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FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

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REPORT ON FINANCIAL STATEMENTS  
*(With Supplemental Material)*

FOR THE YEAR ENDED DECEMBER 31, 2012

**BREEDLOVE & CO., P.C.**  
*CERTIFIED PUBLIC ACCOUNTANTS*



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# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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RICHARD W. BREEDLOVE, CPA  
President

## INDEPENDENT AUDITORS' REPORT

May 21, 2013

Board of Commissioners  
Fort Bend Emergency Services District No. 4  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Bend Emergency Services District No. 4, as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Bend Emergency Services District No. 4, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise Fort Bend Emergency Services District No. 4's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Breallone & Co., P.C.*

## FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

### MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2012

Our discussion and analysis of the financial performance of Fort Bend Emergency Services District No. 4 (the "District") provides an overview of the District's financial activities for the year ended December 31, 2012. Please read it in conjunction with the District's financial statements, included in this annual report.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include (1) combined fund financial statements and government-wide financial statements, and (2) notes to the financial statements. The combined 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 Revenues, Expenditures and Changes in Fund Balance. This report also includes other supplemental information in addition to these basic financial statements.

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$6,409,357 as of December 31, 2012.

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**MANAGEMENT DISCUSSION & ANALYSIS**

DECEMBER 31, 2012

(Continued)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Summary of Net Position**

	2012	2011
Current and other assets	\$ 4 233 544	\$ 3 311 399
Capital assets	<u>5 700 765</u>	<u>5 385 295</u>
Total assets	<u>\$ 9 934 309</u>	<u>\$ 8 696 694</u>
Current liabilities	\$ 542 983	\$ 577 094
Long term liabilities	<u>2 981 969</u>	<u>2 984 764</u>
Total liabilities	<u>\$ 3 524 952</u>	<u>\$ 3 561 858</u>
Net assets:		
Net investment in capital assets	\$ 2 276 913	\$ 1 948 972
Restricted	150 000	150 000
Unrestricted	<u>3 982 444</u>	<u>3 035 864</u>
Total net assets	<u>\$ 6 409 357</u>	<u>\$ 5 134 836</u>

The following table provides a summary of the District's operations for the year ended December 31, 2012. The District increased its net position by \$1,274,521.

**Summary of Changes in Net Position**

	2012	2011
Revenues:		
Property taxes	\$ 2 704 192	\$ 2 231 731
Other revenues	<u>174 701</u>	<u>155 824</u>
Total revenues	<u>2 878 893</u>	<u>2 387 555</u>
Expenses for services	875 045	851 018
Operating expenses	<u>729 327</u>	<u>600 398</u>
Total expenses	<u>1 604 372</u>	<u>1 451 416</u>
Change in net position	1 274 521	936 139
Net position, beginning of period	<u>5 134 836</u>	<u>4 198 697</u>
Net position, end of period	<u>\$ 6 409 357</u>	<u>\$ 5 134 836</u>



## FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

### MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2012

(Continued)

#### FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2012 was \$2,683,558.

The General Fund balance increased by \$633,933, primarily due to receiving proceeds from incurring debt.

#### 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 property tax revenues, costs, general expenditures, and resources not accounted for in another fund.

Governmental funds are reported in each of the financial statements. The focus in the fund 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 adjustment column and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance 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 the basic financial statements provide information essential to a full understanding of government-wide and fund financial statements. The notes to the financial statements follow the financial statements in this annual report.

#### OTHER INFORMATION

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

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the fiscal year. Actual excess revenues were \$633,933 greater than the budgeted excess revenues.

# FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

## MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2012

(Continued)

### CAPITAL ASSETS AND RELATED DEBT

#### Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below.

#### Capital Assets (Net of Accumulated Depreciation)

	2012	2011
Land	\$ 656 654	\$ 656 654
Buildings, net of depreciation	2 771 278	2 847 726
Furniture and Fixtures, net of depreciation	21 304	31 036
Machinery and Equipment, net of depreciation	350 734	407 898
Vehicles, net of depreciation	1 900 795	1 441 981
Total Capital Assets	<u>\$ 5 700 765</u>	<u>\$ 5 385 295</u>

#### Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2012 are summarized as follows:

Long term debt, beginning of year	\$ 3 436 323
Proceeds from long term debt	762 534
Retirements of principal	<u>( 775 005)</u>
Long term debt, end of year	<u>\$ 3 423 852</u>

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the President of the Board, Mr. S Evans, P. O. Box 494, Fulshear, Texas 77441.

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 2 082 229	\$ -	\$ 2 082 229
Taxes Receivable	1 549 986	-	1 549 986
Due from Tax Assessor	601 329	-	601 329
Capital Assets			
Land	-	656 654	656 654
Capital Assets Net of Accumulated Depreciation of \$1,279,175	-	5 044 111	5 044 111
Total Assets	<u>\$ 4 233 544</u>	<u>\$ 5 700 765</u>	<u>\$ 9 934 309</u>
<b><u>LIABILITIES</u></b>			
Liabilities			
Deferred Tax Revenue	\$ 1 549 986	\$ (1 549 986)	\$ -
Accrued Interest Payable	-	101 100	101 100
Long Term Liabilities			
Due within One Year	-	441 883	441 883
Due after One Year	-	2 981 969	2 981 969
Total Liabilities	<u>1 549 986</u>	<u>1 974 966</u>	<u>3 524 952</u>
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balances			
Committed	150 000	(150 000)	-
Unassigned	2 533 558	(2 533 558)	-
Total Fund Balance	<u>2 683 558</u>	<u>(2 683 558)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 4 233 544</u>		
Net Position			
Investment in Capital Assets		2 276 913	2 276 913
Restricted		150 000	150 000
Unrestricted		3 982 444	3 982 444
Total Net Position		<u>\$ 6 409 357</u>	<u>\$ 6 409 357</u>

See the accompanying Notes to Financial Statements

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 2 415 980	\$ 288 212	\$ 2 704 192
Other Income Received	151 606	-	151 606
Penalty and Interest on Property Taxes	19 682	-	19 682
Interest Earned on Temporary Investments	3 413	-	3 413
Total Revenues	<u>2 590 681</u>	<u>288 212</u>	<u>2 878 893</u>
Expenditures/Expenses			
Fire Department Operating Funds	875 045	-	875 045
Auditing Fees	7 478	-	7 478
Appraisal District Fees	16 771	-	16 771
Collection Fees	24 356	-	24 356
Dues and Subscriptions	1 000	-	1 000
Office Expenses	11 100	-	11 100
Insurance	10 923	-	10 923
Professional Services	10 655	-	10 655
Travel	12 883	-	12 883
Meals and Entertainment	1 434	-	1 434
Supplies	10 680	-	10 680
Capital Outlay	783 325	( 783 325)	-
Depreciation	-	467 855	467 855
Debt Service			
Capital Lease Principal	535 428	( 535 428)	-
Capital Lease Interest	86 425	( 9 140)	77 285
Note Principal	239 577	( 239 577)	-
Note Interest	92 202	( 15 295)	76 907
Total Expenditures/Expenses	<u>2 719 282</u>	<u>(1 114 910)</u>	<u>1 604 372</u>
Excess (Deficiency) of Revenues Over Expenditures	( 128 601)	1 403 122	1 274 521
Other Financing Sources / Uses			
Notes Payable Proceeds	762 534	( 762 534)	-
Change in Fund Balance/Net Position	633 933	640 588	1 274 521
Fund Balance/Net Position			
Beginning of Year	2 049 625	3 085 211	5 134 836
End of Year	<u>\$ 2 683 558</u>	<u>\$ 3 725 799</u>	<u>\$ 6 409 357</u>

See the accompanying Notes to Financial Statements

## FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### NOTE (1) CREATION OF DISTRICT

Fort Bend Emergency Services District No. 4 is a conversion of Rural Fire Prevention District No. 1 created August 10, 1985, under the provisions of Article 2351a-6 of Vernon's Annotated Civil Statutes. In September 2003, Texas senate Bill 1021 converted all Rural Fire Prevention Districts to Emergency Service Districts. The Board agreed to call the new district Fort Bend Emergency Services District No. 4. The name change was effective January 1, 2004.

The District is a political subdivision of the State of Texas. The District operates under the direction of five commissioners and provides emergency services to the district as defined in Health & Safety Code of Texas Statutes Chapter 775, Emergency Services District, Subchapter C, Organization, Powers and Duties Sec. 775.031 District Powers.

#### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

##### A. REPORTING ENTITY

The District is an Emergency Services District with a five-member board of commissioners, who are appointed to serve two-year terms by the Fort Bend Commissioners Court.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be components units of the District.

The District is a special-purpose government that is governed by a separately appointed governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

##### B. BASIS OF PRESENTATION

The financial transactions of the District are recorded in an individual fund. The funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The funds are reported by generic classification within the financial statements.

The District uses the following fund types:

##### a. Governmental Funds

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

(Continued)

**NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF PRESENTATION (Continued)**

**b. Fund Balances**

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose.

The District uses the following classifications for net position:

Investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The board must approve any change in the restriction of this fund balance.

Unrestricted - To indicate net position that is available for use in future period.

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

(Continued)

**NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. BASIS OF ACCOUNTING**

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

The District has adopted GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2012. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents tax revenues adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net assets.

**D. BUDGET**

The District annually adopts a budget for the General Fund in accordance with the accounting principles applicable to this fund. The Board of Commissioner's approval is required for revisions that alter the total expenditures. Reported budgeted amounts are as originally adopted. Budgeted amounts lapse annually.

**E. CASH EQUIVALENTS**

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. However, certificates of deposit are considered cash equivalents.

## FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(Continued)

#### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### F. CAPITAL ASSETS

Capital assets, which include land, furniture and fixtures, vehicles and construction in progress, 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 expenditure in the governmental fund as 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.

Assets are capitalized if they have an original cost of \$1,000 or more and a useful life of at least one year. 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	39
Vehicles	10
Furniture and equipment	5

##### G. USE OF ESTIMATES

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

##### H. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Management considers accounts receivable to be fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.



# FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position and governmental funds balance sheet are different because:

Total Fund Balance at December 31, 2012	<u>\$ 2 683 558</u>
Conversion of property tax assessments to full accrual basis	1 549 986
Interest paid on long term debt is adjusted to accrual basis	( 101 100)
Long-term debt obligations are not reported in the funds	(3 423 852)
Capital assets used in governmental activities are not financial and are not reported in the funds.	<u>5 700 765</u>
Adjustment to fund balance to arrive at net position	<u>3 725 799</u>
Net Position at December 31, 2012	<u>\$ 6 409 357</u>

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

Change in fund balance	\$ 633 933
Conversion of property tax assessments to full accrual basis	288 212
Interest paid on long term debt is adjusted to accrual basis	24 435
Governmental funds report proceeds from debt because they provide current financial resources to governmental funds.	( 762 534)
Principal payments on debt are reported as expenditures. None of the transactions, however, have any effect on net position.	775 005
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay and conveyance of capital assets in the current period.	<u>315 470</u>
Change in net position of governmental activities	<u>\$ 1 274 521</u>

## FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

#### NOTE (3) AD VALOREM TAX

During the year ended December 31, 2012, the District levied an ad valorem tax at the rate of \$.081030 per \$100 of assessed valuation, which resulted in a tax levy of \$2,671,304 for 2012, on the taxable valuation of \$3,296,685,555 for the 2012 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. The levy date of the tax was September 1, or as soon after September 1 as it took to set the tax rate. The lien date was January 1.

#### NOTE (4) DEPOSITS AND INVESTMENTS

Statutes authorize the District to invest in direct or indirect obligations of the United States, the state, or any county, school district, or other political subdivision of the state. Funds of the District may also be placed in certificates of deposit of state or national banks or savings associations within the state. The District did not have any temporary investments during the year ended December 31, 2012.

Deposits were with New First Bank in checking accounts, money market accounts, and certificates of deposit during the year. The deposits were secured by FDIC coverage and pledged securities. The balances in this bank were not adequately secured throughout the year.

The contracted depository bank used by the District was New First Bank. The largest cash, savings, and time deposit combined balance during the year ended December 31, 2012 was \$2,499,639 and occurred in February, 2012.

The District also has a money market account with Wallis State Bank. The largest balance during the year ended December 31, 2012 was \$240,909 and occurred in December, 2012. These deposits were secured by FDIC coverage. The balance at this bank was adequately insured throughout the year.

The District's deposits are categorized at year-end to give an indication of the level of risk assumed by the district at year-end. The categories are described as follows:

Insured	\$ 1 582 229
Collateralized:	
Collateral held by financial institution in the entity's name	500 000
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 2 082 229</u>

# **FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (5) CAPITAL ASSETS

The changes in fixed assets for the year are as follows:

	Balances at 12/31/11	Additions (Dispositions)	Depreciation	Balances 12/31/12
Land	\$ 656 654	\$ -	\$ -	\$ 656 654
Buildings	2 981 461	-	-	2 981 461
Furniture and Fixtures	48 661	-	-	48 661
Machinery and Equipment	507 303	51 028	-	558 331
Vehicles	2 002 536	732 297	-	2 734 833
Accumulated Depreciation	( 811 320)	-	( 467 855)	(1 279 175)
Capital Assets	<u>4 728 641</u>	<u>783 325</u>	<u>( 467 855)</u>	<u>5 044 111</u>
Totals	<u>\$ 5 385 295</u>	<u>\$ 783 325</u>	<u>\$ ( 467 855)</u>	<u>\$ 5 700 765</u>

### NOTE (6) CONTRACTUAL AGREEMENTS

The District entered into a contract with the Fulshear-Simonton Volunteer Fire Department to provide fire protection services to the residents and commercial interests within the boundaries of the geographic district. The District agrees to pay the department's monthly submitted and approved bills, not to exceed the taxes collected, less their administrative expenses. For the year end December 31, 2012 the District paid the department \$875,045.

On September 8, 2005, the District entered into a contract with the Fort Bend County Municipal Utility District No. 151 to provide fire protection services to the residents and commercial interests within the boundaries of the geographic district. Fort Bend County Municipal Utility District No. 151 agrees to pay the district \$8.50 per month for each residential unit within the Fort Bend County Municipal Utility District No. 151 connected to the public water supply system. For the year end December 31, 2012 the Fort Bend County Municipal Utility District No. 151 paid the District \$151,606.

### NOTE (7) COMMITTED / RESTRICTED FUNDS

The Board of Commissioners has committed / restricted \$150,000 for the purpose of contingencies or emergencies.

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**(Continued)**

**NOTE (8) NOTES PAYABLE**

On April 1, 2008, the District entered into a \$315,000 note payable with Kansas State Bank of Manhattan. Interest rates are based upon the 5 year treasury notes. The note is secured by land. Principal and interest payments of \$38,635 are due annually beginning January 15, 2011 through January 15, 2018. At January 1, 2012 the District owed \$231,459 on this note. During the year ended December 31, 2012 the District made repayments of \$38,635 of this amount \$9,374 was applied to interest. At the year end the total amount to be repaid was \$202,198.

On March 25, 2011, the District refinanced the construction loan note with Capital One Bank for \$2,247,557. Interest rates are based upon the 9 year treasury notes. Principal and interest payments of \$293,144 are due annually beginning March 25, 2011 through March 27, 2019. At January 1, 2012 the District owed \$1,954,412 on this note. During the year ended December 31, 2012 the District made repayments of \$293,144 of this amount \$82,828 was applied to interest. At the year end the total amount to be repaid was \$1,744,096.

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2013	\$ 249 674
December 31, 2014	260 199
December 31, 2015	271 167
December 31, 2016	282 596
December 31, 2017	294 508
Thereafter	<u>588 150</u>
Total Amount	<u>\$ 1 946 294</u>

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

(Continued)

**NOTE (9) CAPITAL LEASES**

The District has entered into certain lease agreements with the option to purchase under which the related equipment will become the property of the District when all terms of the lease agreements are met.

On January 8, 2008, the District entered into a capital lease payable with Kansas State Bank of Manhattan. Interest rates are based upon the 5 year treasury notes. The proceeds were used to pay for emergency service vehicles for the fire station. Principal and interest payments of \$126,970 are due annually beginning January 15, 2008 through January 15, 2014. At January 1, 2012 the District owed \$350,355 on this lease. During the year ended December 31, 2012 the District fully repaid this capital lease with a final payment of \$368,695. Of this amount, \$18,340 was applied to interest.

On December 30, 2008 the Board entered into a capital lease payable with Kansas State Bank of Manhattan. Interest rates are based upon the 5 year treasury notes. The proceeds were used to pay for emergency service vehicles for the fire station. Principal and interest payments of \$44,770 are due annually beginning January 17, 2010 through January 17, 2016. At January 1, 2012 the District owed \$194,634 on this lease. During the year ended December 31, 2012 the District made repayments of \$44,770. Of this amount, \$9,440 was applied to interest. At the year end the total amount to be repaid was \$159,304.

On February 1, 2010 the Board entered into a capital lease payable with Republic First National Corporation. Interest rates are based upon the 10 year treasury notes. The proceeds were used to pay for heavy rescue truck for the fire station. Principal and interest payments of \$71,839 are due annually beginning February 1, 2011 through February 1, 2020. At January 1, 2012 the District owed \$513,587 on this lease. During the year ended December 31, 2012 the District made repayments of \$71,839. Of this amount, \$25,012 was applied to interest. At the year end the total amount to be repaid was \$466,760.

On February 25, 2011 the Board entered into a capital lease payable with Republic First National Corporation. Interest rates are based upon the 10 year treasury notes. The proceeds were used to pay for heavy rescue truck for the fire station. Principal and interest payments of \$26,773 are due annually beginning February, 2011 through February 2, 2020. At January 1, 2012 the District owed \$191,877 on this lease. During the year ended December 31, 2012 the District made repayments of \$26,774. Of this amount, \$8,851 was applied to interest. At the year end the total amount to be repaid was \$173,954.

On December 1, 2011 the Board entered into a capital lease payable with Wells Fargo Equipment Finance. Interest rates are based upon the 8 year treasury notes. The proceeds were used to pay for emergency service vehicle and equipment for the fire station. Principal and interest payments of \$109,776 are due annually beginning December, 2012 through December 1, 2019. During the year ended December 31, 2012 the District made repayments of \$109,776. Of this amount, \$24,782 was applied to interest. At the year end the total amount to be repaid was \$677,540.

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

(Continued)

**NOTE (9) CAPITAL LEASES (CONTINUED)**

The following is an analysis of the leased assets included in Property, Buildings and Equipment:

Vehicles	\$ 1 766 002
Equipment	248 887
Less accumulated depreciation	<u>( 432 702)</u>
	<u>\$ 1 582 187</u>

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 253 158
2014	253 158
2015	253 158
2016	253 158
2017	208 389
Thereafter	<u>515 390</u>
Total minimum payments	1 736 411
Less amount representing interest	( 258 853)
Less current maturities of present value of minimum lease payments	<u>( 192 209)</u>
Present value of minimum lease payments - net of current maturities	<u>\$ 1 285 349</u>

**NOTE (10) SUBSEQUENT EVENTS**

Subsequent to December 31, 2012, the District entered into a \$275,000 note payable with Community Leasing Partners for the purchase of 2.0 Acres of Land located in Fort Bend County. The total purchase price of the land was \$325,000. The District made a down payment of \$50,000 to secure the purchase of the Land. Interest rates are based upon 3.19% and principal and interest payments of \$96,981 are due annually. The note is secured by emergency service vehicles.

On April 8, 2013 the District, fully repaid the note payable with Kansas State Bank of Manhattan. The total amount repaid was \$176,118.

Management has evaluated subsequent events through May 21, 2013 the date the financial statements were available to be issued, and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements other than the items mentioned above.

## **REQUIRED SUPPLEMENTARY INFORMATION**





**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Actual</u>	<u>Original and Final Budget *</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2 415 980	\$ 2 073 913	\$ 342 067
Other Income	151 606	375 450	( 223 844)
Penalty and Interest on Property Taxes	19 682	-	19 682
Interest Earned on Temporary Investments	3 413	-	3 413
Total Revenues	<u>2 590 681</u>	<u>2 449 363</u>	<u>141 318</u>
Expenditures/Expenses:			
Fire Department Operating Funds	875 045	1 402 400	527 355
Appraisal District Fees	16 771	11 332	( 5 439)
Collection Fees	24 356	20 000	( 4 356)
Dues and Subscriptions	1 000	-	( 1 000)
Office Expenses	11 100	27 500	16 400
Insurance	10 923	11 000	77
Professional Services	18 133	25 000	6 867
Travel	12 883	-	( 12 883)
Meals and Entertainment	1 434	-	( 1 434)
Supplies	10 680	-	( 10 680)
Capital Lease Principal	535 428	211 984	( 323 444)
Capital Lease Interest	86 425	58 368	( 28 057)
Note Principal	239 577	239 577	-
Note Interest	92 202	92 202	-
Capital Outlay	783 325	350 000	( 433 325)
Total Expenditures/Expenses	<u>2 719 282</u>	<u>2 449 363</u>	<u>( 269 919)</u>
Excess (Deficiency) of Revenues over Expenditures	( 128 601)	-	( 128 601)
Notes Payable Proceeds	762 534	-	762 534
Change in Fund Balance	633 933	-	633 933
Fund Balance			
Beginning of the Year	2 049 625	2 049 625	-
End of the Year	<u>\$ 2 683 558</u>	<u>\$ 2 049 625</u>	<u>\$ 633 933</u>

See the Accompanying Independent Auditors' Report



## **SUPPLEMENTARY INFORMATION**



**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

SUPPLEMENTARY INFORMATION  
ANALYSIS OF TAXES RECEIVABLE  
DECEMBER 31, 2012

Taxes Receivable - Beginning of Year	\$ 1 261 774
2012 Tax Roll	2 671 304
Adjustment to prior year taxes	<u>32 888</u>
Total to be Accounted for	3 965 966
Tax Collections Received from Tax Collector	<u>(2 415 980)</u>
Taxes Receivable - End of Year	<u>\$ 1 549 986</u>
Taxes Receivable - By Years	
2012	\$ 1 482 463
2011	14 850
2010	13 253
2009	13 089
2008	8 819
2007 - 1985	<u>17 512</u>
Taxes Receivable - End of Year	<u>\$ 1 549 986</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Property Valuations					
Real Property	\$ 3 241 373 015	\$ 2 735 089 540	\$ 2 371 104 926	\$ 2 026 152 161	\$ 1 544 736 871
Personal Property	<u>55 312 540</u>	<u>49 913 747</u>	<u>50 337 377</u>	<u>48 852 202</u>	<u>52 770 249</u>
Total Property Valuations	<u>\$ 3 296 685 555</u>	<u>\$ 2 785 003 287</u>	<u>\$ 2 421 442 303</u>	<u>\$ 2 075 004 363</u>	<u>\$ 1 597 507 120</u>
Tax Rate per \$100 Valuation	\$ 0.081030	\$ 0.078271	\$ 0.078040	\$ 0.082340	\$ 0.085020
Tax Rolls	<u>\$ 2 671 304</u>	<u>\$ 2 179 850</u>	<u>\$ 1 889 694</u>	<u>\$ 1 708 559</u>	<u>\$ 1 358 201</u>
Percent of Taxes Collected to Taxes Levied	<u>44.5%</u>	<u>99.3%</u>	<u>99.3%</u>	<u>99.2%</u>	<u>99.4%</u>

See the accompanying Independent Auditors' Report

# FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

## SUPPLEMENTARY INFORMATION BOARD MEMBERS AND CONSULTANTS DECEMBER 31, 2012

District Mailing Address: Fort Bend County Emergency Services District No. 4  
PO Box 494  
Fulshear Texas, 77441

District Telephone Number: 281-533-0095

Names	Term of office (Appointed) or Date Hired	Fees of Office Paid* FYE 12/31/12	Expense Reimburse- ments FYE 12/31/12	Title at Year End
<b>Board Members:</b>				
S Evans	(Appointed) 01/01/10 - 12/31/12	\$ -	\$ -	President
J Minton	(Appointed) 01/01/10 - 12/31/12	\$ -	\$ -	Secretary
M Lavengco	(Appointed) 01/01/12 - 12/31/13	\$ -	\$ -	Treasurer
R McCormack	(Appointed) 01/01/12 - 12/31/13	\$ -	\$ -	Vice President
P Speer	(Appointed) 01/01/12 - 12/31/13	\$ -	\$ -	Assistant Treasurer

\* Fees of Office are the amounts actually paid to a commssioner/consultant during the District's fiscal year.

**FORT BEND EMERGENCY SERVICES DISTRICT NO. 4**

SUPPLEMENTARY INFORMATION  
BOARD MEMBERS AND CONSULTANTS  
DECEMBER 31, 2012  
(Continued)

<u>Names</u>	<u>Term of office (Appointed) or Date Hired</u>	<u>Fees of Office Paid* FYE 12/31/12</u>	<u>Expense Reimburse- ments FYE 12/31/12</u>	<u>Title at Year End</u>
Consultants:				
Allen Scopel	2008	\$ -	\$ -	Consultant
Breedlove & Co., P.C.	2006	\$ 7 478	\$ -	Auditor
Levin & Atwood L.L.P	2008	\$ 3 110	\$ -	Attorney
Crady Jewett & McCulley LLP	2012	\$ 6 611	\$ -	Litigation Attorney
Coveler & Katz	2012	\$ -	\$ -	Annexation Attorney
Patsy Schultz	2006	\$ 24 356	\$ -	Tax Collector
Fort Bend County Appraisal District	2006	\$ 16 771	\$ -	Appraisal District





# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

17014 Seven Pines Drive  
Spring, Texas 77379  
(281) 379-1065  
(281) 379-6322 (fax)

RICHARD W. BREEDLOVE, CPA  
President

May 21, 2013

The Board of Commissioners  
Fort Bend County Emergency Services District No. 4  
Fort Bend, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Bend County Emergency Services District No. 4 ("the District") for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for the year ended December 31, 2012.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures will be corrected by the bookkeeper: taxes receivable and tax revenues, amounts due from the tax assessor, and depreciation charge for the year.



*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 21, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

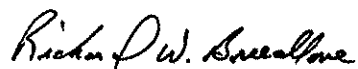
We would like to bring to the Board's attention that the District has bank balances in excess of the FDIC coverage and pledged securities held by the District. Throughout the year there were instances where funds held at the banks were in excess of the FDIC Coverage and pledged securities, and we advise that the District put procedures in place for obtaining additional coverage to prevent the risk of funds being uninsured and at risk.

*Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form and content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the Supplementary Information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

This information is intended solely for the use of the Board of Commissioners and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Richard W. Breedlove

