
FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2014

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

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management Discussion & Analysis	3-6

FINANCIAL STATEMENTS

Statement of Net Position and Governmental Funds Balance Sheet	7
Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance	8
Notes to the Financial Statements	9-19

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund..	23
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SUPPLEMENTARY INFORMATION

Analysis of Taxes Receivable	27
Board Members and Consultants	28-29

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

INDEPENDENT AUDITORS' REPORT

March 17, 2015

Board of Commissioners
Fort Bend Emergency Services District No. 4
Fort Bend 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2014, 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

Required Supplementary Information

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.

Other Information

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 basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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.

Brescollone & Co., P.C.

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2014

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, 2014. 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 position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$9,667,305 as of December 31, 2014.

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2014

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Net Position	
	2014	2013
Current and other assets	\$ 7 001 931	\$ 5 151 396
Capital assets	<u>7 374 888</u>	<u>5 689 856</u>
Total assets	<u>\$ 14 376 819</u>	<u>\$ 10 841 252</u>
Current liabilities	\$ 708 599	\$ 668 942
Long term liabilities	<u>3 815 915</u>	<u>2 566 617</u>
Total liabilities	<u>\$ 4 524 514</u>	<u>\$ 3 235 559</u>
Net position:		
Net investment in capital assets	\$ 2 978 864	\$ 2 604 640
Restricted	450 000	450 000
Unrestricted	<u>6 423 441</u>	<u>4 551 053</u>
Total net position	<u>\$ 9 852 305</u>	<u>\$ 7 605 693</u>

The following table provides a summary of the District's operations for the year ended December 31, 2014. The District increased its net position by \$2,061,612.

	Summary of Changes in Net Position	
	2014	2013
Revenues:		
Property taxes	\$ 4 151 235	\$ 3 208 983
Other revenues	<u>300 599</u>	<u>208 258</u>
Total revenues	<u>4 451 834</u>	<u>3 417 241</u>
Expenses for services		
Operating expenses	<u>894 579</u>	<u>910 048</u>
Total expenses	<u>2 205 222</u>	<u>2 220 905</u>
Change in net position	2 246 612	1 196 336
Net position, beginning of period	<u>7 605 693</u>	<u>6 409 357</u>
Net position, end of period	<u>\$ 9 852 305</u>	<u>\$ 7 605 693</u>

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2014

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2014 was \$5,094,902.

The General Fund balance increased by \$1,236,055, primarily due to receiving proceeds from incurring debt and an increase in tax revenue.

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 \$1,421,055 greater than the budgeted excess revenues.

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2014

(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)

	<u>2014</u>	<u>2013</u>
Land	\$ 983 571	\$ 983 571
Buildings, net of depreciation	2 618 383	2 694 830
Furniture and Fixtures, net of depreciation	2 416	11 571
Machinery and Equipment, net of depreciation	225 723	339 094
Vehicles, net of depreciation	<u>3 544 795</u>	<u>1 660 790</u>
Total Capital Assets	<u>\$ 7 374 888</u>	<u>\$ 5 689 856</u>

Debt

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

Long term debt, beginning of year	\$ 3 085 216
Proceeds from long term debt	1 961 208
Retirements of principal	<u>(650 400)</u>
Long term debt, end of year	<u>\$ 4 396 024</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, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3 411 845	\$ -	\$ 3 411 845
Cash and Cash Equivalents - Restricted	450 000	-	450 000
Taxes Receivable	1 691 786	-	1 691 786
Due from Tax Assessor	1 263 300	-	1 263 300
Accounts Receivable - Other	185 000	-	185 000
Capital Assets			
Land	-	983 571	983 571
Capital Assets Net of Accumulated Depreciation of \$2,284,508	-	6 391 317	6 391 317
	<u>7 001 931</u>	<u>7 374 888</u>	<u>14 376 819</u>
Total Assets	<u>\$ 7 001 931</u>	<u>\$ 7 374 888</u>	<u>\$ 14 376 819</u>
<u>LIABILITIES</u>			
Liabilities			
Accounts Payable	\$ 30 243	\$ -	\$ 30 243
Accrued Interest Payable	-	98 247	98 247
Long Term Liabilities			
Due within One Year	-	580 109	580 109
Due after One Year	-	3 815 915	3 815 915
	<u>30 243</u>	<u>4 494 271</u>	<u>4 524 514</u>
Total Liabilities	<u>30 243</u>	<u>4 494 271</u>	<u>4 524 514</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue	<u>1 691 786</u>	<u>(1 691 786)</u>	<u>-</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balances			
Committed	450 000	(450 000)	-
Unassigned	4 829 902	(4 829 902)	-
	<u>5 279 902</u>	<u>(5 279 902)</u>	<u>-</u>
Total Fund Balance	<u>5 279 902</u>	<u>(5 279 902)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 7 001 931</u>		
Net Position			
Net Investment in Capital Assets		2 978 864	2 978 864
Restricted		450 000	450 000
Unrestricted		6 423 441	6 423 441
		<u>9 852 305</u>	<u>9 852 305</u>
Total Net Position		<u>\$ 9 852 305</u>	<u>\$ 9 852 305</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, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 3 689 721	\$ 461 514	\$ 4 151 235
Other Income Received	276 322	-	276 322
Penalty and Interest on Property Taxes	19 041	-	19 041
Interest Earned on Temporary Investments	5 236	-	5 236
Total Revenues	<u>3 990 320</u>	<u>461 514</u>	<u>4 451 834</u>
Expenditures/Expenses			
Fire Department Operating Funds	1 310 643	-	1 310 643
Auditing Fees	8 297	-	8 297
Appraisal District Fees	21 482	-	21 482
Collection Fees	37 154	-	37 154
Office Expenses	23 040	-	23 040
Insurance	11 918	-	11 918
Professional Services	122 648	-	122 648
Travel	5 737	-	5 737
Meals and Entertainment	1 008	-	1 008
Repairs and Maintenance	11 724	-	11 724
Supplies	1 468	-	1 468
Capital Outlay	2 190 321	(2 190 321)	-
Depreciation	-	505 289	505 289
Debt Service			
Capital Lease Principal	421 880	(421 880)	-
Capital Lease Interest	70 009	5 911	75 920
Note Principal	228 520	(228 520)	-
Note Interest	64 624	4 270	68 894
Total Expenditures/Expenses	<u>4 530 473</u>	<u>(2 325 251)</u>	<u>2 205 222</u>
Excess (Deficiency) of Revenues Over Expenditures	(540 153)	2 786 765	2 246 612
Other Financing Sources / Uses			
Notes Payable Proceeds	1 961 208	(1 961 208)	-
Changes in Fund Balance/Net Position	1 421 055	825 557	2 246 612
Fund Balance/Net Position			
Beginning of Year	<u>3 858 847</u>	<u>3 746 846</u>	<u>7 605 693</u>
End of Year	<u>\$ 5 279 902</u>	<u>\$ 4 572 403</u>	<u>\$ 9 852 305</u>

See the accompanying Notes to Financial Statements

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 component 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, 2014

(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:

Net 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, 2014

(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, 2014. 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 position.

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.

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

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2014	\$ 5 279 902
Conversion of property tax assessments to full accrual basis	1 691 786
Interest paid on long term debt is adjusted to accrual basis	(98 247)
Long-term debt obligations are not reported in the funds	(4 396 024)
Capital assets used in governmental activities are not financial and are not reported in the funds.	<u>7 374 888</u>
Adjustment to fund balance to arrive at net position	<u>4 572 403</u>
Net Position at December 31, 2014	<u>\$ 9 852 305</u>

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

Change in fund balance	\$ 1 421 055
Conversion of property tax assessments to full accrual basis	461 514
Interest paid on long term debt is adjusted to accrual basis	(10 181)
Governmental funds report proceeds from debt because they provide current financial resources to governmental funds.	(1 961 208)
Principal payments on debt are reported as expenditures. None of the transactions, however, have any effect on net position.	650 400
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 capital outlay and conveyance of capital assets exceeded depreciation in the current period.	<u>1 685 032</u>
Change in net position of governmental activities	<u>\$ 2 246 612</u>

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE (3) AD VALOREM TAX

During the year ended December 31, 2014, the District levied an ad valorem tax at the rate of \$.09 per \$100 of assessed valuation, which resulted in a tax levy of \$4,082,721 for 2014, on the taxable valuation of \$4,536,357,066 for the 2014 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, 2014.

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, 2014 was \$4,651,694 and occurred in February, 2014.

The District also has a money market account with Wallis State Bank. The largest balance during the year ended December 31, 2014 was \$243,816 and occurred in December, 2014. 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	\$ 3 200 672
Collateralized:	
Collateral held by financial institution in the entity's name	661 173
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 3 861 845</u>

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE (5) CAPITAL ASSETS

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

	Balances at 12/31/13	Additions (Dispositions)	Depreciation	Balances 12/31/14
Land	\$ 983 571	\$ -	\$ -	\$ 983 571
Buildings	2 981 461	-	-	2 981 461
Furniture and Fixtures	48 661	-	-	48 661
Machinery and Equipment	683 351	29 113	-	712 464
Vehicles	2 772 031	2 161 208	-	4 933 239
Accumulated Depreciation	(1 779 219)	-	(505 289)	(2 284 508)
Capital Assets	<u>4 706 285</u>	<u>2 190 321</u>	<u>(505 289)</u>	<u>6 391 317</u>
Totals	<u>\$ 5 689 856</u>	<u>\$ 2 190 321</u>	<u>\$ (505 289)</u>	<u>\$ 7 374 888</u>

During the year ended December 31, 2014 the District entered into capital lease agreements for two new vehicles. The assets were not received before the year end. The assets were capitalized at cost but no depreciation was charged for the year ended December 31, 2014 as the assets were not in service. See Note (9) Capital Leases for further details on the lease agreements.

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, 2014 the District paid the department \$1,310,643. At December 31, 2014, the District owed the department \$28,014 for expenses incurred in 2014.

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 \$9.13 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, 2014 the Fort Bend County Municipal Utility District No. 151 paid the District \$264,474.

NOTE (7) COMMITTED / RESTRICTED FUNDS

The Board of Commissioners has committed / restricted \$450,000 for the purpose of contingencies or emergencies.

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE (8) NOTES PAYABLE

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, 2014 the District owed \$1,524,866 on this note. During the year ended December 31, 2014 the District made repayments of \$293,144. Of this amount, \$64,624 was applied to interest. At the year end the total amount to be repaid was \$1,296,346.

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2015	\$ 238 205
December 31, 2016	248 300
December 31, 2017	258 823
December 31, 2018	269 792
December 31, 2019	<u>281 226</u>
Total Amount	<u>\$ 1 296 346</u>

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 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, 2014 the District owed \$122,261 on this lease. During the year ended December 31, 2014 the District made repayments of \$89,538. Of this amount, \$9,976 was applied to interest. At the year end the total amount to be repaid was \$42,699.

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 a 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, 2014 the District owed \$417,652 on this lease. During the year ended December 31, 2014 the District made repayments of \$71,839. Of this amount, \$20,340 was applied to interest. At the year end the total amount to be repaid was \$366,153.

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE (9) CAPITAL LEASES (Continued)

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 1, 2020. At January 1, 2014 the District owed \$155,653 on this lease. During the year ended December 31, 2014 the District made repayments of \$26,774. Of this amount, \$7,580 was applied to interest. At the year end the total amount to be repaid was \$136,459.

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 an 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. At January 1, 2014 the District owed \$589,784 on this lease. During the year ended December 31, 2014 the District made repayments of \$109,776. Of this amount, \$19,167 was applied to interest. At the year end the total amount to be repaid was \$499,176.

On April 1, 2013, the Board entered into a \$275,000 capital lease payable with Community Leasing Partners. The proceeds were used to pay for the purchase of 2.0 Acres of Land located in Fort Bend County. Principal and interest payments of \$96,981 are due annually beginning January 2014 through January 2016. At January 1, 2014 the District owed \$275,000 on this lease. During the year ended December 31, 2014 the District made repayments of \$193,963. Of this amount, \$12,946 was applied to interest. At the year end the total amount to be repaid was \$93,983. The lease is secured by emergency service vehicles.

On April 1, 2014, the Board entered into a \$1,261,525 capital lease payable with Leasing 2 Inc. The proceeds were used to pay for the purchase of a new Spartan ERV rear mounted platform. Principal and interest payments of \$145,315 are due annually beginning April 2015 through April 2024. At the year end the total amount to be repaid was \$1,261,525.

On May 16, 2014, the Board entered into a \$699,683 capital lease payable with Community First National Bank. The proceeds were used to pay for the purchase a Spartan ERV custom pumper. Principal and interest payments of \$79,986 are due annually beginning May 16, 2014 through May 2024. At the year end the total amount to be repaid was \$699,683.

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE (9) CAPITAL LEASES (CONTINUED)

The following is an analysis of the leased assets included in Capital Assets:

Land	\$ 326 917
Vehicles	3 927 210
Equipment	248 887
Less accumulated depreciation	<u>(885 457)</u>
	<u>\$ 3 617 557</u>

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
2015	\$ 433 690
2016	575 440
2017	433 690
2018	433 690
2019	433 690
Thereafter	<u>1 225 117</u>
Total minimum payments	3 535 317
Less amount representing interest	(435 639)
Less current maturities of present value of minimum lease payments	<u>(341 904)</u>
Present value of minimum lease payments - net of current maturities	<u>\$ 2 757 774</u>

NOTE (10) OPERATING LEASES

On November 17, 2014 the District entered into a 39 month non-cancelable operating lease for a copier requiring rent payments of \$277 monthly (or \$3,324 annually). Lease expense incurred under this agreement during the year ended December 31, 2014 was \$352.

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

NOTE (11) SUBSEQUENT EVENTS

On February 25, 2015, the District was awarded \$185,000 relating to a lawsuit in which the District brought against the Contractors for the construction of Station No. 3. The award has been recognized in the current year audit report under Accounts Receivable – other and as a reduction of the cost of repairs. Under the terms of the settlement agreement all amounts were due to be paid to the District by March 18, 2015. The District has received \$170,000 of the settlement by the due date.

Management has evaluated subsequent events through March 17, 2015 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, 2014

	Actual	Original and Final Budget *	Variance Positive (Negative)
Revenues:			
Property Taxes	\$ 3 689 721	\$ 3 353 234	\$ 336 487
Other Income	276 322	-	276 322
Penalty and Interest on Property Taxes	19 041	-	19 041
Interest Earned on Temporary Investments	5 236	-	5 236
Total Revenues	<u>3 990 320</u>	<u>3 353 234</u>	<u>637 086</u>
Expenditures/Expenses:			
Fire Department Operating Funds	1 310 643	2 078 950	768 307
Appraisal District Fees	21 482	20 000	(1 482)
Collection Fees	37 154	25 000	(12 154)
Office Expenses	23 040	100 000	76 960
Insurance	11 918	11 000	(918)
Professional Services	130 945	50 000	(80 945)
Travel	5 737	-	(5 737)
Meals and Entertainment	1 008	-	(1 008)
Repairs and Maintenance	11 724	-	(11 724)
Supplies	1 468	-	(1 468)
Capital Lease Principal	421 880	253 159	(168 721)
Capital Lease Interest	70 009	-	(70 009)
Note Principal	228 520	390 125	161 605
Note Interest	64 624	-	(64 624)
Capital Outlay	2 190 321	425 000	(1 765 321)
Total Expenditures/Expenses	<u>4 530 473</u>	<u>3 353 234</u>	<u>(1 177 239)</u>
Excess (Deficiency) of Revenues over Expenditures	(540 153)	-	(540 153)
Notes Payable Proceeds	1 961 208	-	1 961 208
Changes in Fund Balance	<u>1 421 055</u>	<u>-</u>	<u>1 421 055</u>
Fund Balance			
Beginning of the Year	3 858 847	3 858 847	-
End of the Year	<u>\$ 5 279 902</u>	<u>\$ 3 858 847</u>	<u>\$ 1 421 055</u>

* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

SUPPLEMENTARY INFORMATION

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

SUPPLEMENTARY INFORMATION
ANALYSIS OF TAXES RECEIVABLE
DECEMBER 31, 2014

Taxes Receivable - Beginning of Year	\$ 1 230 272
2014 Tax Roll	4 082 721
Adjustment to prior year taxes	<u>68 514</u>
Total to be Accounted for	5 381 507
Tax Collections Received from Tax Collector	<u>(3 689 721)</u>
Taxes Receivable - End of Year	<u>\$ 1 691 786</u>
Taxes Receivable - By Years	
2014	\$ 1 634 849
2013	14 789
2012	9 330
2011	6 785
2010	6 246
2009 - 1985	<u>19 787</u>
Taxes Receivable - End of Year	<u>\$ 1 691 786</u>

	<u>Assessed Valuation Summary</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Property Valuations					
Real Property	\$ 4 464 253 356	\$ 3 900 976 246	\$ 3 241 373 015	\$ 2 735 089 540	\$ 2 371 104 926
Personal Property	<u>72 103 710</u>	<u>69 240 688</u>	<u>55 312 540</u>	<u>49 913 747</u>	<u>50 337 337</u>
Total Property					
Valuations	<u>\$ 4 536 357 066</u>	<u>\$ 3 970 216 934</u>	<u>\$ 3 296 685 555</u>	<u>\$ 2 785 003 287</u>	<u>\$ 2 421 442 263</u>
Tax Rate per \$100 Valuation	<u>\$ 0.090000</u>	<u>\$ 0.079636</u>	<u>\$ 0.081030</u>	<u>\$ 0.078271</u>	<u>\$ 0.078040</u>
Tax Rolls	<u>\$ 4 082 721</u>	<u>\$ 3 161 722</u>	<u>\$ 2 671 304</u>	<u>\$ 2 179 850</u>	<u>\$ 1 889 694</u>
Percent of Taxes Collected to Taxes Levied	<u>60.0%</u>	<u>99.5%</u>	<u>99.7%</u>	<u>99.7%</u>	<u>99.7%</u>

See the accompanying Independent Auditors' Report

FORT BEND EMERGENCY SERVICES DISTRICT NO. 4

SUPPLEMENTARY INFORMATION
 BOARD MEMBERS AND CONSULTANTS
 DECEMBER 31, 2014

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 12/31/14	Expense Reimburse- ments FYE 12/31/14	Title at Year End
Board Members:				
S Evans	(Appointed) 01/01/13 - 12/31/14	\$ -	\$ -	President
J Minton	(Appointed) 01/01/13 - 12/31/14	\$ -	\$ 78	Secretary
R McCormack	(Appointed) 01/01/14 - 12/31/15	\$ -	\$ 70	Vice President
P Speer	(Appointed) 01/01/14 - 12/31/15	\$ -	\$ -	Treasurer
B Warren	(Appointed) 01/01/14 - 12/31/15	\$ -	\$ 406	Commissioner

* 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, 2014
 (Continued)

Names	Term of office (Appointed) or Date Hired	Fees of Office Paid* FYE 12/31/14	Expense Reimburse- ments FYE 12/31/14	Title at Year End
Consultants:				
Allen Scopel	2008	\$ 1 575	\$ -	Consultant
Breedlove & Co., P.C.	2006	\$ 8 297	\$ -	Auditor
Levin & Atwood L.L.P.	2008	\$ 1 613	\$ -	Attorney
Crady Jewett & McCulley L.L.P.	2012	\$ 35 316	\$ -	Litigation Attorney
Coveler & Katz	2012	\$ 788	\$ -	Annexation Attorney
Patsy Schultz	2006	\$ 37 154	\$ -	Tax Collector
Fort Bend County Appraisal District	2006	\$ 21 482	\$ -	Appraisal District

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

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

March 17, 2015

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Bend Emergency Services District No. 4 ("the District") as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the District's internal control to be a significant deficiency:

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the government-wide financial statements on the accrual basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a significant deficiency in internal control.

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

Very truly yours,



Richard W. Breedlove

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

March 17, 2015

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, 2014. 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 10, 2014. 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 2014. 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, 2014.

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, accounts payable, capital asset additions, new capital leases and depreciation.

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 March 17, 2015.

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 generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and Budgetary Comparison, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other Supplementary Information, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, 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 to the financial statements themselves.

Restriction on Use

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

