
FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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RICHARD W. BREEDLOVE, CPA
President

INDEPENDENT AUDITORS' REPORT

March 31, 2017

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, 2016, 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, 2016, 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 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 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.

Breallone & Co., P.C.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2016

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, 2016. 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 \$18,825,490 as of December 31, 2016.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2016

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position		
	2016	2015
Current and other assets	\$ 15 287 931	\$ 11 117 899
Capital assets	<u>6 052 527</u>	<u>6 671 700</u>
Total assets	<u>\$ 21 340 458</u>	<u>\$ 17 789 599</u>
Current liabilities	\$ 539 120	\$ 715 488
Long term liabilities	<u>1 975 848</u>	<u>3 077 842</u>
Total liabilities	<u>\$ 2 514 968</u>	<u>\$ 3 793 330</u>
Net position:		
Net investment in capital assets	\$ 3 634 447	\$ 2 992 466
Restricted	450 000	450 000
Unrestricted	<u>14 741 043</u>	<u>10 553 803</u>
Total net position	<u>\$ 18 825 490</u>	<u>\$ 13 996 269</u>

The following table provides a summary of the District's operations for the year ended December 31, 2016. The District increased its net position by \$4,829,221.

Summary of Changes in Net Position		
	2016	2015
Revenues:		
Property taxes	\$ 6 742 872	\$ 6 063 473
Other revenues	<u>393 867</u>	<u>338 401</u>
Total revenues	<u>7 136 739</u>	<u>6 401 874</u>
Expenses for services	1 355 749	1 214 925
Operating expenses	<u>951 769</u>	<u>1 042 985</u>
Total expenses	<u>2 307 518</u>	<u>2 257 910</u>
Change in net position	4 829 221	4 143 964
Net position, beginning of period	<u>13 996 269</u>	<u>9 852 305</u>
Net position, end of period	<u>\$ 18 825 490</u>	<u>\$ 13 996 269</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2016

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2016 was \$12,586,532.

The General Fund balance increased by \$3,773,075.

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 \$3,959,412 greater than the budgeted deficiency.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2016

(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)

	2016	2015
Land	\$ 983 571	\$ 983 571
Buildings, net of depreciation	2 465 439	2 541 887
Machinery and Equipment, net of depreciation	45 370	94 771
Vehicles, net of depreciation	2 558 147	3 051 471
Total Capital Assets	<u>\$ 6 052 527</u>	<u>\$ 6 671 700</u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2016 are summarized as follows:

Long term debt, beginning of year	\$ 3 679 234
Proceeds from long term debt	-
Retirements of principal	<u>(1 261 154)</u>
Long term debt, end of year	<u>\$ 2 418 080</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, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 9 271 906	\$ -	\$ 9 271 906
Cash and Cash Equivalents - Restricted	450 000	-	450 000
Taxes Receivable	2 657 540	-	2 657 540
Due from Tax Assessor	2 905 485	-	2 905 485
Prepaid Expenses	3 000	-	3 000
Capital Assets			
Land	-	983 571	983 571
Capital Assets Net of Accumulated Depreciation of \$3,612,077	-	5 068 956	5 068 956
Total Assets	<u>\$ 15 287 931</u>	<u>\$ 6 052 527</u>	<u>\$ 21 340 458</u>
<u>LIABILITIES</u>			
Liabilities			
Accounts Payable	\$ 43 859	\$ -	\$ 43 859
Accrued Interest Payable	-	53 029	53 029
Long Term Liabilities			
Due within One Year	-	442 232	442 232
Due after One Year	-	1 975 848	1 975 848
Total Liabilities	<u>43 859</u>	<u>2 471 109</u>	<u>2 514 968</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue	<u>2 657 540</u>	<u>(2 657 540)</u>	<u>-</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balances			
Committed	450 000	(450 000)	-
Unassigned	<u>12 136 532</u>	<u>(12 136 532)</u>	<u>-</u>
Total Fund Balance	<u>12 586 532</u>	<u>(12 586 532)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 15 287 931</u>		
Net Position			
Net Investment in Capital Assets		3 634 447	3 634 447
Restricted		450 000	450 000
Unrestricted		<u>14 741 043</u>	<u>14 741 043</u>
Total Net Position		<u>18 825 490</u>	<u>18 825 490</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position		<u>\$ 6 052 527</u>	<u>\$ 21 340 458</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, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 6 359 837	\$ 383 035	\$ 6 742 872
Other Income	336 231	-	336 231
Penalty and Interest on Property Taxes	27 433	-	27 433
Interest Earned on Temporary Investments	30 203	-	30 203
Total Revenues	<u>6 753 704</u>	<u>383 035</u>	<u>7 136 739</u>
Expenditures/Expenses			
Fire Department Operating Funds	1 355 749	-	1 355 749
Auditing Fees	8 606	-	8 606
Appraisal District Fees	37 736	-	37 736
Collection Fees	63 891	-	63 891
Administrative	4 563	-	4 563
Office	23 024	-	23 024
Insurance	6 245	-	6 245
Professional Services	80 652	-	80 652
Capital Outlay	5 208	(5 208)	-
Depreciation	-	624 381	624 381
Debt Service			
Capital Lease Principal	1 012 854	(1 012 854)	-
Capital Lease Interest	88 957	(15 111)	73 846
Note Principal	248 300	(248 300)	-
Note Interest	44 844	(16 019)	28 825
Total Expenditures/Expenses	<u>2 980 629</u>	<u>(673 111)</u>	<u>2 307 518</u>
Excess Revenues Over Expenditures	3 773 075	1 056 146	4 829 221
Fund Balance/Net Position			
Beginning of Year	<u>8 813 457</u>	<u>5 182 812</u>	<u>13 996 269</u>
End of Year	<u>\$ 12 586 532</u>	<u>\$ 6 238 958</u>	<u>\$ 18 825 490</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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.

a. Fund Types:

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, 2016

(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, 2016

(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 implemented GASB Statement No. 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, 2016. 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, regardless of maturity date.

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.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. CAPITAL ASSETS (Continued)

Assets are capitalized if they have an original cost of \$1,000 or more and a useful life of at least one year. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	39
Vehicles	10
Furniture and equipment	5

G. USE OF ESTIMATES

The preparation of financial statements in conformity with 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, 2016	<u>\$ 12 586 532</u>
Conversion of property tax assessments to full accrual basis	2 657 540
Interest paid on long term debt is adjusted to accrual basis	(53 029)
Long-term debt obligations are not reported in the funds	(2 418 080)
Capital assets used in governmental activities are not financial and are not reported in the funds.	<u>6 052 527</u>
Adjustment to fund balance to arrive at net position	<u>6 238 958</u>
Total Net Position at December 31, 2016	<u>\$ 18 825 490</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(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	\$ 3 773 075
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Conversion of property tax assessments to full accrual basis	383 035
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Interest paid on long term debt is adjusted to accrual basis	31 130
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Principal payments on debt are reported as expenditures. None of the transactions, however, have any effect on net position.	1 261 154
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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.

(619 173)

Change in net position of governmental activities	<u>\$ 4 829 221</u>
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FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Continued)

NOTE (3) AD VALOREM TAX

During the year ended December 31, 2016, the District levied an ad valorem tax at the rate of \$.10 per \$100 of assessed valuation, which resulted in a tax levy of \$6,689,562 for 2016, on the taxable valuation of \$6,689,562,398 for the 2016 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, 2016 include collections during the current period or within 60 days of year-end related to the 2016 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, 2016.

By the nature of the accounts held with New First Bank in checking accounts, money market accounts, and certificates of deposit during the year all funds were fully secured by FDIC coverage. The largest cash, savings, and time deposit combined balance during the year ended December 31, 2016 was \$10,366,421 and occurred in March 2016.

The District also has a money market account with Wallis State Bank. The largest balance during the year ended December 31, 2016 was \$246,759 and occurred in December 2016. 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	\$ 9 721 906
Collateralized:	
Collateral held by financial institution in the entity's name	-
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 9 721 906</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, 2016.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

NOTE (5) CAPITAL ASSETS

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

	Balances at 12/31/15	Additions (Dispositions)	Depreciation	Balances at 12/31/16
Land	\$ 983 571	\$ -	\$ -	\$ 983 571
Buildings	2 981 461	-	-	2 981 461
Furniture and Fixtures	48 661	-	-	48 661
Machinery and Equipment	712 464	5 208	-	717 672
Vehicles	4 933 239	-	-	4 933 239
Accumulated Depreciation	(2 987 696)	-	(624 381)	(3 612 077)
Capital Assets	5 688 129	5 208	(624 381)	5 068 956
Totals, net	<u>\$ 6 671 700</u>	<u>\$ 5 208</u>	<u>\$ (624 381)</u>	<u>\$ 6 052 527</u>

NOTE (6) CONTRACTUAL AGREEMENTS

The District contracts 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, 2016 the District paid the department \$1,355,749. At December 31, 2016, the District owed the department \$37,292 for expenses incurred in 2016.

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, 2016 Fort Bend County Municipal Utility District No. 151 paid the District \$335,856, 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, 2016

(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. The station is collateral for the note. At January 1, 2016 the District owed \$1,058,142 on this note. During the year ended December 31, 2016 the District made repayments of \$293,144. Of this amount, \$44,844 was applied to interest. At the year end the total amount to be repaid was \$809,842. On March 13, 2017, the District repaid this note in full.

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2017	\$ 258 823
December 31, 2018	269 792
December 31, 2019	<u>281 227</u>
Total Amount	<u>\$ 809 842</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 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, 2016 the District owed \$312,146 on this lease. During the year ended December 31, 2016 the District made repayments of \$334,531. Of this amount, \$22,385 was applied to interest. At the year end the District had paid this capital lease in full.

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, 2016 the District owed \$116,332 on this lease. During the year ended December 31, 2016 the District made repayments of \$124,559. Of this amount, \$8,227 was applied to interest. At the year end the District had paid this capital lease in full.

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, 2016 the District owed \$405,622 on this lease. During the year ended December 31, 2016 the District made repayments of \$417,420. Of this amount, \$11,798 was applied to interest. At the year end the District had paid this capital lease in full.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(Continued)

NOTE (9) CAPITAL LEASES (Continued)

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, 2016 the District owed \$1,149,733 on this lease. During the year ended December 31, 2016 the District made repayments of \$145,315. Of this amount \$30,552 was applied to interest. At the year end the total amount to be repaid was \$1,034,970.

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, 2016 the District owed \$637,259 on this lease. During the year ended December 31, 2016 the District made repayments of \$79,986. Of this amount \$15,995 was applied to interest. At the year end the total amount to be repaid was \$573,268.

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

Vehicles	\$ 2 161 208
Less accumulated depreciation	<u>(432 242)</u>
	<u>\$ 1 728 966</u>

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 225 302
2018	225 301
2019	225 301
2020	225 301
Thereafter	<u>901 204</u>
Total minimum payments	1 802 409
Less amount representing interest	(194 171)
Less current maturities of present value of minimum lease payments	<u>(183 409)</u>
Present value of minimum lease payments - net of current maturities	<u>\$ 1 424 829</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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, 2016 was \$3,324.

Future minimum payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 3 324
2018	557
	<u>\$ 3 881</u>

NOTE (11) SUBSEQUENT EVENTS

As discussed in Note (8), on March 13, 2017, the District repaid the note payable balance due in full. The total amount paid was \$860,663. Of this amount, \$50,821 was applied to interest.

On March 31, 2017, the District paid cash for 6.4 Acres of Land within the District at a total purchase price of \$1,672,704.

Management has evaluated subsequent events through March 31, 2017 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, 2016**

	Actual	Original and Final Budget *	Variance Positive (Negative)
Revenues:			
Property Taxes	\$ 6 359 837	\$ 5 428 246	\$ 931 591
Other Income	336 231	-	336 231
Penalty and Interest on Property Taxes	27 433	-	27 433
Interest Earned on Temporary Investments	30 203	-	30 203
Total Revenues	<u>6 753 704</u>	<u>5 428 246</u>	<u>1 325 458</u>
Expenditures/Expenses:			
Fire Department Operating Funds	1 355 749	3 559 500	2 203 751
Appraisal District Fees	37 736	22 000	(15 736)
Collection Fees	63 891	27 500	(36 391)
Administrative	4 563	40 000	35 437
Office	23 024	70 000	46 976
Insurance	6 245	12 000	5 755
Professional Services	89 258	50 000	(39 258)
Capital Lease Principal	1 012 854	253 157	(759 697)
Capital Lease Interest	88 957	-	(88 957)
Note Principal	248 300	390 125	141 825
Note Interest	44 844	-	(44 844)
Capital Outlay	5 208	1 190 301	1 185 093
Total Expenditures/Expenses	<u>2 980 629</u>	<u>5 614 583</u>	<u>2 633 954</u>
Excess (Deficiency) of Revenues over Expenditures	3 773 075	(186 337)	3 959 412
Fund Balance			
Beginning of the Year	8 813 457	8 813 457	-
End of the Year	<u>\$ 12 586 532</u>	<u>\$ 8 627 120</u>	<u>\$ 3 959 412</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, 2016

Taxes Receivable - Beginning of Year	\$ 2 274 505
2016 Tax Roll	6 689 562
Adjustment to prior year taxes	<u>53 310</u>
Total to be Accounted for	9 017 377
Tax Collections Received from Tax Collector	<u>(6 359 837)</u>
Taxes Receivable - End of Year	<u>\$ 2 657 540</u>
Taxes Receivable - By Years	
2016	\$ 2 594 660
2015	23 095
2014	8 086
2013	5 303
2012	4 909
2011 - 1985	<u>21 487</u>
Taxes Receivable - End of Year	<u>\$ 2 657 540</u>

	<u>Assessed Valuation Summary</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Property Valuations					
Real Property	\$ 6 558 382 920	\$ 5 718 078 387	\$ 4 464 253 356	\$ 3 900 976 246	\$ 3 241 373 015
Personal Property	<u>131 179 478</u>	<u>112 646 460</u>	<u>72 103 710</u>	<u>69 240 688</u>	<u>55 312 540</u>
Total Property	<u>\$ 6 689 562 398</u>	<u>\$ 5 830 724 847</u>	<u>\$ 4 536 357 066</u>	<u>\$ 3 970 216 934</u>	<u>\$ 3 296 685 555</u>
Valuations					
	<u>\$ 0.100000</u>	<u>\$ 0.100000</u>	<u>\$ 0.090000</u>	<u>\$ 0.079636</u>	<u>\$ 0.081030</u>
Tax Rate per \$100 Valuation					
Tax Rolls	<u>\$ 6 689 562</u>	<u>\$ 5 830 725</u>	<u>\$ 4 082 721</u>	<u>\$ 3 161 722</u>	<u>\$ 2 671 304</u>
Percent of Taxes Collected to Taxes					
Levied	<u>61.2%</u>	<u>99.6%</u>	<u>99.8%</u>	<u>99.8%</u>	<u>99.8%</u>

See the Accompanying Independent Auditors' Report

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

SUPPLEMENTARY INFORMATION BOARD MEMBERS AND CONSULTANTS DECEMBER 31, 2016

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 12/31/16	Expense Reimburse- ments FYE 12/31/16
Board Members:			
S Evans	(Appointed) 01/01/15 - 12/31/16	\$ -	\$ -
D McJunkin	(Appointed) 08/18/16 - 12/31/17	\$ -	\$ -
B Warren	(Appointed) 01/01/16 - 12/31/17	\$ -	\$ -
K Stacy	(Appointed) 01/1/16 - 12/31/17	\$ -	\$ -
E Krenek	(Appointed) 05/24/16 - 12/31/16	\$ -	\$ -
J Minton	(Appointed) 01/01/15 - 05/17/16	\$ -	\$ -
R McCormack	(Appointed) 01/01/16 - 07/17/16	\$ -	\$ 384

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

SUPPLEMENTARY INFORMATION
BOARD MEMBERS AND CONSULTANTS
DECEMBER 31, 2016
(Continued)

<u>Names</u>	<u>Term of office (Appointed) or Date Hired</u>	<u>Fees of Office Paid* FYE 12/31/16</u>	<u>Expense Reimburse- ments FYE 12/31/16</u>
Consultants:			
Allen Scopel	2008	\$ -	\$ -
Breedlove & Co., P.C.	2006	\$ 8 606	\$ -
Levin & Atwood L.L.P.	2008	\$ 3 250	\$ -
Coveler & Katz, P.C.	2012	\$ 147	\$ -
Smith, Murdaugh, Little & Bonham, L.L.P.	2016	\$ 10 137	\$ -
Patsy Schultz	2006	\$ 63 891	\$ -
Fort Bend County Appraisal District	2006	\$ 37 736	\$ -

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

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 31, 2017

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, 2016, 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 31, 2017

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, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 4, 2016. 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 2016. 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, 2016.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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 31, 2017.

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

