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FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

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REPORT ON FINANCIAL STATEMENTS  
*(With Supplemental Material)*

FOR THE YEAR ENDED DECEMBER 31, 2015

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



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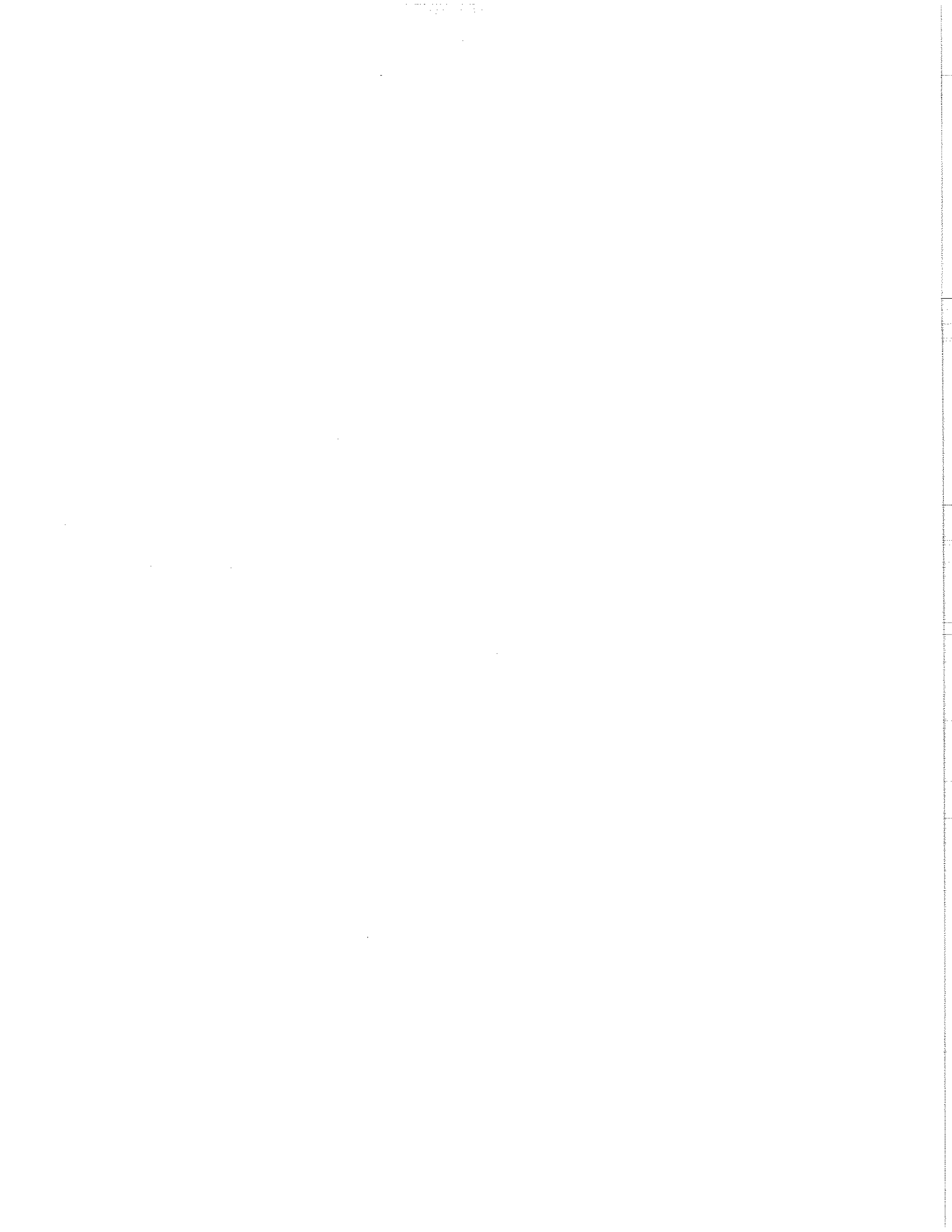
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# BREEDLOVE & CO., P.C.

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 15, 2016

Board of Commissioners  
Fort Bend County 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 County Emergency Services District No. 4, as of and for the year ended December 31, 2015, 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.

### Auditors' 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 County Emergency Services District No. 4, as of December 31, 2015, and the respective changes in financial position 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 23 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 County 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 relates 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.

*Brechner & Co., P.C.*

## FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

### MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2015

Our discussion and analysis of the financial performance of Fort Bend County Emergency Services District No. 4 (the "District") provides an overview of the District's financial activities for the year ended December 31, 2015. 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 \$13,966,269 as of December 31, 2015.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2015

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	2015	2014
Current and other assets	\$ 11 117 899	\$ 7 001 931
Capital assets	6 671 700	7 374 888
Total assets	<u>\$ 17 789 599</u>	<u>\$ 14 376 819</u>
Current liabilities	\$ 715 488	\$ 708 599
Long term liabilities	3 077 842	3 815 915
Total liabilities	<u>\$ 3 793 330</u>	<u>\$ 4 524 514</u>
Net position:		
Net investment in capital assets	\$ 2 992 466	\$ 2 978 864
Restricted	450 000	450 000
Unrestricted	10 553 803	6 423 441
Total net position	<u>\$ 13 996 269</u>	<u>\$ 9 852 305</u>

The following table provides a summary of the District's operations for the year ended December 31, 2015. The District increased its net position by \$4,143,964.

Summary of Changes in Net Position

	2015	2014
Revenues:		
Property taxes	\$ 6 063 473	\$ 4 151 235
Other revenues	338 401	300 599
Total revenues	<u>6 401 874</u>	<u>4 451 834</u>
Expenses for services	1 214 925	1 310 643
Operating expenses	1 042 985	894 579
Total expenses	<u>2 257 910</u>	<u>2 205 222</u>
Change in net position	4 143 964	2 246 612
Net position, beginning of period	<u>9 852 305</u>	<u>7 605 693</u>
Net position, end of period	<u>\$ 13 996 269</u>	<u>\$ 9 852 305</u>

# FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

## MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2015

(Continued)

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

The District's fund balance as of December 31, 2015 was \$8,813,457.

The General Fund balance increased by \$3,533,555.

### 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 \$3,829,266 greater than the budgeted deficiency.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2015

(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>2015</u>	<u>2014</u>
Land	\$ 983 571	\$ 983 571
Buildings, net of depreciation	2 541 887	2 618 383
Furniture and Fixtures, net of depreciation	-	2 416
Machinery and Equipment, net of depreciation	94 771	225 723
Vehicles, net of depreciation	<u>3 051 471</u>	<u>3 544 795</u>
Total Capital Assets	<u>\$ 6 671 700</u>	<u>\$ 7 374 888</u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2015 are summarized as follows:

Long term debt, beginning of year	\$ 4 396 024
Proceeds from long term debt	-
Retirements of principal	<u>( 716 790)</u>
Long term debt, end of year	<u>\$ 3 679 234</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 COUNTY EMERGENCY SERVICES DISTRICT NO. 4**

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 6 520 824	\$ -	\$ 6 520 824
Cash and Cash Equivalents - Restricted	450 000	-	450 000
Taxes Receivable	2 274 505	-	2 274 505
Due from Tax Assessor	1 872 570	-	1 872 570
Capital Assets			
Land	-	983 571	983 571
Capital Assets Net of Accumulated Depreciation of \$2,987,696	-	5 688 129	5 688 129
	<u>-</u>	<u>5 688 129</u>	<u>5 688 129</u>
Total Assets	<u>\$ 11 117 899</u>	<u>\$ 6 671 700</u>	<u>\$ 17 789 599</u>
<b><u>LIABILITIES</u></b>			
Liabilities			
Accounts Payable	\$ 29 937	\$ -	\$ 29 937
Accrued Interest Payable	-	84 159	84 159
Long Term Liabilities			
Due within One Year	-	601 392	601 392
Due after One Year	-	3 077 842	3 077 842
	<u>-</u>	<u>3 077 842</u>	<u>3 077 842</u>
Total Liabilities	<u>29 937</u>	<u>3 763 393</u>	<u>3 793 330</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable Revenue	<u>2 274 505</u>	<u>(2 274 505)</u>	<u>-</u>
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balances			
Committed	450 000	(450 000)	-
Unassigned	8 363 457	(8 363 457)	-
	<u>8 813 457</u>	<u>(8 813 457)</u>	<u>-</u>
Total Fund Balance	<u>8 813 457</u>	<u>(8 813 457)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 11 117 899</u>		
Net Position			
Net Investment in Capital Assets		2 992 466	2 992 466
Restricted		450 000	450 000
Unrestricted		10 553 803	10 553 803
		<u>10 553 803</u>	<u>10 553 803</u>
Total Net Position		<u>\$ 13 996 269</u>	<u>\$ 13 996 269</u>

See the Independent Auditors' Report and the Accompanying Notes to Financial Statements

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

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 5 480 754	\$ 582 719	\$ 6 063 473
Other Income	309 916	-	309 916
Penalty and Interest on Property Taxes	19 512	-	19 512
Interest Earned on Temporary Investments	8 973	-	8 973
Total Revenues	<u>5 819 155</u>	<u>582 719</u>	<u>6 401 874</u>
Expenditures/Expenses			
Fire Department Operating Funds	1 214 925	-	1 214 925
Auditing Fees	8 297	-	8 297
Appraisal District Fees	28 158	-	28 158
Collection Fees	55 026	-	55 026
General Administrative Expense	20 199	-	20 199
Office Expenses	18 107	-	18 107
Insurance	14 745	-	14 745
Professional Services	62 760	-	62 760
Depreciation	-	703 189	703 189
Debt Service			
Capital Lease Principal	478 586	( 478 586)	-
Capital Lease Interest	91 653	( 8 460)	83 193
Note Principal	238 204	( 238 204)	-
Note Interest	54 940	( 5 629)	49 311
Total Expenditures/Expenses	<u>2 285 600</u>	<u>( 27 690)</u>	<u>2 257 910</u>
Excess (Deficiency) of Revenues Over Expenditures	3 533 555	610 409	4 143 964
Fund Balance/Net Position			
Beginning of Year	<u>5 279 902</u>	<u>4 572 403</u>	<u>9 852 305</u>
End of Year	<u>\$ 8 813 457</u>	<u>\$ 5 182 812</u>	<u>\$ 13 996 269</u>

See the Independent Auditors' Report and the Accompanying Notes to Financial Statements

# FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### NOTE (1) CREATION OF DISTRICT

Fort Bend County Emergency Services District No. 4 ("District") 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 County 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 accounting principles generally accepted in the United States of America (U.S. 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 County 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 COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(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 commissioners or by an official or body to which the board of commissioners 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 COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(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, 2015. 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 COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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, 2015	\$ 8 813 457
Conversion of property tax assessments to full accrual basis	2 274 505
Interest paid on long term debt is adjusted to accrual basis	( 84 159)
Long-term debt obligations are not reported in the funds	(3 679 234)
Capital assets used in governmental activities are not financial and are not reported in the funds.	<u>6 671 700</u>
Adjustment to fund balance to arrive at net position	<u>5 182 812</u>
Total Net Position at December 31, 2015	<u>\$ 13 996 269</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(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	\$ 3 533 555
Conversion of property tax assessments to full accrual basis	582 719
Interest paid on long term debt is adjusted to accrual basis	14 089
Principal payments on debt are reported as expenditures. None of the transactions, however, have any effect on net position.	716 790
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>( 703 189)</u>
Change in net position of governmental activities	<u>\$ 4 143 964</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

NOTE (3) AD VALOREM TAX

During the year ended December 31, 2014, the District levied an ad valorem tax at the rate of \$.10 per \$100 of assessed valuation, which resulted in a tax levy of \$5,830,725 for 2015, on the taxable valuation of \$5,830,724,847 for the 2015 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 prior to the delinquent date, or as soon after September 1 as it took to set the tax rate. The lien date was January 1 subsequent to the delinquent date.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended December 31, 2015 include collections during the current period or within 60 days of year-end related to the 2015 and prior years' tax levies.

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, 2015.

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 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, 2015 was \$6,541,259 and occurred in December, 2015.

The District also has a money market account with Wallis State Bank. The largest balance during the year ended December 31, 2015 was \$245,283 and occurred in December, 2015. 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	\$ 6 540 655
Collateralized:	
Collateral held by financial institution in the entity's name	430 169
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 6 970 824</u>

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has complied with the Act's provisions during its fiscal year ended December 31, 2015.

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)

NOTE (5) CAPITAL ASSETS

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

	Balances at 12/31/14	Additions (Dispositions)	Depreciation	Balances at 12/31/15
Land	\$ 983 571	\$ -	\$ -	\$ 983 571
Buildings	2 981 461	-	-	2 981 461
Furniture and Fixtures	48 661	-	-	48 661
Machinery and Equipment	712 464	-	-	712 464
Vehicles	4 933 239	-	-	4 933 239
Accumulated Depreciation	(2 284 508)	-	( 703 188)	(2 987 696)
Capital Assets	<u>6 391 317</u>	<u>-</u>	<u>( 703 188)</u>	<u>5 688 129</u>
Totals, net	<u>\$ 7 374 888</u>	<u>\$ -</u>	<u>\$ ( 703 188)</u>	<u>\$ 6 671 700</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, 2015 the District paid the department \$1,214,925. At December 31, 2015, the District owed the department \$29,655 for expenses incurred in 2015.

On September 8, 2005, the District entered into a contract with 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 Fort Bend County Municipal Utility District No. 151 connected to the public water supply system. For the year end December 31, 2015 Fort Bend County Municipal Utility District No. 151 paid the District \$296,255, which is included in other income.

NOTE (7) COMMITTED / RESTRICTED FUNDS

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(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, 2015 the District owed \$1,296,346 on this note. During the year ended December 31, 2015 the District made repayments of \$293,144. Of this amount, \$54,940 was applied to interest. At the year end the total amount to be repaid was \$1,058,142.

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2016	\$ 248 300
December 31, 2017	258 823
December 31, 2018	269 792
December 31, 2019	281 227
Total Amount	<u>\$ 1 058 142</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, 2015 the District owed \$42,699 on this lease. During the year ended December 31, 2015 the District made repayments of \$43,088. Of this amount, \$389 was applied to interest. At the year end the District had paid this capital lease in full.

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, 2015 the District owed \$366,153 on this lease. During the year ended December 31, 2015 the District made repayments of \$71,839. Of this amount, \$17,832 was applied to interest. At the year end the total amount to be repaid was \$312,146.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

(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, 2015 the District owed \$136,459 on this lease. During the year ended December 31, 2015 the District made repayments of \$26,773. Of this amount, \$6,646 was applied to interest. At the year end the total amount to be repaid was \$116,332.

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, 2015 the District owed \$499,176 on this lease. During the year ended December 31, 2015 the District made repayments of \$109,776. Of this amount, \$16,222 was applied to interest. At the year end the total amount to be repaid was \$405,622.

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, 2015 the District owed \$93,983 on this lease. During the year ended December 31, 2014 the District made repayments of \$95,082. Of this amount, \$1,099 was applied to interest. At the year end the lease had been fully repaid.

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 January 1, 2015 the District owed \$1,261,525 on this lease. During the year ended December 31, 2015 the District made repayments of \$145,315. Of this amount \$33,523 was applied to interest. At the year end the total amount to be repaid was \$1,149,733.

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 January 1, 2015 the District owed \$699,683 on this lease. During the year ended December 31, 2015 the District made repayments of \$79,986. Of this amount \$17,562 was applied to interest. At the year end the total amount to be repaid was \$637,259.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(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>(1 327 955)</u>
	<u>\$ 3 175 059</u>

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
2016	\$ 433 689
2017	433 690
2018	433 690
2019	433 690
Thereafter	<u>1 225 116</u>
Total minimum payments	2 959 875
Less amount representing interest	( 338 783)
Less current maturities of present value of minimum lease payments	<u>( 353 092)</u>
Present value of minimum lease payments - net of current maturities	<u>\$ 2 268 000</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, 2015 was \$3,324.

Future minimum payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2016	\$ 3 324
2017	<u>277</u>
	<u>\$ 3 601</u>

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

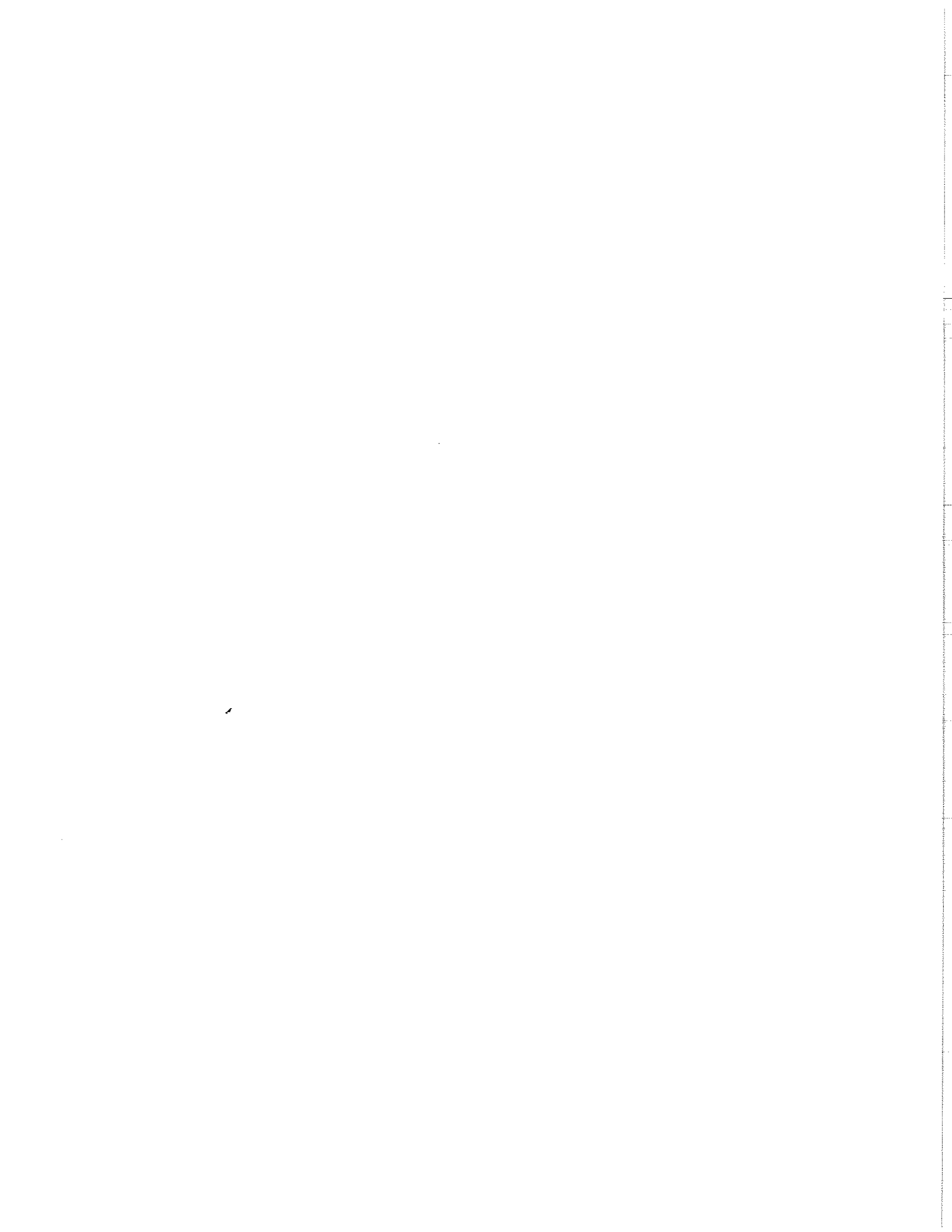
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

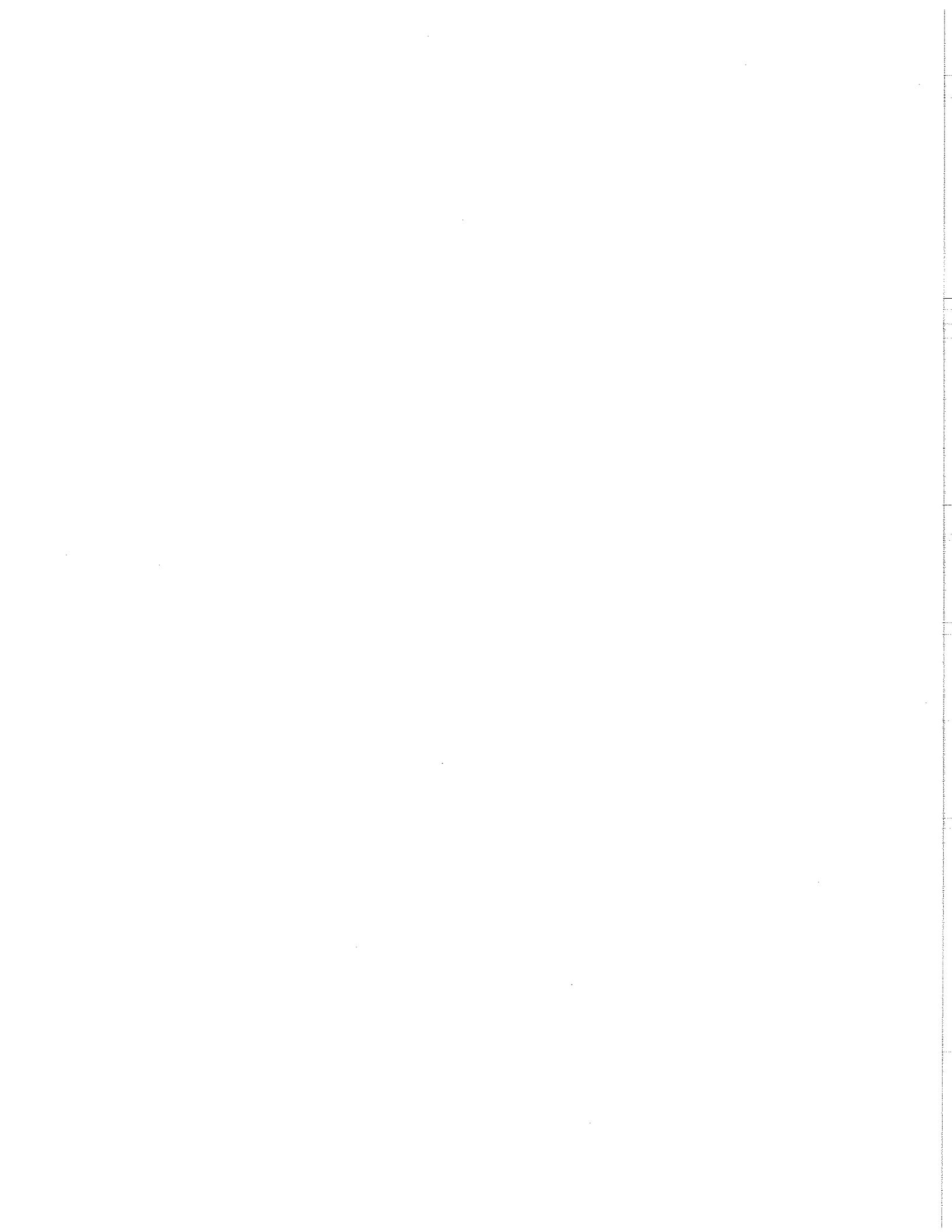
(Continued)

NOTE (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2016 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.



**REQUIRED SUPPLEMENTARY INFORMATION**



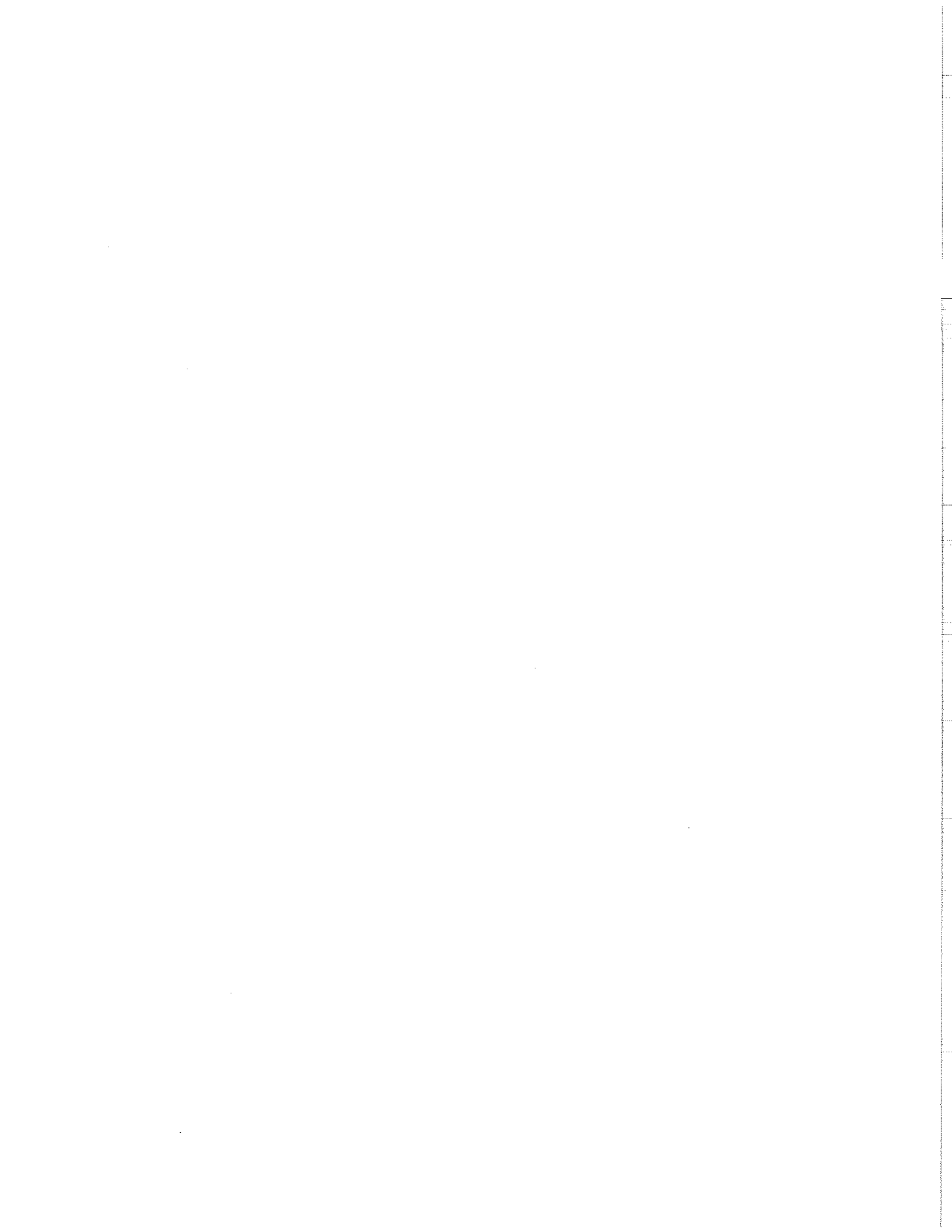
**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4**

REQUIRED SUPPLEMENTARY INFORMATION

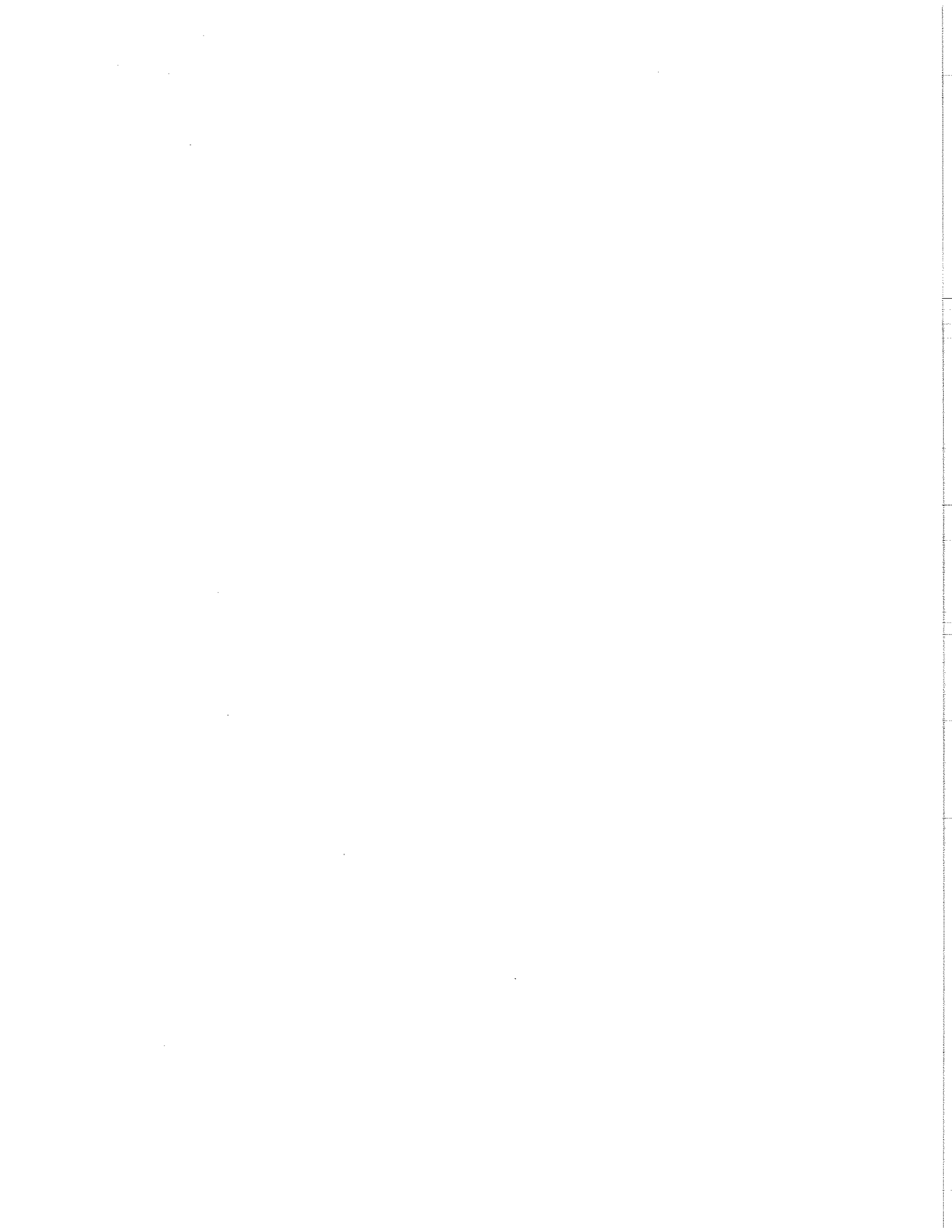
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET  
AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Actual	Original and Final Budget *	Variance Positive (Negative)
Revenues:			
Property Taxes	\$ 5 480 754	\$ 3 954 288	\$ 1 526 466
Other Income	309 916	-	309 916
Penalty and Interest on Property Taxes	19 512	-	19 512
Interest Earned on Temporary Investments	8 973	-	8 973
Total Revenues	<u>5 819 155</u>	<u>3 954 288</u>	<u>1 864 867</u>
Expenditures/Expenses:			
Fire Department Operating Funds	1 214 925	2 850 000	1 635 075
Appraisal District Fees	28 158	20 000	( 8 158)
Collection Fees	55 026	25 000	( 30 026)
General Administrative Expense	20 199	37 500	17 301
Office Expenses	18 107	62 916	44 809
Insurance	14 745	11 000	( 3 745)
Professional Services	71 057	50 000	( 21 057)
Capital Lease Principal	478 586	253 157	( 225 429)
Capital Lease Interest	91 653	-	( 91 653)
Note Principal	238 204	390 125	151 921
Note Interest	54 940	-	( 54 940)
Capital Outlay	-	550 301	550 301
Total Expenditures/Expenses	<u>2 285 600</u>	<u>4 249 999</u>	<u>1 964 399</u>
Excess (Deficiency) of Revenues over Expenditures	3 533 555	( 295 711)	3 829 266
Fund Balance			
Beginning of the Year	<u>5 279 902</u>	<u>5 279 902</u>	-
End of the Year	<u>\$ 8 813 457</u>	<u>\$ 4 984 191</u>	<u>\$ 3 829 266</u>

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



**SUPPLEMENTARY INFORMATION**



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

SUPPLEMENTARY INFORMATION  
ANALYSIS OF TAXES RECEIVABLE  
DECEMBER 31, 2015

Taxes Receivable - Beginning of Year	\$ 1 691 786
2015 Tax Roll	5 830 725
Adjustment to prior year taxes	<u>232 748</u>
Total to be Accounted for	7 755 259
Tax Collections Received from Tax Collector	<u>(5 480 754)</u>
Taxes Receivable - End of Year	<u>\$ 2 274 505</u>
Taxes Receivable - By Years	
2015	\$ 2 215 943
2014	17 210
2013	7 758
2012	6 840
2011	5 964
2010 - 1985	<u>20 790</u>
Taxes Receivable - End of Year	<u>\$ 2 274 505</u>

Assessed Valuation Summary

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Property Valuations					
Real Property	\$ 5 718 078 387	\$ 4 464 253 356	\$ 3 900 976 246	\$ 3 241 373 015	\$ 2 735 089 540
Personal Property	112 646 460	72 103 710	69 240 688	55 312 540	49 913 747
Total Property	<u>\$ 5 830 724 847</u>	<u>\$ 4 536 357 066</u>	<u>\$ 3 970 216 934</u>	<u>\$ 3 296 685 555</u>	<u>\$ 2 785 003 287</u>
Valuations					
Tax Rate per \$100 Valuation	<u>\$ 0.100000</u>	<u>\$ 0.090000</u>	<u>\$ 0.079636</u>	<u>\$ 0.081030</u>	<u>\$ 0.078271</u>
Tax Rolls	<u>\$ 5 830 725</u>	<u>\$ 4 082 721</u>	<u>\$ 3 161 722</u>	<u>\$ 2 671 304</u>	<u>\$ 2 179 850</u>
Percent of Taxes Collected to Taxes Levied	<u>62.0%</u>	<u>99.6%</u>	<u>99.8%</u>	<u>99.7%</u>	<u>99.7%</u>

See the Accompanying Independent Auditors' Report

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

SUPPLEMENTARY INFORMATION  
BOARD MEMBERS AND CONSULTANTS  
DECEMBER 31, 2015

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 12/31/15	Expense Reimburse- ments FYE 12/31/15	Title at Year End
Board Members:				
S Evans	(Appointed) 01/01/15 - 12/31/16	\$ -	\$ -	President
J Minton	(Appointed) 01/01/15 - 12/31/16	\$ -	\$ 20	Secretary
R McCormack	(Appointed) 01/01/14 - 12/31/15	\$ -	\$ 49	Vice President
B Warren	(Appointed) 01/01/14 - 12/31/15	\$ -	\$ 24	Treasurer
K Stacy	(Appointed) 12/15/15 - 12/31/15	\$ -	\$ -	Commissioner
P Speer	(Appointed) 01/01/14 - 8/17/15	\$ -	\$ -	

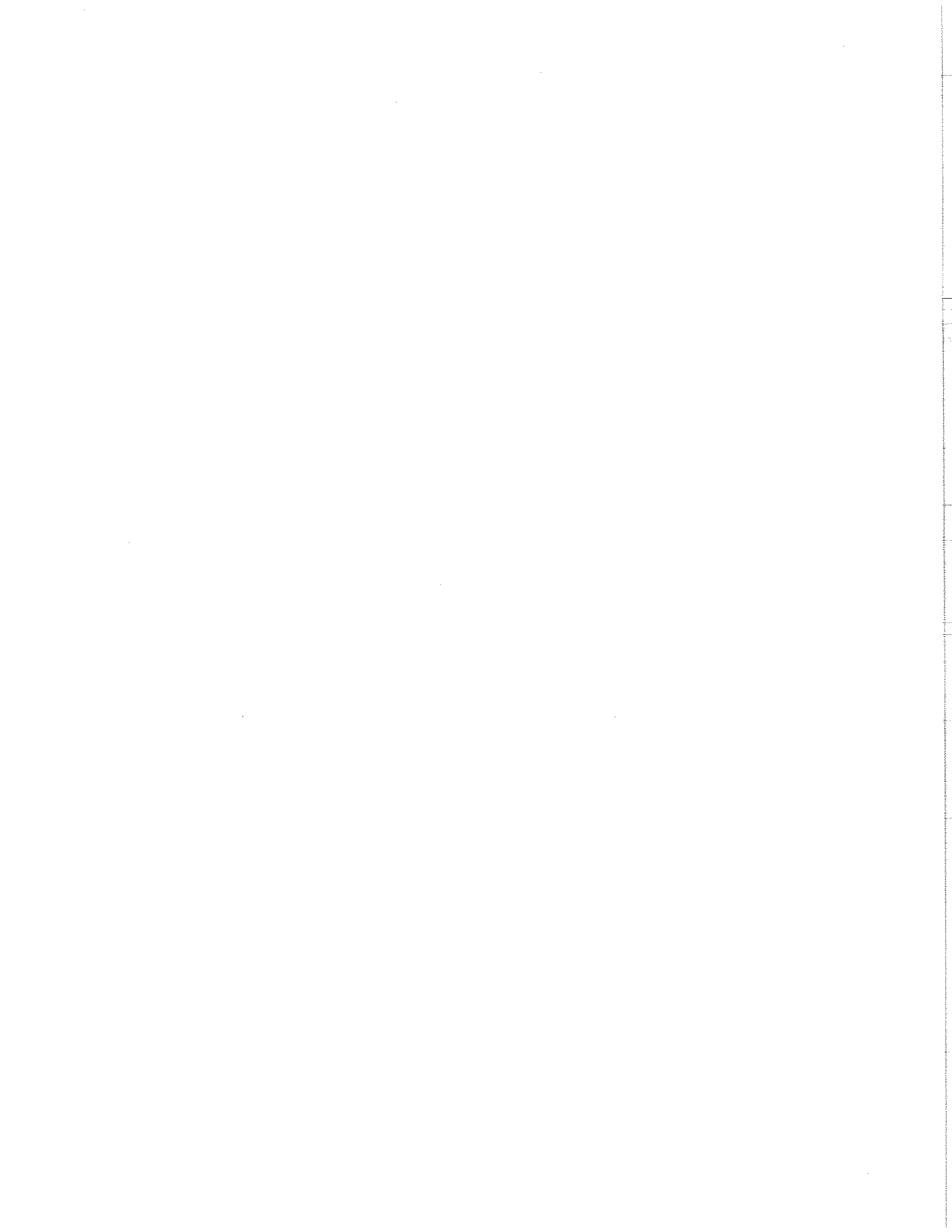
\* Fees of Office are the amounts actually paid to a commssioner/consultant during the District's fiscal year.

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

SUPPLEMENTARY INFORMATION  
 BOARD MEMBERS AND CONSULTANTS  
 DECEMBER 31, 2015  
 (Continued)

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

Names	Term of office (Appointed) or Date Hired	Fees of Office Paid* FYE 12/31/15	Expense Reimburse- ments FYE 12/31/15	Title at Year End
Consultants:				
Allen Scopel	2008	\$ -	\$ -	Consultant
Breedlove & Co., P.C.	2006	\$ 8 297	\$ -	Auditor
Levin & Atwood L.L.P.	2008	\$ 1 500	\$ -	Attorney
Crady Jewett & McCulley L.L.P.	2012	\$ -	\$ -	Litigation Attorney
Coveler & Katz	2012	\$ 13 494	\$ -	Annexation Attorney
Patsy Schultz	2006	\$ 55 026	\$ -	Tax Collector
Fort Bend County Appraisal District	2006	\$ 28 158	\$ -	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

March 15, 2016

The Board of Commissioners  
Fort Bend County Emergency Services District No. 4  
Fort Bend County, 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 County Emergency Services District No. 4 ("the District") as of and for the year ended December 31, 2015, 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.

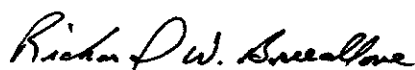
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination 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:

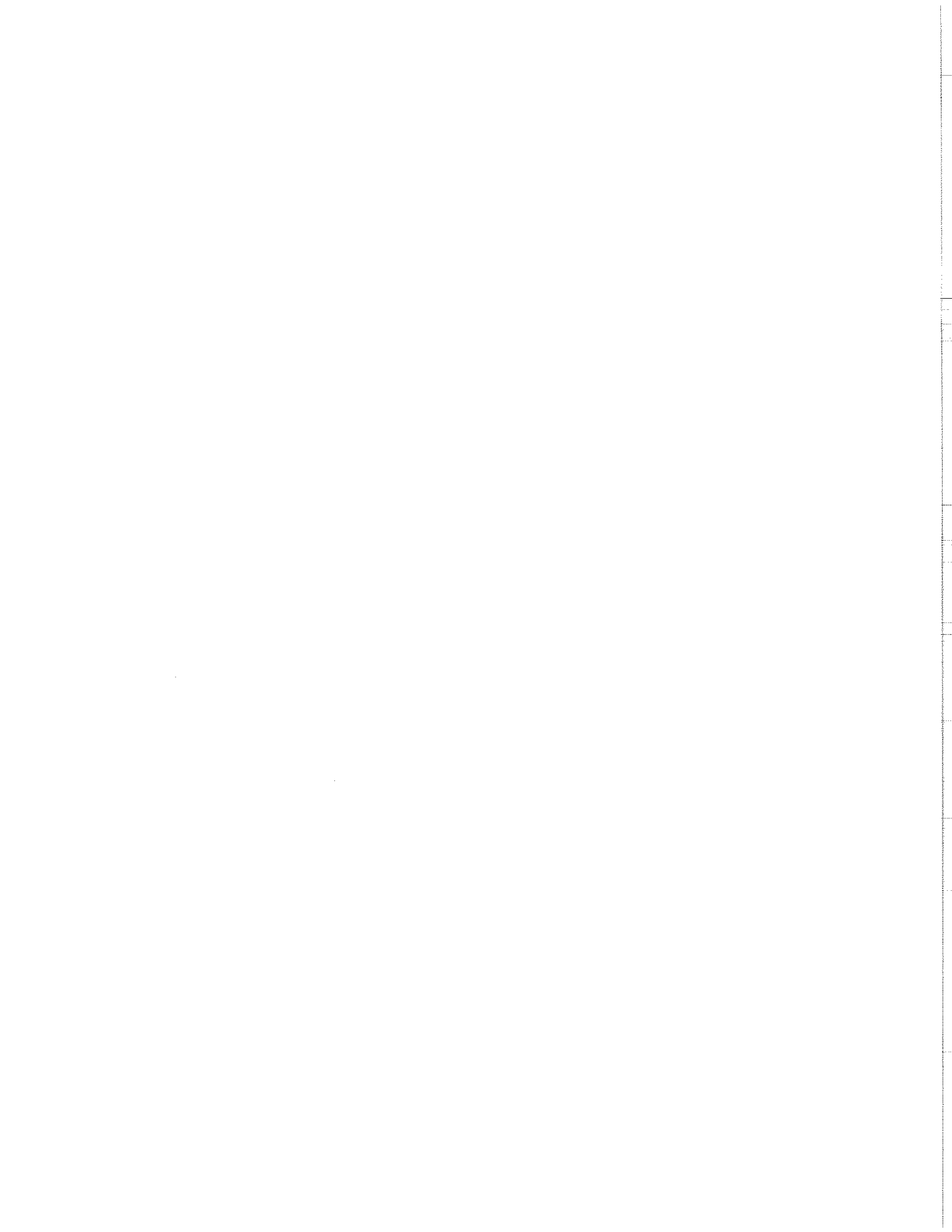
During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the government-wide financial statements on the accrual basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to 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 15, 2016

The Board of Commissioners  
Fort Bend County Emergency Services District No. 4  
Fort Bend County, 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, 2015. 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 8, 2015. 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 2015. 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.

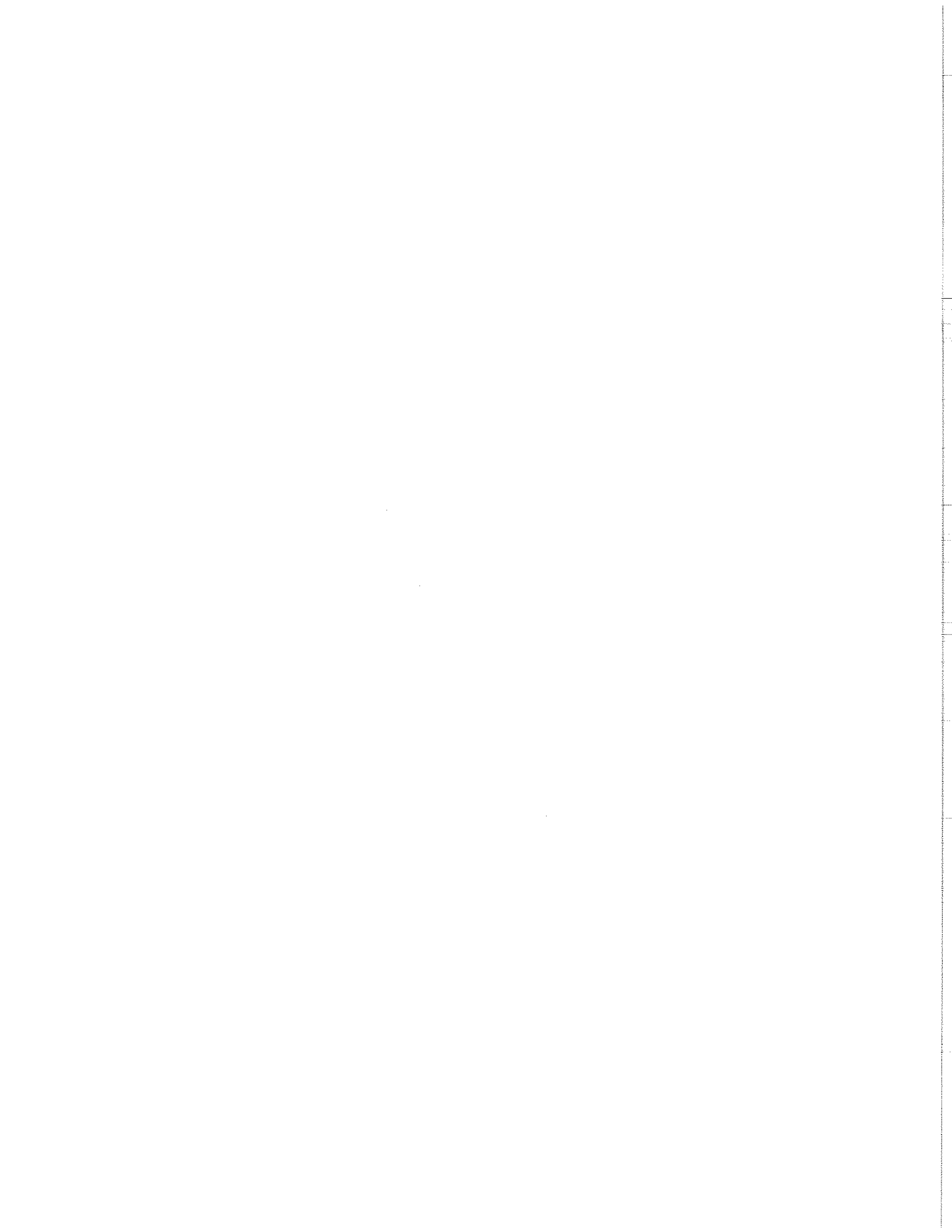
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance 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, 2015.

### *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, 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 15, 2016.

*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 accompanies 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

