
FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2017

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

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INDEPENDENT AUDITORS' REPORT

May 15, 2018

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, 2017, 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, 2017, 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.

Breadmore & Co., P.C.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS DECEMBER 31, 2017

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, 2017. 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 \$23,817,759 as of December 31, 2017.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2017

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Summary of Net Position | |
|----------------------------------|-------------------------|----------------------|
| | 2017 | 2016 |
| Current and other assets | \$ 14 555 300 | \$ 15 287 931 |
| Capital assets | <u>11 017 513</u> | <u>6 052 527</u> |
| Total assets | <u>\$ 25 572 813</u> | <u>\$ 21 340 458</u> |
| Current liabilities | \$ 555 526 | \$ 539 120 |
| Long term liabilities | <u>1 199 528</u> | <u>1 975 848</u> |
| Total liabilities | <u>\$ 1 755 054</u> | <u>\$ 2 514 968</u> |
| Net position: | | |
| Net investment in capital assets | \$ 9 091 991 | \$ 3 634 447 |
| Restricted | 450 000 | 450 000 |
| Unrestricted | <u>14 275 768</u> | <u>14 741 043</u> |
| Total net position | <u>\$ 23 817 759</u> | <u>\$ 18 825 490</u> |

The following table provides a summary of the District's operations for the year ended December 31, 2017. The District increased its net position by \$4,992,269.

| | Summary of Changes in Net Position | |
|-----------------------------------|------------------------------------|----------------------|
| | 2017 | 2016 |
| Revenues: | | |
| Property taxes | \$ 7 075 477 | \$ 6 742 872 |
| Other revenues | <u>459 607</u> | <u>393 867</u> |
| Total revenues | <u>7 535 084</u> | <u>7 136 739</u> |
| Expenses for services | 1 671 374 | 1 355 749 |
| Operating expenses | <u>871 441</u> | <u>951 769</u> |
| Total expenses | <u>2 542 815</u> | <u>2 307 518</u> |
| Change in net position | 4 992 269 | 4 829 221 |
| Net position, beginning of period | <u>18 825 490</u> | <u>13 996 269</u> |
| Net position, end of period | <u>\$ 23 817 759</u> | <u>\$ 18 825 490</u> |

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2017

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2017 was \$11,431,153.

The General Fund balance decreased by \$1,155,379.

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 \$3,219,621 more than the budgeted amount.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS DECEMBER 31, 2017 (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)

| | 2017 | 2016 |
|--|----------------------|---------------------|
| Land | \$ 6 007 027 | \$ 983 571 |
| Buildings, net of depreciation | 2 388 992 | 2 465 439 |
| Machinery and Equipment, net of depreciation | 52 838 | 45 370 |
| Vehicles, net of depreciation | 2 067 963 | 2 558 147 |
| Construction in progress | 500 693 | - |
| Total Capital Assets | <u>\$ 11 017 513</u> | <u>\$ 6 052 527</u> |

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2017 are summarized as follows:

| | |
|-----------------------------------|---------------------|
| Long term debt, beginning of year | \$ 2 418 080 |
| Proceeds from long term debt | - |
| Retirements of principal | <u>(993 251)</u> |
| Long term debt, end of year | <u>\$ 1 424 829</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, 2017**

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|--|----------------------|----------------------|--------------------------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 8 245 359 | \$ - | \$ 8 245 359 |
| Cash and Cash Equivalents - Restricted | 450 000 | - | 450 000 |
| Taxes Receivable | 2 818 097 | - | 2 818 097 |
| Accounts Receivable - Other | 30 245 | - | 30 245 |
| Due from Tax Assessor | 2 736 791 | - | 2 736 791 |
| Deposits | 271 808 | - | 271 808 |
| Prepaid Expenses | 3 000 | - | 3 000 |
| Capital Assets | | | |
| Land | - | 6 007 027 | 6 007 027 |
| Capital Assets Net of Accumulated Depreciation of \$4,215,493 | - | 4 509 793 | 4 509 793 |
| Construction in progress | - | 500 693 | 500 693 |
| Total Assets | <u>\$ 14 555 300</u> | <u>\$ 11 017 513</u> | <u>\$ 25 572 813</u> |
| <u>LIABILITIES</u> | | | |
| Liabilities | | | |
| Accounts Payable | \$ 306 050 | \$ - | \$ 306 050 |
| Accrued Interest Payable | - | 24 175 | 24 175 |
| Long Term Liabilities | | | |
| Due within One Year | - | 225 301 | 225 301 |
| Due after One Year | - | 1 199 528 | 1 199 528 |
| Total Liabilities | <u>306 050</u> | <u>1 449 004</u> | <u>1 755 054</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Unavailable Revenue | <u>2 818 097</u> | <u>(2 818 097)</u> | <u>-</u> |
| <u>FUND BALANCE/NET POSITION</u> | | | |
| Fund Balances | | | |
| Committed | 450 000 | (450 000) | - |
| Unassigned | <u>10 981 153</u> | <u>(10 981 153)</u> | <u>-</u> |
| Total Fund Balance | <u>11 431 153</u> | <u>(11 431 153)</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 14 555 300</u> | | |
| Net Position | | | |
| Net Investment in Capital Assets | | 9 091 991 | 9 091 991 |
| Restricted | | 450 000 | 450 000 |
| Unrestricted | | <u>14 275 768</u> | <u>14 275 768</u> |
| Total Net Position | | <u>23 817 759</u> | <u>23 817 759</u> |
| Resources, and Net Position | | <u>\$ 11 017 513</u> | <u>\$ 25 572 813</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, 2017**

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|----------------------|----------------------|------------------------------------|
| Revenues | | | |
| Property Taxes | \$ 6 914 920 | \$ 160 557 | \$ 7 075 477 |
| Other Income | 364 923 | - | 364 923 |
| Penalty and Interest on Property Taxes | 31 490 | - | 31 490 |
| Interest Earned on Temporary Investments | 63 194 | - | 63 194 |
| Total Revenues | <u>7 374 527</u> | <u>160 557</u> | <u>7 535 084</u> |
| Expenditures/Expenses | | | |
| Fire Department Operating Funds | 1 671 374 | - | 1 671 374 |
| Administrative | 4 637 | - | 4 637 |
| Auditing Fees | 8 835 | - | 8 835 |
| Appraisal District Fees | 44 000 | - | 44 000 |
| Collection Fees | 35 792 | - | 35 792 |
| Election Fees | 7 744 | - | 7 744 |
| Insurance | 6 232 | - | 6 232 |
| Office | 9 146 | - | 9 146 |
| Professional Services | 57 624 | - | 57 624 |
| Property Taxes | 30 156 | - | 30 156 |
| Capital Outlay | 5 568 402 | (5 568 402) | - |
| Depreciation | - | 603 416 | 603 416 |
| Debt Service | | | |
| Capital Lease Principal | 183 410 | (183 410) | - |
| Capital Lease Interest | 41 891 | (6 953) | 34 938 |
| Note Principal | 809 841 | (809 841) | - |
| Note Interest | 50 822 | (21 901) | 28 921 |
| Total Expenditures/Expenses | <u>8 529 906</u> | <u>(5 987 091)</u> | <u>2 542 815</u> |
| Excess Revenues Over Expenditures | (1 155 379) | 6 147 648 | 4 992 269 |
| Fund Balance/Net Position | | | |
| Beginning of Year | <u>12 586 532</u> | <u>6 238 958</u> | <u>18 825 490</u> |
| End of Year | <u>\$ 11 431 153</u> | <u>\$ 12 386 606</u> | <u>\$ 23 817 759</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, 2017

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, 2017

(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, 2017

(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, 2017. 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, 2017

(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, 2017 | <u>\$ 11 431 153</u> |
| Conversion of property tax assessments to full accrual basis | 2 818 097 |
| Interest paid on long term debt is adjusted to accrual basis | (24 175) |
| Long-term debt obligations are not reported in the funds | (1 424 829) |
| Capital assets used in governmental activities are not financial and are not reported in the funds. | <u>11 017 513</u> |
| Adjustment to fund balance to arrive at net position | <u>12 386 606</u> |
| Total Net Position at December 31, 2017 | <u><u>\$ 23 817 759</u></u> |

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

| | |
|--|---------------------|
| Change in fund balance | \$ (1 155 379) |
| Conversion of property tax assessments to full accrual basis | 160 557 |
| Interest paid on long term debt is adjusted to accrual basis | 28 854 |
| Principal payments on debt are reported as expenditures. None of the transactions, however, have any effect on net position. | 993 251 |
| Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and conveyance of capital assets exceeded depreciation in the current period. | <u>4 964 986</u> |
| Change in net position of governmental activities | <u>\$ 4 992 269</u> |

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE (3) AD VALOREM TAX

During the year ended December 31, 2017, the District levied an ad valorem tax at the rate of \$.10 per \$100 of assessed valuation, which resulted in a tax levy of \$7,063,219 for 2017, on the taxable valuation of \$7,063,219,359 for the 2017 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, 2017 include collections during the current period or within 60 days of year-end related to the 2017 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, 2017.

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, 2017 was \$14,584,992 and occurred in March 2017.

The District also has a money market account with Wallis State Bank. The largest balance during the year ended December 31, 2017 was \$248,240 and occurred in December 2017. 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 | \$ 8 695 359 |
| Collateralized: | |
| Collateral held by financial institution in the entity's name | - |
| Uninsured and uncollateralized | - |
| Total Deposits | <u>\$ 8 695 359</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, 2017.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE (5) CAPITAL ASSETS

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

| | Balances at 12/31/16 | Additions (Dispositions) | Depreciation | Balances at 12/31/17 |
|--------------------------|-------------------------|-----------------------------|---------------|-------------------------|
| Land | \$ 983 571 | \$ 5 023 456 | \$ - | \$ 6 007 027 |
| Buildings | 2 981 461 | - | - | 2 981 461 |
| Furniture and Fixtures | 48 661 | - | - | 48 661 |
| Machinery and Equipment | 717 672 | 44 253 | - | 761 925 |
| Vehicles | 4 933 239 | - | - | 4 933 239 |
| Accumulated Depreciation | (3 612 077) | - | (603 416) | (4 215 493) |
| Capital Assets | 5 068 956 | 44 253 | (603 416) | 4 509 793 |
| Construction in progress | - | 500 693 | - | 500 693 |
| Totals, net | \$ 6 052 527 | \$ 5 568 402 | \$ (603 416) | \$ 11 017 513 |

During the year ended December 31, 2017, the District capitalized two parcels of land, a utility vehicle and its related equipment. Construction in progress relates to the architect fees and other professional fees related to the construction of a new station within the District. At December 31, 2017, the District has not entered into a contract for the construction of the new station.

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, 2017 the District paid the department \$1,671,374. At December 31, 2017, the District owed the department \$96,128 for expenses incurred in 2017.

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 \$9.39 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, 2017 Fort Bend County Municipal Utility District No. 151 paid the District \$329,176, which is included in other income. At December 31, 2017, Fort Bend County Municipal Utility District No. 151 owed the District \$30,245. On March 27, 2017, the District gave notice to terminate the contract on the expiration date of May 21, 2018.

NOTE (7) DEPOSITS

At the year end the Board had entered into a contract to purchase a Spartan Star Pumper Truck at an estimated cost of \$799,989. On December 15, 2017 a deposit was paid in the amount of \$271,808. As of May 2018, the District has still not taken ownership of the vehicle. The Board of Commissioners intend to pay cash for the remainder of the purchase cost.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

NOTE (8) COMMITTED / RESTRICTED FUNDS

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

NOTE (9) 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, 2017 the District owed \$809,842 on this note. During the year ended December 31, 2017 the District made repayments of \$860,663. Of this amount, \$50,822 was applied to interest. At the year end the District had paid this note in full.

NOTE (10) 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 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, 2017 the District owed \$1,034,970 on this lease. During the year ended December 31, 2017 the District made repayments of \$145,315. Of this amount \$27,503 was applied to interest. At the year end the total amount to be repaid was \$917,158.

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, 2017 the District owed \$573,268 on this lease. During the year ended December 31, 2017 the District made repayments of \$79,986. Of this amount \$14,389 was applied to interest. At the year end the total amount to be repaid was \$507,671.

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

| | |
|-------------------------------|---------------------|
| Vehicles | \$ 2 161 208 |
| Less accumulated depreciation | <u>(648 362)</u> |
| | <u>\$ 1 512 846</u> |

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

NOTE (10) CAPITAL LEASES (Continued)

Future maturities of the balances outstanding are as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--|---------------------|
| 2018 | \$ 225 301 |
| 2019 | 225 301 |
| 2020 | 225 301 |
| 2021 | 225 301 |
| Thereafter | <u>675 903</u> |
| Total minimum payments | 1 577 107 |
| Less amount representing interest | (152 278) |
| Less current maturities of present value of minimum lease payments | <u>(225 301)</u> |
| Present value of minimum lease payments - net of current maturities | <u>\$ 1 199 528</u> |

NOTE (11) 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, 2017 was \$3,324. The lease term expired February 28, 2018. At that point the District went to a month to month contract at the same terms and conditions as the original lease agreement.

Future minimum payments are as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--------------------|---------------|
| 2018 | \$ <u>554</u> |
| | <u>\$ 554</u> |

NOTE (12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2018 the date the financial statements were available to be issued, and concluded that no 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, 2017**

| | Actual | Original and Final Budget * | Variance Positive (Negative) |
|---|----------------------|-----------------------------------|------------------------------------|
| Revenues: | | | |
| Property Taxes | \$ 6 914 920 | \$ 6 309 297 | \$ 605 623 |
| Other Income | 364 923 | 296 255 | 68 668 |
| Penalty and Interest on Property Taxes | 31 490 | - | 31 490 |
| Interest Earned on Temporary Investments | <u>63 194</u> | <u>-</u> | <u>63 194</u> |
| Total Revenues | <u>7 374 527</u> | <u>6 605 552</u> | <u>768 975</u> |
| Expenditures/Expenses: | | | |
| Fire Department Operating Funds | 1 671 374 | 6 074 951 | 4 403 577 |
| Administrative | 4 637 | 23 200 | 18 563 |
| Appraisal District Fees | 44 000 | 30 000 | (14 000) |
| Auditing Fees | 8 835 | 12 000 | 3 165 |
| Collection Fees | 35 792 | 60 000 | 24 208 |
| Election Fees | 7 744 | - | (7 744) |
| Insurance | 6 232 | 15 000 | 8 768 |
| Office | 9 146 | 31 600 | 22 454 |
| Professional Services | 57 624 | 133 500 | 75 876 |
| Property Taxes | 30 156 | - | (30 156) |
| Capital Lease Principal | 183 410 | 183 410 | - |
| Capital Lease Interest | 41 891 | 41 891 | - |
| Note Principal | 809 841 | - | (809 841) |
| Note Interest | 50 822 | - | (50 822) |
| Capital Outlay | <u>5 568 402</u> | <u>4 375 000</u> | <u>(1 193 402)</u> |
| Total Expenditures/Expenses | <u>8 529 906</u> | <u>10 980 552</u> | <u>2 450 646</u> |
| Excess (Deficiency) of Revenues over Expenditures | (1 155 379) | (4 375 000) | 3 219 621 |
| Fund Balance | | | |
| Beginning of the Year | <u>12 586 532</u> | <u>12 586 532</u> | <u>-</u> |
| End of the Year | <u>\$ 11 431 153</u> | <u>\$ 8 211 532</u> | <u>\$ 3 219 621</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, 2017

| | |
|---|---------------------|
| Taxes Receivable - Beginning of Year | \$ 2 657 540 |
| 2017 Tax Roll | 7 063 219 |
| Adjustment to prior year taxes | <u>12 258</u> |
| Total to be Accounted for | 9 733 017 |
| Tax Collections Received from Tax Collector | <u>(6 914 920)</u> |
| Taxes Receivable - End of Year | <u>\$ 2 818 097</u> |
| Taxes Receivable - By Years | |
| 2017 | \$ 2 736 700 |
| 2016 | 31 292 |
| 2015 | 13 715 |
| 2014 | 7 034 |
| 2013 | 5 317 |
| 2012 - 1985 | <u>24 039</u> |
| Taxes Receivable - End of Year | <u>\$ 2 818 097</u> |

| | Assessed Valuation Summary | | | | |
|-------------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Property Valuations | | | | | |
| Real Property | \$ 6 926 089 280 | \$ 6 558 382 920 | \$ 5 718 078 387 | \$ 4 464 253 356 | \$ 3 900 976 246 |
| Personal Property | <u>137 130 079</u> | <u>131 179 478</u> | <u>112 646 460</u> | <u>72 103 710</u> | <u>69 240 688</u> |
| Total Property | <u>\$ 7 063 219 359</u> | <u>\$ 6 689 562 398</u> | <u>\$ 5 830 724 847</u> | <u>\$ 4 536 357 066</u> | <u>\$ 3 970 216 934</u> |
| Valuations | | | | | |
| Tax Rate per \$100 Valuation | <u>\$ 0.100000</u> | <u>\$ 0.100000</u> | <u>\$ 0.100000</u> | <u>\$ 0.090000</u> | <u>\$ 0.079636</u> |
| Tax Rolls | <u>\$ 7 063 219</u> | <u>\$ 6 689 562</u> | <u>\$ 5 830 725</u> | <u>\$ 4 082 721</u> | <u>\$ 3 161 722</u> |
| Percent of Taxes Collected to Taxes | | | | | |
| Levied | <u>61.3%</u> | <u>99.5%</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, 2017**

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

District Telephone Number: 281-533-0095

| <u>Names</u> | <u>Term of office (Appointed) or Date Hired</u> | <u>Fees of Office Paid* FYE 12/31/17</u> | <u>Expense Reimburse- ments FYE 12/31/17</u> | <u>Title at Year End</u> |
|----------------|---|--|--|------------------------------|
| Board Members: | | | | |
| S Evans | (Appointed) 01/01/16 - 12/31/18 | \$ - | \$ - | President |
| D McJunkin | (Appointed) 08/18/16 - 12/31/17 | \$ - | \$ - | Vice President |
| B Warren | (Appointed) 01/01/16 - 12/31/17 | \$ - | \$ - | Treasurer |
| K Stacy | (Appointed) 01/1/16 - 12/31/17 | \$ - | \$ - | Secretary |
| E Krenek | (Appointed) 01/01/16 - 12/31/18 | \$ - | \$ - | Commissioner |

* 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, 2017
(Continued)

| <u>Names</u> | <u>Term of office (Appointed) or Date Hired</u> | <u>Fees of Office Paid* FYE 12/31/17</u> | <u>Expense Reimburse- ments FYE 12/31/17</u> | <u>Title at Year End</u> |
|--|---|--|--|------------------------------|
| Consultants: | | | | |
| Allen Scopel | 2008 | \$ - | \$ - | Consultant |
| Breedlove & Co., P.C. | 2006 | \$ 8 835 | \$ - | Auditor |
| Smith, Murdaugh, Little & Bonham, L.L.P. | 2016 | \$ 20 981 | \$ - | Attorney |
| Patsy Schultz | 2006 | \$ 35 792 | \$ - | Tax Collector |
| Fort Bend County Appraisal District | 2006 | \$ 44 000 | \$ - | Appraisal District |
| LJA Engineering | 2017 | \$ 5 261 | \$ - | Engineer |
| Brown Reynolds Watford Architects, Inc. | 2017 | \$ 478 509 | \$ - | Architect |
| Municipal Accounts & Consulting, L.P. | 2017 | \$ 643 | \$ - | Bookkeeper |

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