

ANNUAL FINANCIAL REPORT

of the

Harris County Emergency Services District No. 4

For the Year Ended
December 31, 2018

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Harris County
Emergency Services District No. 4

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Harris County Emergency Services District No. 4:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the Harris County Emergency Services District No. 4 (the "District"), 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

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from 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 and the major funds as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.D to the financial statements, the District restated its beginning net position/fund balance within governmental activities/general fund due to an accounting error occurring in the prior year in the general fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise Harris County Emergency Services District No. 4's basic financial statements. The other supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, excluding that portion marked "Unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information, marked "Unaudited", has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
October 14, 2019

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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Harris County Emergency Services District No. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2018

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of the Harris County Emergency Services District No. 4 (the "District") for the year ended December 31, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets and liabilities. The difference between the two is 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 is improving or deteriorating. Other non-financial factors, such as the District's operating performance need to be considered to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

Harris County Emergency Services District No. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

The Statement of Net Position and the Statement of Activities present the District using one class of activity:

1. Governmental Activities – The District's emergency service operations are reported here.

The government-wide financial statements can be found after the MD&A within this report.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the District. They are usually segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The District's operations are reported using governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two governmental funds; the general fund and the Huffman EMS fund. The general fund is used to report the majority of the District's activities.

The District adopts an annual budget for its general fund and Huffman EMS fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Harris County Emergency Services District No. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund. The RSI can be found after the notes to the financial statements within this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. For the District, assets exceeded liabilities by \$3,024,710 as of yearend. Unrestricted net position, \$1,490,069, may be used to meet the District's ongoing emergency service operations.

Harris County Emergency Services District No. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position as of December 31:

	Governmental Activities	
	2018	2017
Current and other assets	\$ 2,658,540	\$ 2,360,466
Capital assets, net	2,343,091	2,558,452
Total Assets	5,001,631	4,918,918
Accounts payable and accrued expenses	139,802	43,758
Long-term liabilities	818,794	1,091,878
Total Liabilities	958,596	1,135,636
Deferred inflows or resources - property taxes	1,018,325	997,102
Total Deferred Inflows of Resources	1,018,325	997,102
Net Position:		
Invested in capital assets, net of related debt	1,534,641	1,482,506
Unrestricted	1,490,069	1,303,674
Total Net Position	\$ 3,024,710	\$ 2,786,180

Total assets increased due to an incline in cash and investments on hand and yearend receivables, which is consistent with the increase in revenues and net position. Total liabilities declined primarily due to principal payments made on long-term debt in the current year. The primary reason for the increase in net position is a result of increased revenues compared to the prior year.

Harris County Emergency Services District No. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

Statement of Activities:

The following table provides a summary of the District's changes in net position for the year ended December 31:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues:		
Charges for EMS services	\$ 206,133	\$ 76,323
Gain on insurance claim	-	94,143
General revenues:		
Property taxes	1,019,494	944,444
Sales taxes	1,110,025	926,549
Grant revenues	106,489	-
Other	21,388	759
Total Revenues	<u>2,463,529</u>	<u>2,042,218</u>
Expenses		
Public safety	2,197,710	2,110,812
Interest and fiscal charges	27,289	34,511
Total Expenses	<u>2,224,999</u>	<u>2,145,323</u>
Change in Net Position	238,530	(103,105)
Beginning Net Position	<u>2,786,180</u>	<u>2,889,285</u>
Ending Net Position	<u>\$ 3,024,710</u>	<u>\$ 2,786,180</u>

The District reported an increase in overall net position of \$238,530 and 9% from the prior year. Property tax increased by \$75,050 due to the increase in appraised values of properties within the district. Sales taxes increased by \$183,476 due to an increase in economic activity in the District during the current year. Charges for EMS services increased by \$129,810 primarily as a result of only three months of services being recognized in the prior year. A full twelve months is recognized in the current year. Nonrecurring grant revenues of \$106,489 were received for Hurricane Harvey related contract and labor reimbursements. Public safety expenses increased by \$86,898, primarily due to nonrecurring building maintenance expenses and increase in payroll expenses for the Huffman Volunteer Fire Department.

Harris County Emergency Services District No. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year. The unassigned fund balance for governmental funds at year end was \$1,395,922, which was 61% of annual expenditures.

The District's general fund reflects a fund balance of \$1,057,670. There was an increase in the fund balance of \$94,796 over the prior year. This increase is primarily related to current year revenues exceeding expenditures.

The Huffman EMS fund reflects a fund balance of \$390,966. The fund balance increased by \$141,709 primarily due to EMS revenue and transfers exceeding current year expenditures.

CAPITAL ASSETS

As of the end of the year, the District had invested \$2,343,091 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles and equipment. The District's total investment in capital assets remained consistent with the prior year balance. Major capital asset events during the current year include the following:

- The District invested \$40,295 in a new roof for the Huffman VFD building.
- The District spent \$9,850 on upgrades to the District's administration building.

LONG-TERM DEBT

The District's total outstanding capital lease obligations and notes payable decreased by \$267,496 or 24.9% during the year. The decrease was the result of principal payments occurring in the current year. The total long-term debt outstanding, excluding compensated absences, at the close of the year was \$808,450.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were greater than final budgeted revenues by \$398,674 during the year. Actual general fund expenditures were less than the final budget by \$136,926. Actual

Harris County Emergency Services District No. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2018

general fund other financing uses were less than the final budget by \$33,250. These variances were the reason for a positive overall variance of \$568,850 over the final budgeted amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District is located in Harris County, Texas. The District's elected officials considered many factors when setting the 2019 fiscal year budget. The District anticipates an increase in revenue in 2019 due to an increase in property taxes fueled by increases in appraisal values.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be addressed to Harris County Emergency Services District No. 4, c/o Coveler & Peeler, P.C., 820 Gessner, Suite 1710, Houston, TX 77024.

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FINANCIAL STATEMENTS

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Harris County

Emergency Services District No. 4

STATEMENT OF NET POSITION

December 31, 2018

	Governmental Activities
<u>Assets</u>	
Current Assets	
Cash & cash equivalents	\$ 1,704,816
Receivables - property taxes	735,544
Receivables - sales taxes	192,025
Receivables - EMS services	23,441
Prepaid expenses	2,714
Total Assets	2,658,540
Non-Current Assets	
Capital assets - non-depreciable	431,663
Capital assets - net depreciable	1,911,428
Total Non-Current Assets	2,343,091
Total Assets	5,001,631
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	129,706
Accrued expenses	10,096
Long-term liabilities due within one year	264,232
Total Current Liabilities	404,034
Long-term liabilities	
Long-term debt due in more than one year	554,562
Total Liabilities	958,596
<u>Deferred Inflows of Resources</u>	
Unavailable revenue - property tax collections related to next year	491,474
Unavailable revenue - receivable for next year property tax	526,851
Total Deferred Inflows of Resources	1,018,325
<u>Net Position</u>	
Net investment in capital assets	1,534,641
Unrestricted	1,490,069
Total Net Position	\$ 3,024,710

See Notes to Financial Statements.

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Harris County Emergency Services District No. 4

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	<u>Governmental Activities</u>
<u>Expenses</u>	
Public safety - fire protection & emergency medical services	
Administration	\$ 1,265,458
Salaries and benefits	666,746
Depreciation	265,506
Interest	27,289
Total Program Expenses	<u>2,224,999</u>
 <u>Program Revenues</u>	
Charges for services - EMS revenue	206,133
Operating grants and contributions	106,489
Total Program Revenues	<u>312,622</u>
 <u>General Revenues</u>	
Property taxes	1,019,494
Sales taxes	1,110,025
Other revenues	21,388
Total General Revenues	<u>2,150,907</u>
Change in Net Position	<u>238,530</u>
Beginning Net Position	<u>2,786,180</u>
Ending Net Position	<u><u>\$ 3,024,710</u></u>

See Notes to Financial Statements.

Harris County Emergency Services District No. 4

BALANCE SHEET

December 31, 2018

	General Fund	Huffman EMS Fund	Total
<u>Assets</u>			
Cash & cash equivalents	\$ 1,339,215	\$ 365,601	\$ 1,704,816
Receivables - property taxes	735,544	-	735,544
Receivables - sales taxes	192,025	-	192,025
Receivables - EMS services	-	23,441	23,441
Prepaid expenses	-	2,714	2,714
Total Assets	2,266,784	391,756	2,658,540
<u>Liabilities</u>			
Accounts payable and accrued expenses	128,916	790	129,706
Total Liabilities	128,916	790	129,706
<u>Deferred Inflows of Resources</u>			
Unavailable rev. - prop. tax collections	344,654	-	344,654
Unavailable revenue - prop. tax receivable	735,544	-	735,544
Total Deferred Inflows of Resources	1,080,198	-	1,080,198
<u>Fund Balance</u>			
Nonspendable	-	2,714	2,714
Committed for administrative building	50,000	-	50,000
Unassigned	1,007,670	388,252	1,395,922
Total Fund Balance	\$ 1,057,670	\$ 390,966	\$ 1,448,636

See Notes to Financial Statements.

Harris County

Emergency Services District No. 4

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION December 31, 2018

Total fund balance	\$ 1,448,636
Amounts reported for governmental activities in the statement of net position:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, non-depreciable	431,663
Capital assets, net depreciable	1,911,428
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Unavailable revenue - property taxes	61,873
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.	
Accrued interest	(10,096)
Compensated absences	(10,344)
Long-term liabilities are not due and payable in the current period (i.e. note payables, capital leases, and compensated balances) and, therefore, are not reported as liabilities in the government funds	
Non-current liabilities due in one year	(254,923)
Non-current liabilities due in more than one year	(553,527)
Net Position of Governmental Activities	\$ 3,024,710

See Notes to Financial Statements.

Harris County

Emergency Services District No. 4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES

For the Year Ended December 31, 2018

	General Fund	Huffman EMS Fund	Total
Revenues			
Property taxes	\$ 1,016,847	\$ -	\$ 1,016,847
Sales taxes	1,110,025	-	1,110,025
Charges for services - EMS revenue	-	267,423	267,423
Grant revenues	106,489	-	106,489
Other revenues	20,407	981	21,388
Total Revenues	2,253,768	268,404	2,522,172
Expenditures			
Service operations:			
Ambulance	4,036	-	4,036
Huffman VFD	883,395	-	883,395
Fuel	-	9,905	9,905
Medical supplies	-	26,682	26,682
Audit and accounting fees	20,034	-	20,034
Appraisal district fees	7,458	-	7,458
Commissioner fees	15,000	-	15,000
Legal fees	51,734	-	51,734
Maintenance-building	117,428	2,093	119,521
Tax collector fees	7,783	-	7,783
Utilities	35,536	-	35,536
Payroll & training	159,844	512,490	672,334
Other	41,175	371	41,546
Capital outlay	57,916	34,060	91,976
Debt service:			
Principal	268,493	-	268,493
Interest	30,234	-	30,234
Total Expenditures	1,700,066	585,601	2,285,667
Excess (Deficiency) of Revenues Over (Under)			
Expenditures	553,702	(317,197)	236,505
Other Financing Sources (Uses)			
Transfers in	-	458,906	458,906
Transfers (out)	(458,906)	-	(458,906)
Total Other Financing Sources (Uses)	(458,906)	458,906	-
Net Change in Fund Balance	94,796	141,709	236,505
Beginning Fund Balance	962,874	249,257	1,212,131
Ending Fund Balance	\$ 1,057,670	\$ 390,966	\$ 1,448,636

See Notes to Financial Statements.

Harris County

Emergency Services District No. 4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

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

Net change in fund balance	\$	236,505
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		50,145
Depreciation		(265,506)

Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the funds.

Property taxes		2,647
EMS services		(61,290)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest		2,945
Compensated absences		5,588

The issuance of long-term debt provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on debt		267,496
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	Net Change in Net Position	\$ <u>238,530</u>
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See Notes to Financial Statements.

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Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements and Reporting Entity

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

Harris County Emergency Services District No. 4 (the "District") was created on January 28, 1984, as a Rural Fire Prevention District and converted to an Emergency Services District on March 9, 1994, in accordance with Article III, Section 48-e, of the Texas Constitution. The District operates under Chapter 775, "Emergency Services Districts" of V.T.C.A, Health and Safety Code. The District was established to provide operating funds for the contracting of fire prevention and emergency medical services within the boundaries of the District.

The District has entered into contracts with the Huffman Volunteer Fire Department, and Northstar Emergency Medical Services (later assigned to Acadian Ambulance) to provide the service of fire suppression and extinguishment and provide emergency medical services, respectively, within the boundaries of the District. See Notes V. C. and D.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. The District has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

B. Basis of Presentation Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the District as a whole. These statements include all activities of the primary government. Governmental activities are normally supported by property and sales taxes and intergovernmental revenues.

The Statement of Activities presents a comparison between general government expenses and general revenues of the District's governmental activities. Expenses, such as those used to fund the principal operations of District, are presented as general government expenses. Revenues, such as taxes and investment earnings, are presented as general revenues.

The fund financial statements provide information about the government's funds. Separate statements for each fund category are presented.

The government reports the following governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for the operations of the District's emergency service operations and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to property taxes and sales taxes. Expenditures include all costs associated with the daily operations and contractual obligations of the District.

Huffman EMS Fund

The Huffman EMS fund is used to account for the operations of the City of Huffman emergency medical services operations.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 are reported using the pools' share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the District.

3. Capital Assets

Capital assets, which include property, plant, equipment, and vehicle assets (e.g., fire trucks, building, fire apparatus, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. Personal tangible assets are capitalized if they have an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

Property, plant, and equipment of the primary government are depreciated using the straight-line method using no salvage value over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	3-10 years
Furniture and equipment	3-20 years
Buildings and improvements	15-40 years

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (board of commissioners) has by resolution authorized the treasurer to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

8. Compensated Absences

The liability for compensated absences reported in the government-wide fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

It is the District's policy to liquidate compensated absences with currently available expendable resources. Accordingly, the District's governmental funds recognize accrued compensated absences when it is paid.

9. Long-Term Obligations

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term assets, such as property tax receivable, are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the funds.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

A budget is prepared by fund and function. Appropriations lapse at the end of the year.

1. Excess of Expenditures Over Appropriations:

For the year ended December 31, 2018, the total actual general fund expenditures were less than appropriations. However, actual expenditures exceeded appropriations for the following line item expenditures: Ambulance - \$4,036, Audit & accounting fees - \$10,034, Appraisal district fees - \$358, Maintenance – building \$84,683, Tax collector fees \$7,783, Utilities \$6,536, Payroll & training \$27,344, Debt service-principal - \$1,372.

For the year ended December 31, 2018, the total actual Huffman EMS fund expenditures were less than appropriations. However, actual expenditures exceeded appropriations for the following line item expenditures: Fuel \$9,905, Medical supplies \$26,682, Maintenance – building \$2,093, Payroll & training \$20,334, and Capital outlay \$34,060.

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2018

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2018, the District had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>
External investment pools	\$ 808,208	28
Total value	<u>\$ 808,208</u>	
Portfolio weighted average maturity		28

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed twelve months; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk. The District's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of December 31, 2018, the District's investments in TexPool were rated AAAM by Standard & Poor's.

Custodial Credit Risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires funds on deposit at the depository bank to be collateralized by securities when in excess of FDIC coverage. As of September 30, 2018, the District's time and bank deposits were fully insured by FDIC.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

or collateral securities that are in the possession of an outside party. The District's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the District's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General Fund	Huffman EMS Fund
Receivables - property taxes	\$ 735,544	\$ -
Receivables - sales taxes	192,025	-
Receivables - EMS services	-	315,808
Allowance for doubtful accounts	-	(292,367)
Total	\$ 927,569	\$ 23,441

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2018

C. Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 431,663	\$ -	\$ -	\$ 431,663
Total capital assets not being depreciated	<u>431,663</u>	<u>-</u>	<u>-</u>	<u>431,663</u>
Capital assets, being depreciated:				
Vehicles	1,687,223	-	-	1,687,223
Buildings	1,128,918	50,145	-	1,179,063
Equipment	689,203	-	-	689,203
Total capital assets being depreciated	<u>3,505,344</u>	<u>50,145</u>	<u>-</u>	<u>3,555,489</u>
Less accumulated depreciation				
Vehicles	(987,125)	(136,912)	-	(1,124,037)
Buildings	(219,529)	(30,739)	-	(250,268)
Equipment	(171,901)	(97,855)	-	(269,756)
Total accumulated depreciation	<u>(1,378,555)</u>	<u>(265,506)</u>	<u>-</u>	<u>(1,644,061)</u>
Net capital assets being depreciated	<u>2,126,789</u>	<u>(215,361)</u>	<u>-</u>	<u>1,911,428</u>
Total capital assets	<u>\$ 2,558,452</u>	<u>\$ (215,361)</u>	<u>\$ -</u>	<u>\$ 2,343,091</u>

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2018

D. Long-Term Obligations

The following is a summary of long-term obligations for the year ended December 31, 2018:

Description	Balance at 12/31/2017	Increases	Decreases	Balance at 12/31/2018	Due within a year
Capital leases:					
Tanker - PNC, due in annually through 2018, interest at 4.826%	\$ 20,087	\$ -	\$ (20,087)	\$ -	\$ -
Tanker - Sun Trust, due annually through 2020, interest at 3.66%	114,434	-	(27,084)	87,350	28,076
Fire Truck - US Bancorp, due annually through 2025, interest at 2.78%	243,921	-	(27,648)	216,273	28,416
Equipment - FNB, due annually through 2025, interest at 2.79%	123,286	-	(39,970)	83,316	41,085
Radios - Santander, due annually beginning in 2016 through 2019 interest at 3.29%	257,785	-	(50,207)	207,578	50,873
Ambulance - BB&T, due annually through 2022, interest at 2.38%	175,000	-	(33,373)	141,627	34,167
Note payable:					
Wells Fargo, due annually through 2019, interest at 4.60%	141,433	-	(69,127)	72,306	72,306
Compensated absences	15,932	10,344	(15,932)	10,344	9,309
	<u>\$ 1,091,878</u>	<u>\$ 10,344</u>	<u>\$ (283,428)</u>	<u>\$ 818,794</u>	<u>\$ 264,232</u>
			Due in more than one year	<u>\$ 554,562</u>	

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The carrying value of the capital assets being leased as of December 31, 2018 was \$835,965.

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, Continued

December 31, 2018

The annual requirement to amortize debt outstanding at year end was as follows:

Year ending December 31,	Capital lease		Note payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 182,617	\$ 17,653	\$ 72,306	\$ 3,325	\$ 254,923	\$ 20,978
2020	187,069	13,202	-	-	187,069	13,202
2021	148,230	8,631	-	-	148,230	8,631
2022	120,441	5,148	-	-	120,441	5,148
2023	31,707	2,716	-	-	31,707	2,716
2024	32,587	1,835	-	-	32,587	1,835
2025	33,493	930	-	-	33,493	930
Total	\$ 736,144	\$ 50,115	\$ 72,306	\$ 3,325	\$ 808,450	\$ 53,440

E. Operating Leases

On November 30, 2017, the District entered into a lease agreement with Mobile Modular Management Corporation for use of a modular unit the District is using as their administrative building. The contract term is 24 months beginning on November 30, 2017. Monthly payments are \$1,742.

The subsequent lease payment schedule is as follows:

Year Ending December 31,	Lease Payments
2019	\$ 17,420
Total	\$ 17,420

V. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The District is aware of a possible underpayment of unemployment taxes. The District is still acquiring information to assess a possible liability to be paid related to this, and an estimate cannot be made at this time.

C. Fire Protection Services

On February 19, 2018, the District executed an agreement with the Huffman Volunteer Fire Department (the "Department") to provide firefighting and suppression services to the residents of the District through December 31, 2019. The agreement may be renewed for subsequent annual periods upon mutual agreement in writing by the District and the Department.

As a part of this contract the District is required to make an initial payment of \$115,571 to the Department to fund their operations. Additional payments will be made by the District to the Department on a monthly reimbursement basis for expenditures consistent with the approved budget. The budget will be modified depending on the funds received by the District.

The continuation of the contract from year to year is subject to the adoption each year of an operating and capital budget. Under the terms of the contract, the Department agrees to provide firefighting and suppression services to all the residents and commercial interests within the geographic area of the District and those requesting mutual aid. The contract may be terminated by either party due to the other party committing a material breach of contract. Once notice has been given of a contract breach, the breaching party will have 30 days from the date of the notice to cure breach or show to the satisfaction of the non-breaching party that no breach has occurred.

The Department agreed to submit annually both an operating budget and a capital budget for approval by the District. The District has the continuing right to review that the periodic monetary amounts to be paid by the District to the Department are in accordance with the Department's operating and capital budgets.

As unexpected or emergency expenditures arise, the Department agrees to submit a proposal itemizing those additional expenses to the District for its review and approval. All requests for additional funds shall be in writing and supported by a sworn invoice. The Department shall not transfer funds between the operating and capital improvements budgets without the written consent of the District. The agreement shall be automatically

Harris County Emergency Services District No. 4

NOTES TO FINANCIAL STATEMENTS, *Continued*

December 31, 2018

modified and amended based upon the tax revenue actually received by the District from the geographic area.

D. Restatement

The District restated beginning fund balance and net position within governmental activities due to an accounting error in the prior year within the general fund. The restatement of beginning net position/fund balance is as follows:

	<u>Governmental Activities</u>	<u>General</u>
Prior year ending net position/ fund balance as reported	\$ 2,779,631	\$ 956,325
Change in reporting of property tax accrual	6,549	6,549
Restated beginning net position/fund balance	<u>\$ 2,786,180</u>	<u>\$ 962,874</u>

E. Subsequent Events

In September of 2019, the District acquired an ambulance for \$206,479. The District traded in a vehicle for a credit of \$16,000 off the purchase price. The remaining amount of \$190,479 was financed through a lease agreement. The lease requires annual payments of \$41,059 beginning in September 2020 and finishing in September 2024. The interest rate charged with the lease is 2.55%, and the lease has a bargain purchase option of \$1 after the final payment is made.

There were no other material subsequent events through October 14, 2019, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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Harris County
Emergency Services District No. 4
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Property taxes	\$ 929,505	\$ 954,447	\$ 1,016,847	\$ 62,400
Sales taxes	900,000	900,000	1,110,025	210,025
Grant revenues	-	-	106,489	106,489
Other revenues	-	647	20,407	19,760
Total Revenues	<u>1,829,505</u>	<u>1,855,094</u>	<u>2,253,768</u>	<u>398,674</u>
Expenditures				
Ambulance	-	-	4,036	(4,036) *
Volunteer Fire Department	747,951	1,095,288	883,395	211,893
Audit & accounting fees	22,500	10,000	20,034	(10,034) *
Appraisal district fees	7,000	7,100	7,458	(358) *
Commissioner fees	15,000	15,000	15,000	-
Legal fees	28,000	64,000	51,734	12,266
Maintenance-building	31,270	32,745	117,428	(84,683) *
Tax collector fees	300	-	7,783	(7,783) *
Utilities	40,500	29,000	35,536	(6,536) *
Payroll & training	126,806	132,500	159,844	(27,344) *
Other	71,020	57,200	41,175	16,025
Capital outlay	79,363	96,804	57,916	38,888
Debt service - principal	230,583	267,121	268,493	(1,372) *
Debt service - interest	30,234	30,234	30,234	-
Total Expenditures	<u>1,430,527</u>	<u>1,836,992</u>	<u>1,700,066</u>	<u>136,926</u>
Other Financing Sources (Uses)				
Transfers (out)	(455,700)	(492,156)	(458,906)	33,250
Other Financing Sources (Uses)	<u>(455,700)</u>	<u>(492,156)</u>	<u>(458,906)</u>	<u>33,250</u>
Net Change in Fund Balance	<u>\$ (56,722)</u>	<u>\$ (474,054)</u>	<u>94,796</u>	<u>\$ 568,850</u>
Beginning Fund Balance			<u>962,874</u>	
Ending Fund Balance			<u>\$ 1,057,670</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

* Expenditures exceeded appropriations at the legal level of control.

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OTHER SUPPLEMENTARY INFORMATION

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Harris County

Emergency Services District No. 4

BUDGETARY COMPARISON SCHEDULE - HUFFMAN EMS FUND

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for services	\$ 180,000	\$ 180,000	\$ 267,423	\$ 87,423
Other revenues	-	-	981	981
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>268,404</u>	<u>88,404</u>
Expenditures				
Fuel	-	-	9,905	(9,905) *
Medical supplies	-	-	26,682	(26,682) *
Maintenance-building	-	-	2,093	(2,093) *
Utilities	9,650	8,350	-	8,350
Payroll & training	455,700	492,156	512,490	(20,334) *
Huffman EMS	214,000	230,000	-	230,000
Other	2,500	20,000	371	19,629
Capital outlay	-	-	34,060	(34,060) *
Total Expenditures	<u>681,850</u>	<u>750,506</u>	<u>585,601</u>	<u>164,905</u>
Other Financing Sources (Uses)				
Transfers in	455,700	492,156	458,906	(33,250)
Total Other Financing Sources (Uses)	<u>455,700</u>	<u>492,156</u>	<u>458,906</u>	<u>(33,250)</u>
Net Change in Fund Balance				
Balance	<u>\$ (46,150)</u>	<u>\$ (78,350)</u>	141,709	<u>\$ 220,059</u>
Beginning Fund Balance			<u>249,257</u>	
Ending Fund Balance			<u>\$ 390,966</u>	

Notes to Schedule:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

* Expenditures exceeded appropriations at the legal level of control.

Harris County
Emergency Services District No. 4
COMPUTATION OF NET LONG-TERM DEBT PER CAPITA
For the Year Ended December 31, 2018
(UNAUDITED)

Long-Term Debt at December 31, 2018	\$	808,450
Less: Amount in Debt Service Fund		-
Net Long-Term Debt at December 31, 2018	\$	808,450
Estimated District Population*		12,500
Net Long-Term Debt Per Capita at December 31, 2018	\$	64.68

* Estimate

See accompanying independent auditor's report.

Harris County
Emergency Services District No. 4

*LISTING OF THE NUMBER OF EMERGENCY RESPONSES MADE WITHIN
AND OUTSIDE THE DISTRICT
For the Year Ended December 31, 2018
(UNAUDITED)*

Huffman VFD

Number of Emergency Responses Made Within the District	487
Number of Emergency Responses Made Outside the District	<u>102</u>
Total Emergency Responses	<u><u>589</u></u>

Ambulance

Number of Emergency Responses Made Within the District	903
Number of Emergency Responses Made Outside the District	<u>123</u>
Total Emergency Responses	<u><u>1,026</u></u>

See accompanying independent auditor's report.

Harris County
Emergency Services District No. 4
SCHEDULE OF INSURANCE AND BONDING COVERAGE
December 31, 2018
(UNAUDITED)

Type of Coverage	From To	Amount of Coverage	Insurer / Name
PUBLIC OFFICIAL BOND Treasurer	6/28/2016 6/28/2019	\$ 100,000	VFIS Insurance Group
PUBLIC EMPLOYEE BLANKET BOND Crime Limit	7/12/2016 7/12/2019	\$ 100,000	VFIS Insurance Group
GENERAL LIABILITY General Aggregate Each Occurrence	7/12/2016 7/12/2019	\$ 3,000,000 \$ 1,000,000	VFIS Insurance Group
MANAGEMENT LIABILITY Aggregate Each Occurrence	7/12/2016 7/12/2019	\$ 3,000,000 \$ 1,000,000	VFIS Insurance Group
PROPERTY LIABILITY Buildings Contents	7/12/2016 7/12/2019	\$ 1,409,038 \$ 61,951	VFIS Insurance Group
HIRED & NON-OWNED AUTO LIABILITY Combined Single Limit	7/12/2016 7/12/2019	\$ 1,000,000	VFIS Insurance Group
UMBRELLA LIABILITY General Aggregate Each Occurrence	7/12/2016 7/12/2019	\$ 2,000,000 \$ 1,000,000	VFIS Insurance Group

See accompanying independent auditor's report.

Harris County

Emergency Services District No. 4

STATEMENT OF ACTIVITIES HUFFMAN VOLUNTEER FIRE DEPARTMENT

For the Year Ended December 31, 2018
(UNAUDITED)

REVENUES	
Harris County ESD No. 4	\$ 774,269
Other income	38,484
Grants	248
TOTAL REVENUES	813,001
EXPENSES	
Payroll	\$ 384,404
Building expenses	8,374
Communications	77,013
Fire supplies and gear	32,318
Fuel and oil	27,625
Insurance expense	53,662
Miscellaneous expenses	429
Office expense	21,897
Supplies	2,885
Operations & equipment	3,914
Professional fees	11,502
Tools and equipment	27,489
Training and Education	49,983
Health and safety	19,964
Vehicle Repair & Maintenance	46,132
TOTAL EXPENSES	767,591
CHANGE IN NET ASSETS	\$ 45,410
NET ASSETS - December 31, 2017	(16,242)
NET ASSETS - December 31, 2018	\$ 29,168

See accompanying independent auditor's report.

Harris County

Emergency Services District No. 4

TAXES LEVIED AND RECEIVABLE

For the Year Ended December 31, 2018

	Property taxes	
TAXES RECEIVABLE - DECEMBER 31, 2017	\$ 613,306	
Adjustments to Beginning Balance	6,549	\$ 619,855
2018 Tax Levy	\$ 1,018,953	1,018,953
TOTAL TO BE ACCOUNTED FOR		\$ 1,638,808
TAX COLLECTIONS		
Prior Years	\$ 411,790	
Current Year	491,474	903,264
TAX RECEIVABLE - DECEMBER 31, 2018		\$ 735,544
TAXES RECEIVABLE BY YEAR:		
2018		682,118
2017		18,963
2016		9,143
2015		6,614
2014		4,200
2013		3,338
2012		3,130
2011		2,919
2010		2,192
2009		1,183
2008		645
2007		415
2006		351
2005		333
TOTAL TAXES RECEIVABLE BY YEAR:		\$ 735,544

See accompanying independent auditor's report.

Harris County Emergency Services District No. 4

TAXES LEVIED AND RECEIVABLE

Last Five Years

	2018	2017	2016	2015	2014
TOTAL PROPERTY VALUATIONS	\$ 1,023,456,122	\$ 997,728,125	\$ 922,261,506	\$ 858,999,725	\$ 780,007,074
TAX RATE PER \$100 VALUATION	\$ 0.09956	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
ADJUSTED TAX LEVY* \$	1,018,953	997,728	922,262	859,018	780,010
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	33.06%	98.10%	99.01%	99.23%	99.46%

* Based upon the adjusted tax levy at the time of the audit of the fiscal year in which the tax was levied.

See accompanying independent auditor's report.

Harris County
Emergency Services District No. 4
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts			
	2018	2017	2016	2015
Revenues				
Property taxes	\$ 1,016,847	\$ 944,013	\$ 890,094	\$ 817,446
Sales taxes	1,110,025	926,549	805,482	726,877
Charges for services - EMS	-	6,930	-	-
Grant revenues	106,489	-	-	-
Other revenues	20,407	689	742	878
Total Revenues	<u>2,253,768</u>	<u>1,878,181</u>	<u>1,696,318</u>	<u>1,545,201</u>
Expenditures				
Service operations:				
District services - Cypress Creek \$	-	\$ -	\$ -	\$ -
District services - Acadian amb.	4,036	185,300	277,950	257,628
District services - Huffman VFD	883,395	435,817	261,300	230,004
District services - National fire	-	-	-	16,842
Accounting and auditing fees	20,034	9,000	44,659	38,235
Appraisal district fees	7,458	7,018	6,586	6,335
Commissioner fees	15,000	15,000	15,000	15,000
Equipment	-	-	238,690	37,879
Fuel-vehicles	-	-	49,657	24,010
Legal fees-general	51,734	58,157	22,081	7,984
Legal fees-delinquent taxes	-	-	7,861	7,607
Maintenance-building	117,428	34,134	36,274	17,818
Sales tax monitoring	-	-	15,718	53,081
Tax collector fees	7,783	9,566	5,495	6,951
Utilities	35,536	30,858	33,725	34,488
Payroll & training	159,844	654,490	171,333	103,312
Other	41,175	91,026	25,083	16,970
Capital outlay	57,916	477,661	307,054	366,417
Debt service:				
Principal	268,493	226,356	170,628	127,564
Interest	30,234	34,139	35,189	34,844
Total Expenditures	<u>1,700,066</u>	<u>2,268,522</u>	<u>1,724,283</u>	<u>1,402,969</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 553,702</u>	<u>\$ (390,341)</u>	<u>\$ (27,965)</u>	<u>\$ 142,232</u>
Other Financing Sources (Uses)				
Capital lease issuance	-	175,000	307,000	200,000
Insurance proceeds	-	94,143	-	-
Transfers (out)	(458,906)	(300,000)	-	-
Total Other Financing Sources	<u>(458,906)</u>	<u>(300,000)</u>	<u>307,000</u>	<u>200,000</u>
(Uses)	<u>(458,906)</u>	<u>(30,857)</u>	<u>307,000</u>	<u>200,000</u>
Net Change in Fund Balance	<u>94,796</u>	<u>(421,198)</u>	<u>279,035</u>	<u>342,232</u>
Beginning Fund Balance	962,874	1,384,072	1,105,037	762,805
Ending Fund Balance	<u>\$ 1,057,670</u>	<u>\$ 962,874</u>	<u>\$ 1,384,072</u>	<u>\$ 1,105,037</u>

See accompanying independent auditor's report.

	Amounts	Percentage of Total Revenues				
	2014	2018	2017	2016	2015	2014
\$	756,568	45.1%	50.3%	52.5%	52.9%	54.1%
	641,465	49.3%	49.3%	47.5%	47.0%	45.9%
	-	0.0%	0.4%	0.0%	0.0%	0.0%
	-	4.7%	0.0%	0.0%	0.0%	0.0%
	691	0.9%	0.0%	0.0%	0.1%	0.0%
	<u>1,398,724</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$	-	0.0%	0.0%	0.0%	0.0%	0.0%
	250,128	0.2%	9.9%	16.4%	16.7%	17.9%
	270,804	39.2%	23.2%	15.4%	14.9%	19.4%
	-	0.0%	0.0%	0.0%	1.1%	0.0%
	34,750	0.9%	0.5%	2.6%	2.5%	2.5%
	5,668	0.3%	0.4%	0.4%	0.4%	0.4%
	15,000	0.7%	0.8%	0.9%	1.0%	1.1%
	18,899	0.0%	0.0%	14.1%	2.5%	1.4%
	10,780	0.0%	0.0%	2.9%	1.6%	0.8%
	1,391	2.3%	3.1%	1.3%	0.5%	0.1%
	6,036	0.0%	0.0%	0.5%	0.5%	0.4%
	15,566	5.2%	1.8%	2.1%	1.2%	1.1%
	49,550	0.0%	0.0%	0.9%	3.4%	3.5%
	10,854	0.3%	0.5%	0.3%	0.4%	0.8%
	28,953	1.6%	1.6%	2.0%	2.2%	2.1%
	-	7.1%	34.8%	10.1%	6.7%	0.0%
	18,136	1.8%	4.8%	1.5%	1.1%	1.3%
	27,372	2.6%	25.4%	18.1%	23.7%	2.0%
	125,301	11.9%	12.1%	10.1%	8.3%	9.0%
	37,107	1.3%	1.8%	2.1%	2.3%	2.7%
	<u>926,295</u>	<u>75.4%</u>	<u>120.8%</u>	<u>101.6%</u>	<u>90.8%</u>	<u>66.2%</u>
\$	<u>472,429</u>	<u>24.6%</u>	<u>-20.8%</u>	<u>-1.6%</u>	<u>9.2%</u>	<u>33.8%</u>
	-					
	-					
	-					
	-					
	<u>472,429</u>					
	<u>259,103</u>					
\$	<u><u>731,532</u></u>					

Harris County
Emergency Services District No. 4
BOARD OF COMMISSIONERS
For the Year Ended December 31, 2018

<u>Commissioners</u>	<u>Term of Office (Appointed - Elected)</u>	<u>Fees of Office for the year ended December 31, 2018</u>	<u>Expense Reimbursements for the year ended December 31, 2018</u>	<u>Title</u>
Ray Jones	6/2012 - 5/2020 (Elected)	\$ 3,000	\$ 572.38	President
Ken Gregory	6/2012 - 5/2020 (Elected)	\$ 3,000	\$ -	Vice President
Shareen Redus	6/2010 - 5/2022 (Elected)	\$ 3,000	\$ -	Treasurer/Investment Officer
Christy Graves	6/2010 - 5/2022 (Elected)	\$ 3,000	\$ -	Assistant Treasurer
Leslie Deen	6/2010 - 5/2022 (Elected)	\$ 3,000	\$ -	Secretary

The limit of fees of office that a Commissioner may receive during a year is \$3,000 as set by the Health and Safety Code-Chapter 775. Fees of office and expense reimbursements are the amounts actually paid to a Commissioner during the District's current fiscal year.

See accompanying independent auditor's report.

Harris County
Emergency Services District No. 4

CONSULTANTS

For the Year Ended December 31, 2018

Consultants	Date Hired	Fees for the year ended December 31, 2018	Title
Coveler & Peeler, P.C.	2002	\$ 51,021	Attorney
BrooksWatson & Co, PLLC	11/10/2015	\$ 9,500	Auditor
Myrtle Cruz	1/1/2018	\$ 12,308	Bookkeeper
Harris County Tax Assessor/Collector	Legislative Action	\$ 7,783	Tax assessor / collector

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