
| Remaining Amortization period | 19.2 years |
| Asset Valuation Method | 5-year smoothed market |
| Actuarial Assumptions: | |
| Investment return ¹ | 7.5% |
| Projected salary increases ¹ | 4.7% |
| Inflation | 2.5% |
| Cost-of-living adjustments | 0.0% |

¹ Includes inflation at the stated rate

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

Depositing members – 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees - 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The discount rate in the previous year was 7.60%.

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10. PENSION PLAN (Continued)

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 2023 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 TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

| Asset Class | Target Allocation | Geometric Real Rate of Return (Expected minus Inflation) |
|------------------------------------|-------------------|---|
| US Equities | 11.50% | 4.95% |
| Private Equity | 25.00% | 7.95% |
| Global Equities | 2.50% | 4.95% |
| International Equities-Development | 5.00% | 4.95% |
| International Equities-Emerging | 6.00% | 4.95% |
| Investment-Grade Bonds | 3.00% | 2.40% |
| Strategic Credit | 9.00% | 3.39% |
| Direct Lending | 16.00% | 6.95% |
| Distressed Debt | 4.00% | 7.60% |
| REIT Equities | 2.00% | 4.15% |
| Master Limited Partnerships (MLPs) | 2.00% | 5.30% |
| Private Real Estate Partnerships | 6.00% | 5.70% |
| Hedge Funds | 6.00% | 2.90% |
| Cash Equivalents | 2.00% | 0.20% |

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2022 are as follows:

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a)-(b) |
| Balances of December 31, 2021 | \$ 9,116,594 | \$ 10,727,190 | \$ (1,610,596) |
| Changes for the year: | | | |
| Service Costs | 4,280,956 | | 4,280,956 |
| Interest on the Total Pension Liability | 1,013,557 | | 1,013,557 |
| Effect of Economic/Demographic | 1,578,021 | | 1,578,021 |
| Effect of assumptions changes or inputs | | | |
| Benefit Payments, including refunds | (124,830) | (124,830) | |
| Administrative Expenses | | (9,602) | 9,602 |
| Member Contributions | | 2,351,649 | (2,351,649) |
| Net investment income | | (1,136,763) | 1,136,763 |
| Employer Contributions | | 3,729,185 | (3,729,185) |
| Other | | 847,520 | (847,520) |
| Balances of December 31, 2022 | <u>\$ 15,864,298</u> | <u>\$ 16,384,349</u> | <u>\$ (520,051)</u> |

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-------------------------------|---------------------|-----------------------|-----------------------|
| | 6.60% | 7.60% | 8.60% |
| Total Pension Liability | \$ 19,574,593 | \$ 15,864,298 | \$ 12,927,925 |
| Fiduciary Net Position | <u>16,384,349</u> | <u>16,384,349</u> | <u>16,384,349</u> |
| Net Pension Liability/(Asset) | <u>\$ 3,190,244</u> | <u>\$ (520,051)</u> | <u>\$ (3,456,424)</u> |

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10. PENSION PLAN (Continued)

The current year deferred inflows and outflows of resources are as follows:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ 1,487 | \$ 2,979,514 |
| Changes in assumptions | 68,763 | 336,931 |
| Net difference between projected and actual earnings | - 0 - | 1,221,024 |
| Contributions paid to TCDRS subsequent to the measurement date | | 3,604,615 |
| | <u>\$ 70,250</u> | <u>\$ 8,142,084</u> |

\$3,604,615 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, 2023. 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:

| | |
|------------|------------|
| 2023 | \$ 527,994 |
| 2024 | 527,338 |
| 2025 | 492,741 |
| 2026 | 697,143 |
| 2027 | 256,048 |
| Thereafter | 1,965,955 |

NOTE 11. DEFERRED COMPENSATION PLAN 457(B)

The District offers its employees a deferred compensation plan, a Section 457 (B) plan, created in accordance with the Internal Revenue Service Codes, Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies. Federal law requires all assets and income of the plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The District's deferred compensation plans are administered by a private corporation under contract with the District.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12. LENGTH OF SERVICE AWARD PLAN (LOSAP)

Plan Description

The Cy-Fair Volunteer Fire Department LOSAP is a nonqualified deferred compensation plan which was adopted and became effective January 1, 2004. This plan was restated effected January 1, 2020 in the District's name. All volunteers who are active full members of the Department are eligible to be participants of LOSAP unless they waive participation. The Department established LOSAP to pay service awards to firefighters and their beneficiaries after attaining the entitlement age, as defined, or upon disability or death. The annual funding cost of LOSAP is calculated by a professional actuarial firm using the attained age normal frozen initial liability cost method so at the firefighter's retirement date, the benefit obligation equals the present value of a monthly benefit of \$25 for each year of service credit. The maximum years of service credit is twenty, which equates to a \$500 maximum monthly benefit and is payable for life with a guaranteed period of ten years and continuous life annuity. Such present value is computed using a discount rate of 4.5%. The District is required to contribute an actuarially determined amount to the trust. VFIS is the administrative service provider. If VFIS becomes insolvent, the District is responsible and liable to administer the benefits.

Benefits Provided

The plan provisions are adopted by the District. Members can retire at ages 65 and above with 1 or more years of service, with no minimum years of service regardless of age. Members are vested after 5 years of service.

Benefit amounts are determined by the sum of the member's year of service multiplied by \$25. The plan will recognize up to 20 years of prior service for purpose of calculating a participating member's benefit. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the plan.

At December 31, 2023, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | <u>42</u> |
| Inactive employees entitled but not yet receiving benefits | <u>252</u> |
| Active employees | <u>91</u> |

Contributions

The plan is funded annually based on a minimum recommended contribution calculation. For the District's fiscal year ended December 31, 2023, the annual contribution for the LOSAP plan for its volunteers was \$412,917. The District made an additional contribution of \$1 million during the fiscal year ending December 31, 2023.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12. LENGTH OF SERVICE AWARD PLAN (LOSAP) (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumption:

| | |
|---|---------------------------------|
| Actuarial valuation date | 12/31/2023 |
| Actuarial cost method | Entry Age |
| Amortization method | Normal Frozen initial liability |
| Remaining Amortization period | 0.0 years |
| Asset Valuation Method | 5-year |
| Investment return ¹ | 3.79% |
| Projected salary increases ¹ | N/A |
| Inflation | 0.00% |
| 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, 2023, were based upon information provided by the plan sponsor and included service accruals earned through the end of December 31, 2023.

No pre-retirement mortality; post retirement RP2000 projected to 2030

Changes in Net Pension Liability/(Asset) for the measurement year ended December 31, 2023 are as follows:

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a)-(b) |
| Balances of December 31, 2022 | \$ 11,404,453 | \$ -0- | \$ 11,404,453 |
| Changes for the year: | | | |
| Service Costs | 153,112 | | 153,112 |
| Interest on the Total Pension Liability | 424,528 | | 424,528 |
| Differences between expected and actual | (71,664) | | (71,664) |
| Effect of assumptions changes or inputs | 586,773 | | 586,773 |
| Benefit Payments | (421,195) | | (421,195) |
| Balances of December 31, 2023 | <u>\$ 12,076,007</u> | <u>\$ -0-</u> | <u>\$ 12,076,007</u> |

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12. LENGTH OF SERVICE AWARD PLAN (LOSAP) (Continued)

Sensitivity Analysis - The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 3.79%, 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 (2.79%) or 1 percentage point higher (4.79%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-------------------------|----------------|--------------------------|----------------|
| | 2.79% | 3.79% | 4.79% |
| Total Pension Liability | \$ 14,670,874 | \$ 12,076,007 | \$ 10,083,599 |

The current year deferred inflows and outflows of resources are as follows:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ 600,804 | \$ 15,231 |
| Changes in assumptions | 4,015,450 | 2,548,758 |
| | <u>\$ 4,616,254</u> | <u>\$ 2,563,989</u> |

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: | |
| 2024 | \$ (589,577) |
| 2025 | (589,576) |
| 2026 | (873,115) |
| 2027 | |
| 2028 | |
| Thereafter | |

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023

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, 2023

| | Original Budget | Final Amended Budget | Actual | Variance Positive (Negative) |
|---|------------------------------|------------------------------|------------------------------|------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 26,748,588 | \$ 26,748,588 | \$ 26,614,573 | \$ (134,015) |
| EMS Collections/Dispatch Fees | 6,000,000 | 9,084,360 | 9,422,950 | 338,590 |
| Sales Tax Revenues | 51,747,075 | 54,972,377 | 57,854,059 | 2,881,682 |
| Contract Revenue | 126,000 | 126,000 | 142,367 | 16,367 |
| Penalty and Interest | | | 305,697 | 305,697 |
| Investment Revenues | 44,400 | 3,866,347 | 3,991,917 | 125,570 |
| Insurance Proceeds | 20,000 | 20,000 | 120,751 | 100,751 |
| Gain on Sale/Disposal of Assets | 20,000 | 20,000 | 27,101 | 7,101 |
| Miscellaneous Revenues | 258,200 | 258,200 | 322,321 | 64,121 |
| TOTAL REVENUES | <u>\$ 84,964,263</u> | <u>\$ 95,095,872</u> | <u>\$ 98,801,736</u> | <u>\$ 3,705,864</u> |
| EXPENDITURES | | | | |
| Service Operations: | | | | |
| Dispatch | \$ 2,520,366 | \$ 2,520,366 | \$ 1,983,471 | \$ 536,895 |
| Information Technology | 2,876,652 | 2,876,652 | 2,505,922 | 370,730 |
| Safety | 804,150 | 804,150 | 273,179 | 530,971 |
| Public Relations | 492,410 | 492,410 | 504,647 | (12,237) |
| Emergency Medical Services | 15,696,323 | 15,696,323 | 16,034,032 | (337,709) |
| Communications | 2,267,209 | 2,267,209 | 1,704,146 | 563,063 |
| Administration | 3,377,613 | 3,377,613 | 2,994,855 | 382,758 |
| Facilities Maintenance | 1,465,223 | 1,465,223 | 1,237,053 | 228,170 |
| Vehicle Maintenance | 3,124,131 | 3,124,131 | 2,580,604 | 543,527 |
| Quartermaster | 5,806,819 | 5,806,819 | 3,780,736 | 2,026,083 |
| Suppression | 21,498,423 | 21,498,423 | 20,851,539 | 646,884 |
| Human Resources | 14,338,363 | 14,338,363 | 14,928,827 | (590,464) |
| Capital Outlay | 33,977,134 | 33,977,134 | 11,632,454 | 22,344,680 |
| TOTAL EXPENDITURES | <u>\$ 108,244,816</u> | <u>\$ 108,244,816</u> | <u>\$ 81,011,465</u> | <u>\$ 27,233,351</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (23,280,553)</u> | <u>\$ (13,148,944)</u> | <u>\$ 17,790,271</u> | <u>\$ 30,939,215</u> |
| FUND BALANCE - JANUARY 1, 2023 | <u>126,449,292</u> | <u>126,449,292</u> | <u>126,449,292</u> | |
| FUND BALANCE - DECEMBER 31, 2023 | <u><u>\$ 103,168,739</u></u> | <u><u>\$ 113,300,348</u></u> | <u><u>\$ 144,239,563</u></u> | <u><u>\$ 30,939,215</u></u> |

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, 2023

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | Year Ended December 31, 2020 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 4,280,956 | \$ 4,093,676 | \$ 2,015,130 |
| Interest (on the Total Pension Liability) | 1,013,557 | 637,988 | 182,767 |
| Effect on plan changes | 0 | 0 | 0 |
| Changes of assumptions | 0 | (85,953) | 396,360 |
| Effect of economic/demographic gains or losses | 1,578,021 | 206,520 | 1,507,455 |
| Benefit payments, including refunds of employee contributions | <u>(124,830)</u> | <u>(71,779)</u> | <u>(13,407)</u> |
| Net change in total pension liability | \$ 6,747,704 | \$ 4,780,452 | \$ 4,088,305 |
| Total pension liability, beginning | <u>9,116,594</u> | <u>4,336,142</u> | <u>247,837</u> |
| Total pension liability, ending (a) | <u>\$ 15,864,298</u> | <u>\$ 9,116,594</u> | <u>\$ 4,336,142</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | \$ 3,729,185 | \$ 2,397,101 | \$ 3,011,712 |
| Contributions - employee | 2,351,649 | 1,843,924 | 1,559,321 |
| Net investment income | (1,136,763) | 1,553,481 | 27,343 |
| Benefit payments, including refunds of employee contributions | (124,830) | (71,779) | (13,407) |
| Administrative Expense | (9,602) | (5,804) | (3,579) |
| Other | <u>847,520</u> | <u>119,466</u> | <u>134,882</u> |
| Net Change in plan fiduciary net position | \$ 5,657,159 | \$ 5,836,389 | \$ 4,716,272 |
| Plan Fiduciary net position, beginning | <u>10,727,190</u> | <u>4,890,801</u> | <u>174,529</u> |
| Plan Fiduciary net position, ending (b) | <u>\$ 16,384,349</u> | <u>\$ 10,727,190</u> | <u>\$ 4,890,801</u> |
| Net Pension Liability/(Asset), Ending = (a) | <u><u>\$ (520,051)</u></u> | <u><u>\$ (1,610,596)</u></u> | <u><u>\$ (554,659)</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 103.28% | 117.67% | 112.79% |
| Covered-employee payroll | \$ 33,594,992 | \$ 26,341,769 | \$ 22,276,010 |
| Net pension liability as a percentage of covered employee payroll | -1.55% | -6.11% | -2.49% |

See accompanying independent auditor's report.

| Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 | Year Ended December 31, 2016 |
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| \$ 5,020 | \$ 15,307 | \$ 3,835 | \$ 5,850 |
| 2,619 | 2,238 | 804 | 232 |
| 93,568 | | 49 | |
| 119,320 | (2,552) | 1,542 | 5 |
| <u>220,527</u> | <u>14,993</u> | <u>6,230</u> | <u>6,087</u> |
| <u>27,310</u> | <u>12,317</u> | <u>6,087</u> | |
| <u>\$ 247,837</u> | <u>\$ 27,310</u> | <u>\$ 12,317</u> | <u>\$ 6,087</u> |
| \$ 50,072 | \$ 5,036 | \$ 2,503 | \$ 3,337 |
| 85,838 | 8,660 | 3,484 | 4,646 |
| 4,688 | (135) | 1,279 | 121 |
| (133) | (24) | | |
| <u>4,677</u> | <u>410</u> | <u>70</u> | |
| \$ 145,142 | \$ 13,947 | \$ 7,336 | \$ 8,104 |
| <u>29,387</u> | <u>15,440</u> | <u>8,104</u> | |
| <u>\$ 174,529</u> | <u>\$ 29,387</u> | <u>\$ 15,440</u> | <u>\$ 8,104</u> |
| <u>\$ 73,308</u> | <u>\$ (2,077)</u> | <u>\$ (3,123)</u> | <u>\$ (2,017)</u> |
| 70.42% | 107.61% | 125.36% | 133.14% |
| \$ 1,430,627 | \$ 144,333 | \$ 58,071 | \$ 77,429 |
| 5.12% | (1.44)% | (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, 2023

| Fiscal Year Ending December 31 | Actuarially Determined Contribution ⁽¹⁾ | Actual Employer Contribution ⁽¹⁾ | Contribution Deficiency (Excess) | Pensionable Covered Payroll | Actual Contribution as a Percentage of Covered Payroll |
|--------------------------------------|--|---|--|-----------------------------------|--|
| 2016 | \$ 3,337 | \$ 3,337 | \$ -0- | \$ 77,429 | 4.3% |
| 2017 | \$ 2,503 | \$ 2,503 | \$ -0- | \$ 58,071 | 4.3% |
| 2018 | \$ 4,590 | \$ 5,036 | \$ (446) | \$ 144,333 | 3.5% |
| 2019 | \$ 50,072 | \$ 50,072 | \$ -0- | \$ 1,430,627 | 3.5% |
| 2020 | \$ 3,011,712 | \$ 3,011,712 | \$ -0- | \$ 22,276,010 | 13.5% |
| 2021 | \$ 2,397,101 | \$ 2,397,101 | \$ -0- | \$ 26,341,769 | 9.1% |
| 2022 | \$ 3,729,185 | \$ 3,729,185 | \$ -0- | \$ 33,594,992 | 11.1% |
| 2023 | \$ 3,604,615 | \$ 3,604,615 | \$ -0- | \$ 38,760,068 | 9.3% |

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ 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, 2023

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 (Level Percentage of Pay) |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 19.2 years (based on contribution rate calculated in 12/31/22 valuation) |
| Asset Valuation Method | 5-year, smoothed market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.7% average over career including inflation. |
| Investment Rate of Return | 7.50%, 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 | 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females both projected with 100% of MP-2021 Ultimate scale after 2010. |
| Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions | 2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation 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. 2018: No changes in plan provisions. 2019: No changes in plan provisions. 2020: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 200%. 2021: No changes in plan provisions. 2022: No changes in plan provisions were reflected in the Schedule. |

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
LENGTH OF SERVICE AWARDS PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2023

(Dollar amounts are in thousands)

| | Year Ended December 31, 2023 | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 153 | \$ 169 | \$ 366 |
| Interest (on the Total Pension Liability) | 425 | 704 | 299 |
| Difference between expected and actual experience | - (72) | - (30) | - 38 |
| Changes of assumptions | 587 | (6,692) | 627 |
| Benefit payments and admin. expenses | <u>(421)</u> | <u>(228)</u> | <u>(192)</u> |
| Net change in total pension liability | \$ 672 | \$ (6,077) | \$ 1,138 |
| Total pension liability, beginning | <u>11,405</u> | <u>17,482</u> | <u>16,344</u> |
| Total pension liability, ending (a) | <u>\$ 12,077</u> | <u>\$ 11,405</u> | <u>\$ 17,482</u> |
| Net Pension Liability/(Asset), Ending = (a) - (b) | <u>\$ 12,077</u> | <u>\$ 11,405</u> | <u>\$ 17,482</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 0.00% | 0.00% | 0.00% |
| Covered-employee payroll | N/A | N/A | N/A |
| Net pension liability as a percentage of covered employee payroll | N/A | N/A | N/A |
| Expected average remaining service years of all participants | 4 | 5 | 5 |

Notes of Schedule

Benefit changes: None

Changes of assumptions: None, other than discount rate.

See accompanying independent auditor's report.

| Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|------------------------------------|------------------------------------|
| \$ 411 | \$ 477 |
| 296 | 315 |
| - | - |
| (1,588) | |
| 2,492 | 2,740 |
| <u>(148)</u> | <u>(161)</u> |
| \$ 1,463 | \$ 3,371 |
| <u>14,881</u> | <u>11,510</u> |
| \$ <u>16,344</u> | \$ <u>14,881</u> |
| <u>\$ 16,344</u> | <u>\$ 14,881</u> |
| 0.00% | 0.00% |
| N/A | N/A |
| N/A | N/A |
| 6 | 8 |

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1. PENSION PLAN – LENGTH OF SERVICE AWARDS PROGRAM

Assumptions

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

| | |
|---|--|
| Valuation Date | Actuarially determined contribution rates are calculated as of December 31, 2023 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization method | Frozen initial liability |
| Remaining amortization period | 0.0 years |
| Asset Valuation Method | 5-year |
| Inflation | 0.00% |
| Salary Increases | N/A. |
| Investment Rate of Return | 3.79%, 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. |
| Mortality | No pre-retirement mortality; post retirement RP2000 projected to 2030 |
| Changers in Assumptions and Methods Reflected in the Schedule of Employer Contributions | 2021: None, other than discount rate. 2023: None, other than discount rate. |
| Changes in Plan Provisions reflected in Schedule | 2021: No changes in plan provisions. 2023: None, other than discount rate. |

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

SUPPLEMENTARY INFORMATION

REQUIRED BY HARRIS COUNTY

DECEMBER 31, 2023

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
NOT USING GASB 73 ASSUMPTIONS - UNAUDITED
LENGTH OF SERVICE AWARDS PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Year Ended December 31, 2023 | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 135,147 | \$ 160,380 | \$ 181,121 |
| Interest (on the Total Pension Liability) | 458,480 | 446,989 | 413,011 |
| Difference between expected and actual experience | (67,628) | (12,185) | (79,563) |
| Changes of assumptions | | | 495,280 |
| Benefit payments and admin. expenses | <u>(421,195)</u> | <u>(228,288)</u> | <u>(192,420)</u> |
| Net change in total pension liability | \$ 104,804 | \$ 366,896 | \$ 817,429 |
| Total pension liability, beginning | <u>10,990,967</u> | <u>10,624,071</u> | <u>9,806,642</u> |
| Total pension liability, ending (a) | <u>\$ 11,095,771</u> | <u>\$ 10,990,967</u> | <u>\$ 10,624,071</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - employer | \$ 398,109 | \$ 1,413,025 | \$ 1,957,134 |
| Gain/Loss | 307,370 | 276,094 | 235,523 |
| Distribution/Settlement | (387,562) | (213,372) | (177,450) |
| Administrative Expense | <u>(14,610)</u> | <u>(14,916)</u> | <u>(14,970)</u> |
| Net Change in plan fiduciary net position | \$ 303,307 | \$ 1,460,831 | \$ 2,000,237 |
| Plan Fiduciary net position, beginning | <u>10,216,464</u> | <u>8,755,633</u> | <u>6,755,396</u> |
| Plan Fiduciary net position, ending (b) | <u>\$ 10,519,771</u> | <u>\$ 10,216,464</u> | <u>\$ 8,755,633</u> |
| Net Pension Liability/(Asset), Ending = (a) - (b) | <u><u>\$ 576,000</u></u> | <u><u>\$ 774,503</u></u> | <u><u>\$ 1,868,438</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 94.81% | 92.95% | 82.41% |
| Expected average remaining service years of all participants | 4 | 5 | 5 |

Notes of Schedule

Benefit changes: None

Changes of assumptions: discount rate is 4.25%.

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, 2023
(UNAUDITED)

| | <u>Total</u> |
|---|----------------------|
| Number of Emergency Responses Made Within the District | <u>38,371</u> |
| Number of Emergency Responses Made Outside the District | <u>176</u> |
| Total Emergency Responses | <u><u>38,547</u></u> |

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2023

| Type of Coverage | From To | Amount of Coverage | Insurer/Name |
|--|----------------------|--|---|
| POSITION SCHEDULE BOND Treasurer | 01/01/23 01/01/24 | \$ 100,000 | National United Fire Insurance Company |
| PUBLIC EMPLOYEE BLANKET CRIME BOND Limit | 01/01/23 01/01/24 | \$ 100,000 | National United Fire Insurance Company |
| GENERAL LIABILITY General Aggregate Per Occurrence | 01/01/23 01/01/24 | \$ 10,000,000 1,000,000 | National United Fire Insurance Company |
| EXCESS LIABILITY General Aggregate Per Occurrence | 01/01/23 01/01/24 | \$ 20,000,000 10,000,000 | National United Fire Insurance Company |
| MANAGEMENT LIABILITY Each Wrongful Act Aggregate | 01/01/23 01/01/24 | \$ 1,000,000 10,000,000 | National United Fire Insurance Company |
| AUTOMOBILE LIABILITY Combined Single Limit | 01/01/23 01/01/24 | \$ 1,000,000 | National United Fire Insurance Company |
| PROPERTY Buildings Contents Policy Deductible Flood Deductible | 01/01/23 01/01/24 | \$ 93,158,913 10,380,016 5,000 1,000 | National United Fire Insurance Company |
| SPECIAL PROPERTY FLOATER Equipment Deductible | 01/01/23 01/01/24 | \$ 769,318 \$ 5,000 | National United Fire Insurance Company |
| WORKERS COMPENSATION Each Accident Disease Each Employee Disease Policy Limit | 01/01/23 01/01/24 | \$ 1,000,000 1,000,000 1,000,000 | Texas Mutual Insurance Company |
| PORTABLE EQUIPMENT Deductible | 01/01/23 01/01/24 | \$ 1,000 Guaranteed Replacement Costs | National United Fire Insurance Company |

See accompanying independent auditor's report.

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HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Property Taxes</u> | |
|----------------------------------|-----------------------|----------------------|
| TAXES RECEIVABLE - | | |
| JANUARY 1, 2023 | \$ 14,281,105 | |
| Adjustments to Beginning Balance | <u>(363,828)</u> | \$ 13,917,277 |
| Original 2023 Tax Levy | \$ 25,916,747 | |
| Adjustment to 2023 Tax Levy | <u>1,109,112</u> | <u>27,025,859</u> |
| TOTAL TO BE ACCOUNTED FOR | | \$ 40,943,136 |
| TAX COLLECTIONS: | | |
| Prior Years | \$ 13,289,696 | |
| Current Year | <u>12,974,121</u> | <u>26,263,817</u> |
| TAXES RECEIVABLE - | | |
| DECEMBER 31, 2023 | | <u>\$ 14,679,319</u> |
| TAXES RECEIVABLE BY YEAR: | | |
| 2023 | | \$ 14,051,738 |
| 2022 | | 258,514 |
| 2021 | | 90,895 |
| 2020 | | 78,138 |
| 2019 | | 46,890 |
| 2018 | | 25,733 |
| 2017 | | 28,845 |
| 2016 | | 19,933 |
| 2015 | | 16,134 |
| 2014 | | 15,093 |
| 2013 and prior | | <u>47,406</u> |
| TOTAL | | <u>\$ 14,679,319</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, 2023

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| PROPERTY | | | | |
| VALUATIONS | <u>\$ 60,918,986,710</u> | <u>\$ 54,629,811,789</u> | <u>\$ 46,790,586,400</u> | <u>\$ 43,508,570,052</u> |
| TOTAL TAX RATES | | | | |
| PER \$100 VALUATION | <u>\$ 0.044360</u> | <u>\$ 0.049984</u> | <u>\$ 0.057628</u> | <u>\$ 0.059492</u> |
| ADJUSTED TAX LEVY* | <u>\$ 27,025,859</u> | <u>\$ 27,114,450</u> | <u>\$ 26,966,010</u> | <u>\$ 25,889,069</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>48.01 %</u> | <u>99.05 %</u> | <u>99.66 %</u> | <u>99.70 %</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 | | |
|--|------------------------------|------------------------------|------------------------------|
| | 2023 | 2022 | 2021 |
| REVENUES | | | |
| Property Taxes | \$ 26,614,573 | \$ 26,483,302 | \$ 25,588,906 |
| EMS Collections/Dispatch Fees | 9,422,950 | 8,452,397 | 6,943,329 |
| Sales Tax Revenues | 57,854,059 | 55,459,354 | 45,209,809 |
| Contract Revenue | 142,367 | 124,076 | 121,001 |
| Penalty and Interest | 305,697 | 231,670 | 203,094 |
| Investment Revenues | 3,991,917 | 135,169 | 34,714 |
| Gain on Sale of Assets | 27,101 | 125,200 | 737,798 |
| Miscellaneous Revenues | 443,072 | 217,953 | 420,040 |
| TOTAL REVENUES | <u>\$ 98,801,736</u> | <u>\$ 91,229,121</u> | <u>\$ 79,258,691</u> |
| EXPENDITURES | | | |
| Service Operations: | | | |
| District Services - Cy-Fair VFD | \$ | \$ | \$ |
| Dispatch | 1,983,471 | 1,925,483 | 1,710,238 |
| Information Technology | 2,505,922 | 2,177,636 | 2,033,523 |
| Safety | 273,179 | 246,588 | 176,730 |
| Public Relations | 504,647 | 285,174 | 179,141 |
| Emergency Medical Services | 16,034,032 | 14,910,565 | 12,210,974 |
| Communications | 1,704,146 | 1,508,638 | 1,527,623 |
| Administration | 2,994,855 | 1,132,156 | 1,336,097 |
| Facilities Maintenance | 1,237,053 | 1,061,388 | 795,430 |
| Vehicle Maintenance | 2,580,604 | 2,600,023 | 2,079,259 |
| Quartermaster | 3,780,736 | 5,491,173 | 3,674,491 |
| Suppression | 20,851,539 | 17,713,260 | 12,888,086 |
| Human Resources | 14,928,827 | 16,206,596 | 13,628,141 |
| Salaries and Benefits | | | |
| Accounting and Auditing | | | |
| Appraisal District Fees | | | |
| Commissioner Fees | | | |
| Legal Fees - General | | | |
| Legal Fees - Delinquent Tax Collections | | | |
| Tax Assessor/Collector Fees | | | |
| Professional Fees | | | |
| Utilities | | | |
| Repairs and Maintenance | | | |
| Other | | | |
| Capital Outlay | 11,632,454 | 14,715,729 | 10,986,721 |
| TOTAL EXPENDITURES | <u>\$ 81,011,465</u> | <u>\$ 79,974,409</u> | <u>\$ 63,226,454</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 17,790,271</u> | <u>\$ 11,254,712</u> | <u>\$ 16,032,237</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Contributions from Cy-Fair VFD | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |
| NET CHANGE IN FUND BALANCE | \$ 17,790,271 | \$ 11,254,712 | \$ 16,032,237 |
| BEGINNING FUND BALANCE | <u>126,449,292</u> | <u>115,194,580</u> | <u>99,162,343</u> |
| ENDING FUND BALANCE | <u><u>\$ 144,239,563</u></u> | <u><u>\$ 126,449,292</u></u> | <u><u>\$ 115,194,580</u></u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|----------------------|----------------------|------------------------------|----------------|----------------|----------------|----------------|
| 2020 | 2019 | 2023 | 2022 | 2021 | 2020 | 2019 |
| \$ 24,415,516 | \$ 20,133,376 | 27.0 % | 29.1 % | 32.3 % | 35.4 % | 30.2 % |
| 5,385,765 | 6,362,338 | 9.5 | 9.3 | 8.8 | 7.8 | 9.5 |
| 37,979,444 | 37,434,321 | 58.7 | 60.8 | 57.0 | 55.0 | 56.1 |
| 95,918 | | 0.1 | 0.1 | 0.2 | 0.1 | |
| 191,769 | 196,584 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 522,030 | 1,814,207 | 4.0 | 0.1 | | 0.8 | 2.7 |
| | | | 0.1 | 0.9 | | |
| 432,313 | 811,849 | 0.4 | 0.2 | 0.5 | 0.6 | 1.2 |
| <u>\$ 69,022,755</u> | <u>\$ 66,752,675</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| | | | | | | |
| \$ | \$ 30,172,772 | % | % | % | % | 45.2 % |
| 1,535,618 | | 2.0 | 2.1 | 2.2 | 2.2 | |
| 2,062,795 | | 2.5 | 2.4 | 2.6 | 3.0 | |
| 158,690 | | 0.3 | 0.3 | 0.2 | 0.2 | |
| 177,875 | | 0.5 | 0.3 | 0.2 | 0.3 | |
| 10,966,053 | | 16.2 | 16.3 | 15.4 | 15.9 | |
| 1,402,607 | | 1.7 | 1.7 | 1.9 | 2.0 | |
| 10,193,545 | | 3.0 | 1.2 | 1.7 | 14.8 | |
| 708,169 | | 1.3 | 1.2 | 1.0 | 1.0 | |
| 1,899,140 | | 2.6 | 2.8 | 2.6 | 2.8 | |
| 3,049,443 | | 3.8 | 6.0 | 4.6 | 4.4 | |
| 10,346,707 | | 21.1 | 19.4 | 16.3 | 15.0 | |
| | | 15.1 | 17.8 | 17.2 | | |
| 920,040 | 1,541,334 | | | | 1.3 | 2.3 |
| 122,369 | 63,450 | | | | 0.2 | 0.1 |
| 189,621 | 153,229 | | | | 0.3 | 0.2 |
| 800 | 2,900 | | | | | |
| 211,096 | 334,301 | | | | 0.3 | 0.5 |
| 44,294 | 43,166 | | | | 0.1 | 0.1 |
| 106,275 | 237,024 | | | | 0.2 | 0.4 |
| 5,290 | | | | | | |
| | 58,353 | | | | | 0.1 |
| | 248,925 | | | | | 0.4 |
| 285,750 | 793,287 | | | | 0.4 | 1.2 |
| 24,427,459 | 24,101,506 | 11.8 | 16.1 | 13.9 | 35.4 | 36.1 |
| <u>\$ 68,813,636</u> | <u>\$ 57,750,247</u> | <u>81.9 %</u> | <u>87.6 %</u> | <u>79.8 %</u> | <u>99.8 %</u> | <u>86.6 %</u> |
| | | | | | | |
| <u>\$ 209,119</u> | <u>\$ 9,002,428</u> | <u>18.1 %</u> | <u>12.4 %</u> | <u>20.2 %</u> | <u>0.2 %</u> | <u>13.4 %</u> |
| | | | | | | |
| <u>\$ 4,101,472</u> | <u>\$ - 0 -</u> | | | | | |
| \$ 4,310,591 | \$ 9,002,428 | | | | | |
| 94,851,752 | 85,849,324 | | | | | |
| <u>\$ 99,162,343</u> | <u>\$ 94,851,752</u> | | | | | |

See accompanying independent auditor's report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2023

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, 2023 | Expense Reimbursements for the year ended December 31, 2023 | Title |
|-------------------|--|--|--|---------------------|
| Naressa MacKinnon | 06/01/22 05/31/26 (Elected) | \$ -0- | \$ -0- | President |
| Rob Paiva | 06/01/22 05/31/26 (Elected) | \$ -0- | \$ -0- | Vice President |
| David Langenberg | 11/03/20 05/31/24 (Elected) | \$ -0- | \$ -0- | Secretary |
| Kevin Stertzell | 06/01/22 05/31/26 (Elected) | \$ 4,050 | \$ 388 | Treasurer |
| Bevin Gordon | 11/03/20 05/31/24 (Elected) | \$ -0- | \$ 745 | Assistant Treasurer |

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.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 9
BOARD OF COMMISSIONERS AND CONSULTANTS
DECEMBER 31, 2023

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended December 31, 2023*</u> | <u>Title</u> |
|--|-----------------------|---|----------------------------|
| Coveler & Peeler, P.C. | 01/20/11 | \$ 202,176 | General Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 01/22/09 | \$ 46,500 | Auditor |
| RIT Financial | 06/30/21 | \$ 5,000 | Bookkeeper |
| Harris County Tax Assessor/Collector | Legislative Action | \$ 164,267 | Tax Assessor/ Collector |
| Linebarger Goggan Blair & Sampson, LLP | | \$ 57,598 | Delinquent Tax Attorney |
| HdL Companies | | \$ 123,156 | Sales Tax Consultant |

* Accrual basis

