
FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED DECEMBER 31, 2018

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

TABLE OF CONTENTS

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

FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

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

BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

RICHARD W. BREEDLOVE, CPA
President

JILL A. HENZE, CPA
Vice President

NICOLE BREEDLOVE HUNT, CPA
Vice President

INDEPENDENT AUDITORS' REPORT

June 18, 2019

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, 2018, 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an 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.

Breckhow & Co., P.C.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2018

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, 2018. 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 \$27,610,086 as of December 31, 2018.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2018

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Net Position	
	2018	2017
Current and other assets	\$ 17 782 099	\$ 14 555 300
Capital assets	12 095 434	11 017 513
Total assets	\$ 29 877 533	\$ 25 572 813
Current liabilities	\$ 481 177	\$ 555 526
Long term liabilities	1 011 342	1 199 528
Total liabilities	\$ 1 492 519	\$ 1 755 054
Net position:		
Net investment in capital assets	\$ 9 988 645	\$ 9 091 991
Restricted	3 978 096	450 000
Unrestricted	13 643 345	14 275 768
Total net position	\$ 27 610 086	\$ 23 817 759

The following table provides a summary of the District's operations for the year ended December 31, 2018. The District increased its net position by \$3,792,327.

	Summary of Changes in Net Position	
	2018	2017
Revenues:		
Property taxes	\$ 7 507 924	\$ 7 075 477
Other revenues	358 464	459 607
Total revenues	7 866 388	7 535 084
Expenses for services		
Operating expenses	1 361 977	1 671 374
Total expenses	2 712 084	871 441
Change in net position	4 074 061	2 542 815
Net position, beginning of period	3 792 327	4 992 269
Net position, end of period	23 817 759	18 825 490

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2018

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of December 31, 2018 was \$13,682,196.

The General Fund balance increased by \$2,251,043.

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 amend the budget during the fiscal year. The amendment shows the District reimbursing the fire department for fire protection services. The district was looking to make the transition to becoming the service provider for fire protection services in 2018. However, that transition did not occur until January 2019.

The account balances are used for the current year revenue budget, operating reserves along with project reserves that include air mask RCS system/SBC update and replacement, fire fighter training center, communications, future apparatus/command vehicles and future stations, including the cost of land, design, construction, and furnishings.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2018

(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The District covers a 100 square mile area, and ad valorem tax is the only source of revenue for the District. The prior year funds are allocated and will assist the District with the large growth from the East. The District has the emergency operations center/fire station project located off FM1093 and Ash Road and is looking at additional station sites on the East and North sides of the District. The additional station sites will help the District meet ISO requirements and maintain their current ISO ratings. A lower ISO rating leads to homeowners saving on home insurance. The District is holding these funds in good trust for these projects.

Actual excess revenues were \$3,514,843 more than the budgeted amount.

CAPITAL ASSETS AND RELATED DEBT

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	<u>2018</u>	<u>2017</u>
Land	\$ 6 007 027	\$ 6 007 027
Buildings, net of depreciation	2 312 544	2 388 992
Machinery and Equipment, net of depreciation	325 614	52 838
Vehicles, net of depreciation	2 580 103	2 067 963
Construction in progress	<u>870 146</u>	<u>500 693</u>
Total Capital Assets	<u>\$ 12 095 434</u>	<u>\$ 11 017 513</u>

Debt

The changes in the debt position of the District during the fiscal year ended December 31, 2018 are summarized as follows:

Long term debt, beginning of year	\$ 1 424 829
Proceeds from long term debt	-
Retirements of principal	<u>(188 186)</u>
Long term debt, end of year	<u>\$ 1 236 643</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 and or the Business Manager, 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, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 13 673 369	\$ -	\$ 13 673 369
Cash and Cash Equivalents - Restricted	450 000	-	450 000
Taxes Receivable	3 090 083	-	3 090 083
Due from Tax Assessor	525 579	-	525 579
Prepaid Expenses	43 068	-	43 068
Capital Assets			
Land	-	6 007 027	6 007 027
Capital Assets Net of Accumulated Depreciation of \$4,734,857	-	5 218 261	5 218 261
Construction in progress	-	870 146	870 146
Total Assets	<u>\$ 17 782 099</u>	<u>\$ 12 095 434</u>	<u>\$ 29 877 533</u>
<u>LIABILITIES</u>			
Liabilities			
Accounts Payable	\$ 91 812	\$ -	\$ 91 812
Accrued Interest Payable	-	20 984	20 984
Retirement Plan Payable	26 617	-	26 617
Net Pension Liability	774 928	-	774 928
Payroll Liabilities	116 463	-	116 463
Long Term Liabilities			
Due within One Year	-	225 301	225 301
Due after One Year	-	1 011 342	1 011 342
Total Liabilities	<u>1 009 820</u>	<u>1 257 627</u>	<u>2 267 447</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue	<u>3 090 083</u>	<u>(3 090 083)</u>	<u>-</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balances			
Committed	\$ 3 978 096	(3 978 096)	-
Unassigned	9 704 100	(9 704 100)	-
Total Fund Balance	<u>13 682 196</u>	<u>(13 682 196)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 17 782 099</u>		
Net Position			
Net Investment in Capital Assets		9 988 645	9 988 645
Restricted		3 978 096	3 978 096
Unrestricted		<u>13 643 345</u>	<u>13 643 345</u>
Total Net Position		<u>27 610 086</u>	<u>27 610 086</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position		<u>\$ 12 095 434</u>	<u>\$ 29 877 533</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, 2018

	General Fund	Adjustments	Statement of Activities
Revenues			
Property Taxes	\$ 7 235 938	\$ 271 986	\$ 7 507 924
Other Income	175 297	-	175 297
Penalty and Interest on Property Taxes	31 150	-	31 150
Interest Earned on Temporary Investments	152 017	-	152 017
Total Revenues	7 594 402	271 986	7 866 388
Expenditures/Expenses			
Accounting	24 990	-	24 990
Administrative	780	-	780
Appraisal District Fees	47 620	-	47 620
Auditing Fees	8 792	-	8 792
Collection Fees	10 805	-	10 805
Communication	26 548	-	26 548
Dues and Subscriptions	2 349	-	2 349
Equipment Testing, Repairs and Maintenance	26 487	-	26 487
Facility Maintenance	32 891	-	32 891
Fuel	3 047	-	3 047
Fire Department Operating Funds	1 361 977	-	1 361 977
Information Technolgy	57 261	-	57 261
Insurance	75 914	-	75 914
Office	12 774	-	12 774
Payroll and Related Expense	1 663 713	-	1 663 713
Physicals	10 190	-	10 190
Professional Services	26 110	-	26 110
Protective Gear	62 663	-	62 663
Station and Facility Expense	12 169	-	12 169
Staff Training	29 425	-	29 425
Travel	3 816	-	3 816
Uniforms	3 702	-	3 702
Utilities	16 750	-	16 750
Capital Outlay	1 597 285	(1 597 285)	-
Depreciation	-	519 364	519 364
Debt Service			
Capital Lease Principal	188 186	(188 186)	-
Capital Lease Interest	37 115	(3 191)	33 924
Total Expenditures/Expenses	5 343 359	(1 269 298)	4 074 061
Excess Revenues Over Expenditures	2 251 043	1 541 284	3 792 327
Fund Balance/Net Position			
Beginning of Year	11 431 153	12 386 606	23 817 759
End of Year	\$ 13 682 196	\$ 13 927 890	\$ 27 610 086

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, 2018

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, 2018

(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, 2018

(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, 2018. 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, 2018
(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. COMPENSATED ABSENCES

Employees are granted paid time off benefits depending on tenure with the District. Generally, annual leave must be taken by December 31 of each year. Annual leave may be accumulated up to a maximum of 96 hours per year. Employees are entitled to their accrued leave upon termination. This amount is charged to expense and a corresponding liability is established when earned. For the year end December 31, 2018, the District recognized a liability of \$34,452 for accrued leave, which has been reported on the Statement of Net Position under payroll liabilities.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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, 2018	\$ 13 682 196
Conversion of property tax assessments to full accrual basis	3 090 083
Interest paid on long term debt is adjusted to accrual basis	(20 984)
Long-term debt obligations are not reported in the funds	(1 236 643)
Capital assets used in governmental activities are not financial and are not reported in the funds.	<u>12 095 434</u>
Adjustment to fund balance to arrive at net position	<u>13 927 890</u>
Total Net Position at December 31, 2018	\$ <u>27 610 086</u>

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

Change in fund balance	\$ 2 251 043
Conversion of property tax assessments to full accrual basis	271 986
Interest paid on long term debt is adjusted to accrual basis	3 191
Principal payments on debt are reported as expenditures. None of the transactions, however, have any effect on net position.	188 186

Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and conveyance of capital assets exceeded depreciation in the current period.

	<u>1 077 921</u>
Change in net position of governmental activities	\$ <u>3 792 327</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (3) AD VALOREM TAX

During the year ended December 31, 2018, the District levied an ad valorem tax at the rate of \$.10 per \$100 of assessed valuation, which resulted in a tax levy of \$7,482,600 for 2018, on the taxable valuation of \$7,482,600,212 for the 2018 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, 2018 include collections during the current period or within 60 days of year-end related to the 2018 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, 2018.

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, 2018 was \$13,902,927 and occurred in December 2018.

The District also has a money market account with Wallis State Bank. The largest balance during the year ended December 31, 2018 was \$250,361 and occurred in December 2018. These deposits were secured by FDIC coverage. There were instances during the year where the balance at this bank was not adequately insured.

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	\$ 14 123 369
Collateralized:	
Collateral held by financial institution in the entity's name	-
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 14 123 369</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, 2018.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE (5) CAPITAL ASSETS

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

	Balances at 12/31/17	Additions (Dispositions)	Depreciation	Balances at 12/31/18
Land	\$ 6 007 027	\$ -	\$ -	\$ 6 007 027
Buildings	2 981 461	-	-	2 981 461
Furniture and Fixtures	48 661	-	-	48 661
Machinery and Equipment	761 925	302 658	-	1 064 583
Vehicles	4 933 239	925 174	-	5 858 413
Accumulated Depreciation	(4 215 493)	-	(519 364)	(4 734 857)
Capital Assets	<u>4 509 793</u>	<u>1 227 832</u>	<u>(519 364)</u>	<u>5 218 261</u>
Construction in progress	<u>500 693</u>	<u>369 453</u>	<u>-</u>	<u>870 146</u>
Totals, net	<u>\$ 11 017 513</u>	<u>\$ 1 597 285</u>	<u>\$ (519 364)</u>	<u>\$ 12 095 434</u>

During the year ended December 31, 2018, the District capitalized a fire truck, a hovercraft and its related equipment, two staff command vehicles and related equipment, two utility vehicles and a trailer. 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, 2018, 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, 2018, the District paid the department \$1,361,977. On December 28, 2018, the District gave notice to terminate the contract effective January 1, 2019. As of January 1, 2019, the fire protection services will be provided by the District.

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, 2018 Fort Bend County Municipal Utility District No. 151 paid the District \$173,738, which is included in other income. On March 27, 2017, the District gave notice to terminate the contract on the expiration date of May 21, 2018.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE (7) COMMITTED / RESTRICTED FUNDS

The Board of Commissioners has committed / restricted \$450,000 for the purpose of contingencies or emergencies. During the year ended December 31, 2018, the Board has committed an additional \$3,528,096 for the purpose of future capital projects that include a firefighting training center, communications, purchase of land for the construction of future station sites and various vehicles, apparatus and equipment.

NOTE (8) 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 2018 through April 2024. At January 1, 2018 the District owed \$917,158 on this lease. During the year ended December 31, 2018 the District made repayments of \$145,315. Of this amount \$24,372 was applied to interest. At the year end the total amount to be repaid was \$796,215.

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, 2018 the District owed \$507,671 on this lease. During the year ended December 31, 2018 the District made repayments of \$79,986. Of this amount \$12,743 was applied to interest. At the year end the total amount to be repaid was \$440,428.

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

Vehicles	\$ 2 161 208
Less accumulated depreciation	<u>(864 483)</u>
	<u>\$ 1 296 725</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (8) CAPITAL LEASES (Continued)

Future maturities of the balances outstanding are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 225 301
2020	225 301
2021	225 301
2022	225 301
Thereafter	<u>450 602</u>
Total minimum payments	1 351 806
Less amount representing interest	(115 163)
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>\$ 1 011 342</u>

NOTE (9) 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, 2018 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.

NOTE (10) RETIREMENT PLAN

Plan Description

During the year ended December 31, 2018, the District began contributing to the Texas County & District Retirement System (the "Plan") which is a statewide, agent multiple-employer, public employee retirement system. All full- and part-time non-temporary employees participate in the Plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Employee membership data related to the Plan, as of December 31, 2018 was as follows:

Inactive employees entitled to but not yet receiving benefits	1
Active plan members	<u>20</u>
	<u><u>21</u></u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE (10) RETIREMENT PLAN (Continued)

Any participant whose years of continuous employment, when added to the participant's age equals or exceeds 75, may retire without a reduction in the monthly benefit.

By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.

Plan provisions include death benefits for the surviving spouse if the employee had 4 or more years of service. The Plan provides a monthly income for disabled participants who have 8 or more years of service. Benefits vest at 100% after eight years of service.

For the year ended December 31, 2018, the District's total payroll for all employees was \$643,612. Total covered payroll was \$643,612. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan and was calculated by the actuary based on contributions as reported to the Plan.

Contributions

Employees of the District are required to contribute 7% of covered compensation to the Plan. The contributions are deducted from the employee's wages or salary and remitted by the District to the Plan on a monthly basis. The District's contractually required contribution rate for the year ended December 31, 2018, was 8.36% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contributions to the Plan for the year ended December 31, 2018 were \$41,625.

Pension Assets, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the District reported a liability of \$774,928 for its proportionate share of the net pension liability. This amount is due to the plan allowing for past service years of key employees of the District to be used toward those employee's total service years requirement. Interest accrues on the unfunded net pension liability at 8%.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE (10) RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	Varies by age and service. 4.85% average over career including inflation.
Investment rate of return	8.0%, net of investment expenses, including inflation

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Plan financial report.

Payable to the Plan

At December 31, 2018, the District reported a payable of \$26,617 for the outstanding amount of contributions due to the Plan for the year.

NOTE (11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 18, 2019 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, 2018

	Actual	Final Budget	Original Budget	Variance Positive (Negative)
Revenues:				
Property Taxes	\$ 7 235 938	\$ 6 914 638	\$ 6 914 638	\$ 321 300
Other Income	175 297	173 738	-	1 559
Penalty and Interest on Property Taxes	31 150	35 000	-	(3 850)
Interest Earned on Temporary Investments	152 017	150 000	-	2 017
Total Revenues	<u>7 594 402</u>	<u>7 273 376</u>	<u>6 914 638</u>	<u>321 026</u>
Expenditures/Expenses				
Accounting	24 990	30 000	30 000	5 010
Administrative	780	5 100	5 100	4 320
Appraisal District Fees	47 620	38 050	38 000	(9 570)
Auditing Fees	8 792	18 000	18 000	9 208
Collection Fees	10 805	70 000	70 000	59 195
Communication	26 548	43 500	43 500	16 952
Dues and Subscriptions	2 349	26 789	26 789	24 440
Equipment Testing, Repairs and Maintenance	26 487	110 500	110 600	84 013
Emergency Management	-	25 000	25 000	25 000
Facility Maintenance	32 891	73 500	73 500	40 609
Fuel	3 047	45 000	45 000	41 953
Fire Department Operating Funds	1 361 977	1 600 000	-	238 023
Information Technolgy	57 261	76 500	76 500	19 239
Insurance	75 914	82 500	82 500	6 586
Office	12 774	31 500	31 500	18 726
Payroll and Related Expense	1 663 713	3 230 000	4 830 100	1 566 287
Physicals	10 190	5 000	5 000	(5 190)
Professional Services	26 110	90 000	90 000	63 890
Property Taxes	-	30 156	-	30 156
Protective Gear	62 663	150 000	150 000	87 337
Station and Facility Expense	12 169	20 600	18 300	8 431
Staff Training	29 425	125 000	125 000	95 575
Travel	3 816	16 500	16 500	12 684
Uniforms	3 702	40 000	40 100	36 298
Utilities	16 750	78 680	78 680	61 930
Capital Outlay	1 597 285	2 250 000	1 900 000	652 715
Debt Service				
Capital Lease Principal	188 186	188 186	188 186	-
Capital Lease Interest	37 115	37 115	37 115	-
Total Expenditures/Expenses	<u>5 343 359</u>	<u>8 537 176</u>	<u>8 154 970</u>	<u>3 193 817</u>
Excess (Deficiency) of Revenues over Expenditures	2 251 043	(1 263 800)	(1 240 332)	3 514 843
Fund Balance				
Beginning of the Year	11 431 153	11 431 153	11 431 153	-
End of the Year	<u>\$ 13 682 196</u>	<u>\$ 10 167 353</u>	<u>\$ 10 190 821</u>	<u>\$ 3 514 843</u>

See the Accompanying Independent Auditors' Report

SUPPLEMENTARY INFORMATION

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

SUPPLEMENTARY INFORMATION
ANALYSIS OF TAXES RECEIVABLE
DECEMBER 31, 2018

Taxes Receivable - Beginning of Year	\$ 2 818 097
2018 Tax Roll	7 482 600
Adjustment to prior year taxes	<u>25 324</u>
Total to be Accounted for	10 326 021
Tax Collections Received from Tax Collector	<u>(7 235 938)</u>
Taxes Receivable - End of Year	<u>\$ 3 090 083</u>
Taxes Receivable - By Years	
2018	\$ 2 999 630
2017	28 855
2016	16 077
2015	11 730
2014	6 603
2013 - 1985	<u>27 188</u>
Taxes Receivable - End of Year	<u>\$ 3 090 083</u>

	<u>Assessed Valuation Summary</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property Valuations					
Real Property	\$ 7 339 832 083	\$ 6 926 089 280	\$ 6 558 382 920	\$ 5 718 078 387	\$ 4 464 253 356
Personal Property	<u>142 768 129</u>	<u>137 130 079</u>	<u>131 179 478</u>	<u>112 646 460</u>	<u>72 103 710</u>
Total Property Valuations	<u>\$ 7 482 600 212</u>	<u>\$ 7 063 219 359</u>	<u>\$ 6 689 562 398</u>	<u>\$ 5 830 724 847</u>	<u>\$ 4 536 357 066</u>
Tax Rate per \$100 Valuation	<u>\$ 0.100000</u>	<u>\$ 0.100000</u>	<u>\$ 0.100000</u>	<u>\$ 0.100000</u>	<u>\$ 0.090000</u>
Tax Rolls	<u>\$ 7 482 600</u>	<u>\$ 7 063 219</u>	<u>\$ 6 689 562</u>	<u>\$ 5 830 725</u>	<u>\$ 4 082 721</u>
Percent of Taxes Collected to Taxes Levied	<u>59.9%</u>	<u>99.6%</u>	<u>99.8%</u>	<u>99.8%</u>	<u>99.8%</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 4

SUPPLEMENTARY INFORMATION
 BOARD MEMBERS AND CONSULTANTS
 DECEMBER 31, 2018

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 12/31/18</u>	<u>Expense Reimburse- ments FYE 12/31/18</u>	<u>Title at Year End</u>
Board Members:				
D McJunkin	(Appointed) 01/01/18 - 12/31/19	\$ -	\$ -	President
E Krenek	(Appointed) 01/01/16 - 12/31/18	\$ -	\$ -	Vice President
B Warren	(Appointed) 01/01/18 - 12/31/19	\$ -	\$ -	Treasurer
K Stacy	(Appointed) 01/1/18 - 12/31/19	\$ -	\$ 90	Secretary
T Kuykendall	(Appointed) 10/16/18 - 12/31/18	\$ -	\$ -	Assistant Treasurer / Secretary
S Evans	(Appointed) 01/01/16 - 09/18/18	\$ -	\$ -	-

* 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, 2018
 (Continued)

Names	Term of office (Appointed) or Date Hired	Fees of Office Paid* FYE 12/31/18	Expense Reimburse- ments FYE 12/31/18	Title at Year End
Consultants:				
Breedlove & Co., P.C.	2006	\$ 8 792	\$ -	Auditor
Smith, Murdaugh, Little & Bonham, L.L.P.	2016	\$ 23 620	\$ -	Attorney
Patsy Schultz	2006	\$ 10 765	\$ -	Tax Collector
Fort Bend County Appraisal District	2006	\$ 47 614	\$ -	Appraisal District
LJA Engineering	2017	\$ 100	\$ -	Engineer
Brown Reynolds Watford Architects, Inc.	2017	\$ 343 926	\$ -	Architect
Municipal Accounts & Consulting, L.P.	2017	\$ 23 367	\$ -	Bookkeeper

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

BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

RICHARD W. BREEDLOVE, CPA
President

JILL A. HENZE, CPA
Vice President

NICOLE BREEDLOVE HUNT, CPA
Vice President

June 18, 2019

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, 2018, 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

JILL A. HENZE, CPA
Vice President

NICOLE BREEDLOVE HUNT, CPA
Vice President

June 18, 2019

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, 2018. 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 15, 2018. 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 2018. 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, 2018.

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 June 18, 2019.

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.

We would like to bring to the Board's attention the following matters:

When comparing the budgeted figures for the year ended December 31, 2018 with actual figures it was noted that several income and expenditure items appeared to be significantly over- or under-budgeted for. The budget is a tool to assist the board in making financial decisions throughout the year and with such large variances it is felt that the budget would not be helpful in assisting your decision-making process.

Throughout the year there were instances where funds held at Wallis State Bank were in excess of the FDIC coverage. We advise that the District obtains pledged securities with the Bank, reviews the bank balance periodically throughout the year, and puts procedures in place for obtaining additional coverage to prevent the risk of funds being uninsured.

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.

Fort Bend County Emergency Services District No. 4

June 18, 2019

Page 3

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,

A handwritten signature in black ink that reads "Richard W. Breedlove". The signature is written in a cursive style with a large initial 'R'.

Richard W. Breedlove