MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF COMMISSIONERS OF
JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4

A special meeting of the Board of Commissioners of Jefferson County Emergency Services District No. 4 ("District") was called for at 7:00 p.m. on April 4, 2016, at the Cheek VFD fire station, located at 8523 Kidd Rd., Beaumont, Texas 77713, pursuant to notice duly posted according to law.

At approximately 7:00 p.m., the regular meeting was called to order. The roll was called of the duly constituted officers and members of the Board, to wit:

Jeff Roebuck	President
Charlie Reneau	Vice President
Randy Walston	Secretary
Sandra Melton	Treasurer
Robert Bordes	Assistant Treasurer

All of said Board members were present, thus constituting a quorum. Also present at the meeting were: Wayne Wilber, District Manager; Mary Ellen Robertson, the District's accountant; Joshua Heinz of the law firm Benckenstein & Oxford, L.L.P., attorneys for the District; and, the individuals listed on the attendance log attached hereto as **Exhibit A**.

Upon establishing that a quorum was present, President Roebuck directed the Board to Agenda Item No. 5 regarding the District's Financial Statements for the fiscal year ending September 30, 2015. At said time, Mrs. Robertson reviewed the Financial Statements, a copy of which is attached hereto as **Exhibit B**, with the Board. Upon motion by Treasurer Melton and seconded by Secretary Walston, the Financial Statements were unanimously approved by the Board.

Next, the Board was directed to Agenda Item No. 6 regarding the District's fiscal year 2014-15 audit. Mrs. Robertson and the Board reviewed and discussed the audit proposal and engagement letter received from J.R. Edwards & Associates, LLC, copies of which are attached hereto as **<u>Exhibit C</u>**. Upon motion by Assistant Treasurer Bordes and seconded by Treasurer Melton, the Board unanimously approved the proposal and engagement letter for J.R. Edwards & Associates, LLC to conduct the District's fiscal year 2014-14 audit and prepare a report for same.

The Board then moved back to Agenda Item No. 3 regarding the lawsuit recently filed by Labelle-Fannett VFD against the District (Cause No. E-198,306; *Labelle-Fannett Volunteer Fire Department vs. Jefferson County, et al.*, in the 172nd Judicial District Court). Upon motion by Secretary Walston and seconded by Assistant Treasurer Bordes, and with the unanimous consent of the members, the Board announced that it was going into closed session at approximately 7:15 p.m. to discuss the matter and receive advice from counsel about same. At said time, all attendees, except for the Board members and Mr. Heinz, exited the meeting room. At approximately 8:20 p.m., the Board returned to open session and all attendees were invited back into the meeting room. After returning into open session, Vice President Reneau made a motion to authorize Mr. Heinz to take whatever actions necessary to represent the District in the aforementioned lawsuit, including, but not limited to, associating John Carlton of the Carlton Law Firm, PLLC as co-counsel for the District and retraining any needed experts and/or consultants. The motion was seconded by Assistant Treasurer Bordes and unanimously approved by the Board.

Thereafter, the Board was directed to Agenda Item No. 4 regarding the District's contractual relationship with Labelle-Fannett VFD and other matters relating to and/or which may possibly affect same. At said time, President Roebuck advised those in attendance about Labelle-Fannett VFD's recent debarment from procurement and non-procurement programs by the Department of Homeland Security and the effects of same on the department. Additionally, Present Roebuck responded to various questions from the meeting attendees regarding the following: Labelle-Fannett VFD's debarment and the ramifications of same on the department and the District; what the Board's intentions are in relation to the matter, to which President Roebuck advised that the Board is going to investigate the matter thoroughly and review all necessary information before it decides whether to continue or terminate its contractual relationship with Labelle-Fannett VFD; whether the District could obtain grant funds directly, or if such were limited to volunteer fire departments, to which President Roebuck advised that the District would qualify for the same grant programs utilized by volunteer fire departments; what control the District has over Labelle-Fannett VFD and whether it could forcibly remove VFD members and/or officers, to which President Roebuck advised that the District has no control over the department or its operations; whether Labelle-Fannett VFD's debarment affects Cheek VFD, to which President Roebuck advised that it did not; and, who should residents contact in the event of an emergency situation, to which President Roebuck advised that all emergency related calls should be made through 911. Also, several members of Labelle-Fannett VFD informed the Board that they were unaware of the lawsuit and if same was even authorized by the department's board, and that they felt those members who were involved in the matters which led to the debarment and/or who participated in the filing of the lawsuit against the District should be removed from the department. Furthermore, President Roebuck advised everyone in attendance that should the Board decides in the future to terminate the District's contract with Labelle-Fannett VFD and create its own volunteer fire department, majority of the Labelle-Fannett VFD's current members would presumably be welcome to join the District's volunteer department.

Upon completion of the open forum under Agenda Item No. 4, the meeting was adjourned at approximately 8:45 p.m.

Jeff Roebuck, President

Date: 4/10/2016

ATTEST:

Position: Secretary

Date: 4/18/2016

Exhibit A

JEFFERSON COUNTY EMERGENCY SERVICE DISTRICT NO. 4

April 4, 2016 (Special Meeting)

SIGN IN SHEET

1 Pat Larson
2 RJ Rivett LFVD #301 + Cheek
3 Darlene Rivett #301 + Cheek
4 Jacob Rivett LFVD #101 + Cheek + Hamshire VFD
5 Ashley Kester LFVFD 124
6 James Nash 110
7 Ram Ferguson 107
8 Earl Blue Jr. 109 C.VFD.
9 Lucy Holst
10 Carolyn Hurych HVFD
11 Scott Wade
12 Keli Jo Arceneaux LFVFD
13 M. Jay Francis Jr. CHVFD.
14 Charley Klein
15 Jerry D. Stepan
16 Ruffus Lavergne
17 Louis Martin
18 August Semien CVF
19 Kevin Kester #115
20 Buly Mathews
21 EJ Mathews

21 TERRY E. BURKS Checks #108

22 Bruce w Green Check #113

23 JIM SMITH

24 Dwayne Williams 409 858 4695

25 DENNIS & CAROL GIFFORD

26 DeLisa L. Fuselier

27 KEN DUPON

28

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Exhibit B

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
FINANCIAL STATEMENTS
For the year ended September 30, 2015

MARY ELLEN ROBERTSON, CPA
985 IH-10 NORTH, Suite 101
BEAUMONT, TEXAS 77706

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
COMPILED FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

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INTRODUCTORY SECTION

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
JEFFERSON COUNTY, TEXAS
For the Year Ended September 30, 2015

Board of Commissioners

Jeffery Roebuck	President
Charles Reneau	Vice President
Sandra Duhon	Secretary
Sandra Melton	Treasurer
Charlie Cox	Assistant Treasurer

Command Staff

Charles Sonnier	Fire Chief – Labelle Fannett VFD
Kenneth Duhon	Fire Chief – Cheek VFD

FINANCIAL SECTION

MARY ELLEN ROBERTSON

CERTIFIED PUBLIC ACCOUNTANT

985 IH 10 NORTH, SUITE 101
BEAUMONT, TX 77706
409-892-8901
FAX 409-892-3041

Board of Commissioners
Jefferson County Emergency Services District No. 4
Jefferson County, Texas

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County Emergency Services District No. 4, as of and for the year ended September 30, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I am not independent with respect to Jefferson County Emergency Services District No. 4.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 24 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. This information is the representation of management. This information was subject to our compilation engagement, however, I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Mary Ellen Robertson

Mary Ellen Robertson, CPA
Beaumont, Texas

March 13, 2016

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

In this section of the Annual Financial Report, we, the managers of the Jefferson County Emergency Services District No. 4 (the District), discuss and analyze the District's financial performance for the fiscal year ended September 30, 2015. Please review it in conjunction with the accountant's compilation report and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- After the second year of operations, the District's total combined net position was $699,520 at September 30, 2015, as compared to $345,365 at September 30, 2014.

- During the year, the District's expenses were $354,156 less than the $598,303 revenues generated in taxes and other revenues for governmental activities. This compares to last year when expenses were $345,365 less than revenues.

- The general fund reported a fund balance this year of $370,599. All is for unrestricted use by the District. The prior year fund balance at year end was $147,957.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The Statement of Net Position presents information in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources to equal net position. Net position is displayed in three components – net investment in capital assets, restricted and unrestricted. 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. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provided detailed information about the District's most significant funds, *not* the District as a whole.

- Some funds are required by State law and by bond covenants.
- The Board of Commissioners may establish other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of 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 fiscal year. Such information may be useful in evaluating a government'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's major governmental fund is the General Fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 15.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on page 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $699,520 at the close of the most recent fiscal year.

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Net Position

	September 30, 2015	September 30, 2014
Current Assets	$ 409,444	$ 291,782
Capital Assets, Net of Accumulated Depreciation	485,011	285,118
Total Assets	$ 894,455	$ 576,900
Current Liabilities	$ 41,340	$ 144,301
Long-term Liabilities	153,595	87,234
Total Liabilities	$ 194,935	$ 231,535
Net Assets:		
Invested in Capital Assets, Net of Related Debt	$ 295,495	$ 178,911
Unrestricted	404,025	166,453
Total Net Position	$ 699,520	$ 345,365

A portion of the District's net position, $295,495 (42%), reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. The District owes $189,516, in debt related to its capital assets.

The remaining balance of net position $404,025 may be used to meet the government's on-going obligations to citizens and creditors.

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
Changes in Net Position
For the Years Ended September 30

	2015	2014
Revenues		
General Revenues:		
Maintenance and Operations Taxes	$ 594,525	$ 519,403
Contributions and Grants	0	188,450
Miscellaneous	3,778	415
Total Revenues	598,303	708,268
Expenses		
General Government	111,197	225,858
Public Safety	132,951	137,045
Total Expenses	244,148	362,903
Increase (Decrease) in Net Assets	354,155	345,365
Net Assets, Beginning of Year	345,365	0
Net Assets, End of Year	$ 699,520	$ 345,365

For the fiscal year ended September 30, 2015, the District's total revenues were $598,303. A significant portion, 99%, comes from property taxes collected, as compared to the prior year in which 73% came from property taxes collected and 27% from contribution of assets.

Governmental Activities

- Property tax rates were set at .08741 per $100 valuation for M&O. The rate for the 2015-2016 is set at .08741 per $100 of taxable valuation of M&O. The rate was unchanged from the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental fund 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At September 30, 2015, unreserved fund balance of the general fund was $404,025, as compared to $166,453 at the end of the prior year.

Capital Asset and Long-term Debt Activity

Capital Assets. The District's investment in capital assets as of September 30, 2015 amounts to $485,011 (net of accumulated depreciation), and $285,118 as of September 30, 2014. This investment in capital assets includes buildings and improvements, vehicles and equipment.

	Governmental Activities	
	FYE 9/30/15	FYE 9/30/14
Buildings and Improvements	$ 13,176	$ 13,665
Vehicles and Equipment	471,835	271,453
Total	$ 485,011	$ 285,118

Additional information on the District's capital assets can be found in Note 4 on page 21 of this report.

Long-term Debt. At September 30, 2015, the District had debt of $189,516 which was secured by 2014 Pierce Mini-Pumper. Additional information about the debt can be found in the notes to the financial statements on page 22 of this report.

Economic Factors and New Year's Budgets and Rates

- The District's board adopted a balanced budget for the next fiscal year after giving consideration to the property tax assessed valuations and the level tax rate along with the needs of the district.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show accountability for the funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Jefferson County Emergency Services District No. 4.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
STATEMENT OF NET POSITION
For the Year Ended September 30, 2015

		Primary Government
		Governmental Activities
ASSETS		
Cash and cash equivalents	$	365,852
Taxes receivable - net of allowance		33,426
Prepaids		10,166
Capital assets:		
Buildings, property, and equipment, net		485,011
Total Assets		894,455
LIABILITIES		
Accounts payable		5,419
Non-current liabilities:		
Due within one year		35,921
Due in more than one year		153,595
Total Liabilities		194,935
NET POSITION		
Net investment in capital assets		295,495
Unrestricted		404,025
Total Net Position	$	699,520

See accountant's compilation report.
The accompanying notes are an integral part of this financial statement.

EXHIBIT B

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities
Governmental Activities:				
General government	$ 80,494	$ -	$ -	$ 80,494
Fire and emergency services	163,654	-	-	163,654
Total governmental activities	244,148	-	-	244,148
Total Primary Government	$ 244,148	$ -	$ -	$ 244,148
Property taxes, penalties and interest				594,525
Other miscellaneous				3,778
Total general revenues				598,303
Change in Net Position				354,155
Net Position - Beginning				345,365
Net Position - Ending				$ 699,520

See accountant's compilation report.
The accompanying notes are an integral part of this financial statement.

EXHIBIT C

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

		Total Governmental Funds
		General Fund
ASSETS		
Cash and cash equivalents	$	365,852
Taxes receivable - net of allowance		33,426
Prepaids		10,166
TOTAL ASSETS		409,444
LIABILITIES AND FUND BALANCES:		
LIABILITIES		
Accounts payable		5,419
TOTAL LIABILITIES		5,419
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property tax		33,426
TOTAL DEFERRED INFLOWS OF RESOURCES		33,426
FUND BALANCES:		
Unassigned fund balance		370,599
TOTAL FUND BALANCE		370,599
TOTAL LIABILITIES, DEFERRED REVENUE AND FUND BALANCE	$	409,444

See accountant's compilation report.
The accompanying notes are an integral part of this financial statement.

EXHIBIT C-1

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2015

Governmental fund balance as reported on the balance sheet for governmental funds.	$ 370,599
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	485,011
Long-term liabilities, including bonds payable, are notes due and payable in the current period and, therefore, are not reported in the funds.	(189,516)
Recognition of deferred revenue as revenue increases net position.	33,426
Change in net position of governmental activities (Exhibit B)	$ 699,520

See accountant's compilation report.

The accompanying notes are an integral part of this financial statement.

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	Total Governmental Funds
REVENUES	
Property taxes, penalties and interest	$ 579,596
Other miscellaneous	3,778
Total revenue	583,374
EXPENDITURES	
Current:	
General government	80,494
Fire and emergency services	363,547
Total expenditures	444,041
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	139,333
OTHER FINANCING SOURCES (USES)	
Proceeds from loan	189,516
Principle payments on loan	(106,207)
Total other financing sources and uses	83,309
NET CHANGE IN FUND BALANCES	222,642
FUND BALANCES AT BEGINNING OF YEAR	147,957
FUND BALANCE AT END OF YEAR	$ 370,599

See accountant's compilation report.

The accompanying notes are an integral part of this financial statement.

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds (Exhibit D)		$ 222,642
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. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 233,906	
Depreciation	(34,013)	199,893
The issurance of long-term debt provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of long-term debt	(189,516)	
Repayment of principle	106,207	(83,309)
Because some revenues will not be collected for several months after the District's fiscal year end, they are not considered "available" revenue and are deferred in the governmental funds. Deferred revenues increased by this amount in the current period.		14,929
Change in net position of governmental activities (Exhibit B)		$ 354,155

See accountant's compilation report.
The accompanying notes are an integral part of this financial statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Jefferson County Emergency Services District No. 4 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies used by the District.

A. Reporting Entity

On May 11, 2013, the voters of the District approved the formation of an emergency services district under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Health and Safety Code of the State of Texas. On May 11, 2013, the County Commissioners Court of Jefferson County, Texas approved the order to form the Jefferson County Emergency Services District No. 4. The District was formed on June 10, 2013 and operates under Board of Commissioners appointed by the Commissioners Court of Jefferson County. The District services the areas previously serviced by the Cheek Volunteer Fire Department and the Labelle-Fannett Volunteer Fire Department. The District is exempt from federal income taxes, state sales tax and state franchise tax.

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The District currently does not have any *business-type activities* or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given structure or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead *general revenues.*

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds. At this time the District only has one fund.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

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.

Governmental fund financial statements are reported using the current financial *resources measurement focus* and the *modified accrual basis of accounting.* Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered 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 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, claims and judgements, are recorded only when the 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 financial sources.

Property taxes, 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Budgetary Data

The following procedures are utilized in establishing the budgetary data reflected in the basic financial statements:

a. The Fire Chiefs submit to the Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. The General Fund is the only Fund the District has at this time.

b. A public hearing is conducted, after proper official journal notification, to obtain taxpayer comments.

c. Prior to September 30, the budget is legally adopted.

d. Budget appropriations lapse at year-end and are re-established in the succeeding year.

e. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

For the year ended September 30, 2015, expenditures were less than appropriations for the general fund in total by $222,463. All purchases were approved by the Commissioners.

A budget amendment was approved at the August 17, 2015 meeting of the commissioners to increase appropriations by $253,142 due to loan proceeds for the purchase of a vehicle and correction of BASF tax exemption in relation to ad valorem tax. A final amendment to the budget for this year was approved at the October 15, 2014 meeting, however, the total budget remained the same as the prior amendment.

F. Cash and Investments

Cash includes amounts in demand and time deposit accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value.

G. Property Taxes Receivable

Property appraisal within the District is the responsibility of the Jefferson County Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the County on the basis of 100% of its market value.

In the governmental fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

J. Capital Assets

Capital assets which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more 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. 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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-30
Leasehold Improvements	15-30
Furniture and Equipment	5-10
Vehicles	5-15

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with GASB Statement No. 54, fund balance classifications are recorded as follows:

Non-spendable Fund Balance – amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.

Restricted Fund Balance – amounts constrained to a specific purpose by external parties through constitutional provisions or by enabling legislation.

Committed Fund Balance – amounts constrained to a specific purpose by the Commissioners (the highest level of authority within the District); amounts may only be appropriated by resolution of the Board of Commissioners and those amounts cannot be used for any other purpose unless the Commissioners take the same action to remove or change the constraint.

Assigned Fund Balance – the Board of Commissioners delegate authority to the District Fire Chiefs to assign amounts for specific purpose as appropriate.

Unassigned Fund Balance – residual classification applicable to the general fund only.

The District's unassigned general fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned general fund balance may only be appropriated by resolution of the Commissioners.

When it is appropriate for fund balance to be assigned, the Commissioners may delegate authority to the District Fire Chiefs.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is from the least restrictive to the most restrictive, unless otherwise approved by the Commissioners.

M. Implementation of New Standards

GASB Statement 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. This is reflected in the District's financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition for disclosure through March 13, 2016, the date that the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

At year-end, the District's carrying amount of cash deposits was $365,852 and the bank statement balance was the same. Deposits are exposed to custodial risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Of the bank balance, $250,000 was covered by federal depository insurance. The remaining bank balance was collateralized by securities held by the District's agent in the name of the District.

NOTE 3: PROPERTY TAXES

Property taxes are collected by Allison Golias, the Jefferson County Tax Assessor Collector, and are forwarded to the District through bank transfer. The tax rate held by the District during 2015 was .08741 per $100 of assessed valuation. Property tax revenues are considered available when they become due or past due and are considered receivable within the current period, including those property taxes expected to be collected during a sixty-day period after the close of the District's fiscal year. Property taxes are levied on October 1 of each year, a lien is placed on the property on January 1, and the taxes become due on January 31. The taxable assessed value for the roll of December 31, 2014, was $755,147,177. Property taxes receivable for 2015 are $33,426 net of allowance for doubtful accounts of $10,000.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2015, was as follows:

Governmental Activities	Balance	Increases	Decreases	Balance
Capital assets being depreciated:				
Buildings and land	$ 13,910	$ -	$ -	$ 13,910
Fire equipment and vehicles	280,747	233,906		514,653
Total capital assets being depreciated	294,657	233,906	-	528,563
Less accumulated depreciation:				
Buildings and land	(245)	(489)	-	(734)
Fire equipment and vehicles	(9,294)	(33,524)	-	(42,818)
Total accumulated depreciation	(9,539)	(34,013)	-	(43,552)
Total capital assets being depreciated, net	285,118	199,893	-	485,011
Governmental activities capital assets, net	$ 285,118	$ 199,893	$ -	$ 485,011

Depreciation expense of the governmental activities was charged to functions/programs as follows:

Public Safety	$ 34,013
Total Depreciation Expense - Governmental Activities	$ 34,013

NOTE 5: LONG-TERM DEBT

The District entered into a loan agreement for the purchase of a 2014 Pierce Mini-Pumper for fire and emergency services used by the Cheek Volunteer Fire Department.

Long-term debt at September 30, 2015, is summarized as follows:

Date Issued	Amount	Final Maturity	Annual Installments	Interest Rate	Outstanding Balance
6/22/2015	$ 189,516	2020	$ 41,011	2.686%	$ 189,516

Interest on the loan shall be computed at a fixed rate of 2.686% for five years provided that such rate shall not exceed the maximum lawful rate. This note may be prepaid in full according to the early redemption value on due date of the loan in years three and four as shown in the table below.

Annual requirements to maturity for the loan is as follows:

September 30,	Principal	Interest	Total	Early Redemption Value
2016	$ 35,921	$ 5,090	$ 41,011	N/A
2017	36,886	4,126	41,012	N/A
2018	37,876	3,135	41,011	$ 79,568
2019	38,894	2,117	41,011	$ 40,188
2020	39,939	1,073	41,012	N/A
	$ 189,516	$ 15,541	$ 205,057	

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Loan payable	$ 106,207	$ -	$ 106,207	$ -	$ -
Loan payable	-	189,516	-	189,516	35,921
Governmental activities:					
Long-term liabilities	$ 106,207	$ 189,516	$ 106,207	$ 189,516	$ 35,921

NOTE 6: OTHER INFORMATION

A. Risk Management

The District continues to carry commercial insurance for the risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage during the year. Management believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by granter agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granter cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 7: SUBSEQUENT EVENTS

A. Purchase of new fire truck

At the regularly scheduled board meeting on February 15, 2016 the board approved the purchase of a new 2015 Pierce Tanker for Labelle Fannett VFD in the amount of $227,000 from Siddons-Martin Emergency Group, LLC. The purchase would be made by a cash down payment in the amount of $75,000 and financing of the remainder ($152,000) for five years through Government Capital Tax Exempt financing agreement. The Promissory note agreement and security agreement were signed on March 1, 2016. The note carries a rate of interest of 2.379%. Principal and interest are payable in the amount of $32,603.65 beginning on March 8, 2017 with the final installment due March 8, 2021.

B. Labelle Fannett VFD receipt of letter from Homeland Security

On or about March 11, 2016, the District received from the LFVFD a copy of a letter dated January 4, 2016 from Homeland Security notifying the LFVFD that they had been debarred from entering into federal contracts for a period of 3 years. The impact of this notification as it affects the District is not yet known at the time of this report.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial Information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the financial statements.

EXHIBIT E

JEFFERSON COUNTY EMERGENCY SERVICES DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2015

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes, penalties and interest	$ 540,074	$ 600,000	$ 579,596	$ 20,404
Other miscellaneous	0	3,850	3,778	72
Total revenue	540,074	603,850	583,374	20,476
EXPENDITURES				
Current:				
General government	122,615	160,390	116,201	44,189
Fire and emergency services	397,459	419,456	327,839	91,617
Total expenditures	520,074	579,846	444,040	135,806
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	20,000	24,004	139,334	(115,330)
OTHER FINANCING SOURCES (USES)				
Proceeds from loan	0	189,516	189,516	0
Principle payments on loan	(20,000)	(106,207)	(106,207)	0
Total other financing sources and uses	(20,000)	83,309	83,309	0
NET CHANGE IN FUND BALANCES	0	107,313	222,643	(115,330)
FUND BALANCES AT BEGINNING OF YEAR	147,957	147,957	147,957	0
FUND BALANCE AT END OF YEAR	$ 147,957	$ 255,270	$ 370,600	$ (115,330)

See accountant's compilation report.
The accompanying notes are an integral part of this financial statement.

Exhibit C

J. R. Edwards & Associates, LLC
Certified Public Accountants

March 23, 2016

Board of Commissioners
Jefferson County Emergency Services District No. 4
Jefferson County, Texas

We are pleased to confirm our understanding of the services we are to provide for Jefferson County Emergency Services District No. 4 (District) for the year ended September 30, 2015. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Jefferson County Emergency Services District No. 4 as of and for the year ended September 30, 2015. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Jefferson County Emergency Services District No. 4's 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. As part of our engagement, we will apply certain limited procedures to Jefferson County Emergency Services District No. 4's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

1. Management discussion and analysis
2. Budgetary information

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of Jefferson County Emergency Services District No. 4 and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

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Audit Objectives, Continued

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected

Audit Procedures – General, Continued

individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

Other Services

We will assist in preparing the financial statements of the District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance in accordance with *Government Auditing Standards.*

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management Responsibilities, Continued

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Management Responsibilities, Continued

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with the preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of J.R. Edwards & Associates, LLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal agency providing direct or indirect funding, or the U.S. General Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of J.R. Edwards & Associates, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by any governmental funding agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit in May 2016 and to issue our report at the June Board of Commissioners meeting. James Edwards is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$5,000 - \$6,000. If a Single Audit is required, the any additional fees would be discussed before work is performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience

Audit Administration, Fees, and Other, Continued

level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to Jefferson County Emergency Services District No. 4 and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter and in our proposal, please sign the enclosed copy and return it to us.

Yours very truly,

James R. Edwards, CPA
J.R. Edwards & Associates, LLC

RESPONSE:

This letter correctly sets forth the understanding of Jefferson County Emergency Services District No. 4.

By: ______________________

Title: President

Date: 4/4/16

AUDIT PROPOSAL

JEFFERSON COUNTY ESD No. 4

FOR THE YEAR ENDING
SEPTEMBER 30, 2015

Prepared By: J.R. Edwards & Associates, LLC
4347 Crow Road Beaumont, Texas 77706
Telephone: (409) 924-9100

Contact: James Edwards, Member

March 20, 2016

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J. R. Edwards & Associates, LLC
Certified Public Accountants

March 20, 2016

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

Thank you for the opportunity to propose on audit services to be provided to the Jefferson County Emergency Services District (ESD) No. 4 for the year ending September 30, 2015.

Scope of the Engagement

If selected as auditor for Jefferson County ESD No. 4 we will make an organization-wide financial audit in regard to the financial statements, combining statements and other schedules. Our audit will be in accordance with generally accepted government auditing standards, and accordingly, will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances.

The financial audit will be to determine whether (1) the financial statements present fairly the financial position, results of operations, and cash flows or changes in financial positions in accordance with generally accepted accounting principles, and (2) whether the Jefferson County ESD No. 4 has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements.

Jefferson County ESD No. 4 is ultimately responsible for the fair presentation of the financial statements, and ensuring that the financial statements render a full and proper account of the activities of the District. The District further acknowledges that it is responsible for ensuring that its funds are handled properly and in compliance with laws and regulations, and also for achieving the purposes for which the funds were authorized.

The approach taken by J.R. Edwards & Associates, LLC in conducting this particular audit can be segregated into four general phases:

a. Planning and System Documentation
b. Testing Controls
c. Year End Field Work
d. Financial Statement Preparation, Reporting, and Close

Our approach to an audit is weighted heavily towards the planning phase of an audit. It is especially important that we obtain a thorough understanding of the accounting function and system of controls before conducting substantial fieldwork. We will interview the primary accounting and control personnel and document our understanding in memo form supplemented with flow charts. Each accounting function will be documented in this manner.

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Testing of controls is performed to determine if the accounting controls we have documented in our planning phase are being utilized. The degree of compliance the District has with its internal accounting controls dictates the scope of our year-end fieldwork.

During our year-end filed work we concentrate on direct test of balances. We obtain independent confirmation of balances when possible and review internal support when independent confirmation is not available. We will use statistical sampling techniques when the control environment allows us.

We anticipate beginning fieldwork in May of 2016 and issuing reports on a date agreed upon by both parties.

As a firm involved in the audits of several governmental entities of various types, we believe we are the best suited in performing a professional and complete audit of the Jefferson County ESD No. 4.

We appreciate your consideration of **J.R. Edwards & Associates, LLC**, as the auditors for Jefferson County ESD No.4. This proposal is a firm and irrevocable offer for sixty days.

J.R. Edwards & Associates, LLC

INDEPENDENCE

J.R. Edwards & Associates, LLC, is independent as defined by generally accepted auditing standards and Governmental Auditing Standards issued by the GAO in all respects to the Jefferson County ESD No. 4. We have no affiliations with present commissioners or employees of the District.

LICENSE TO PRACTICE

J.R. Edwards & Associates, LLC, serves the Southeast Texas region. The firm is presently comprised of a member, an audit manager, audit staff and office staff. All members and managers are certified public accountants. The firm and all CPAs are currently licensed with the State of Texas to practice public accountancy.

FIRM QUALIFICATIONS AND EXPERIENCE

We are Certified Public Accountants engaged in the practice of public accountancy. The firm is a member in good standing of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants. The firm is licensed to do business in the State of Texas by the Texas State Board of Public Accountancy. The firm also serves the Southwest Louisiana area.

J.R. Edwards & Associates, LLC, provides a full range of services applicable to governmental entities. These services include financial statement audits in compliance with generally accepted accounting principles, compliance audits in accordance with federal, state, and local guidelines, accounting systems development and installation, preparation of monthly financial reports and assisting entities in preparing the comprehensive annual financial statements for the Certificate of Excellence issued by the Government Finance Officers Association. The firm is also a member of the AICPA Governmental Audit Quality Center.

J.R. Edwards & Associates, LLC is comprised of one member. In addition, the firm has an audit manager, audit staff and office staff. The member, the audit manager, and additional staff are typically assigned to governmental audit engagements. Our office is located at 4347 Crow Road, Beaumont, Texas 77706. We perform most fieldwork at client offices with planning and wrap up procedures performed in our office in Beaumont.

J.R. Edwards & Associates, LLC, is enrolled in the AICPA Quality Review Program. We have made a commitment to the Quality Review Program and have a monitoring system in place. Each partner involved has had experience in the quality review process in former firms. As a member in the AICPA Quality Review Program, the firm will be reviewed every three years and will undergo an internal review annually. Our most recent review was performed in October 2014 and we received a peer review rating of *pass* which is the best rating a firm can receive. A copy of our most recent quality review letter is included with this proposal.

J.R. Edwards & Associates, LLC, is under no public or private reprimand by the Texas State Board of Public Accountancy or any other authority.

PERSONNEL QUALIFICATIONS AND EXPERIENCE

The staffing projected for the Jefferson County ESD No. 4 audit is as follows:

James R. Edwards, CPA – Member/Engagement Executive
Melissa Staggs, CPA – Audit Manager
Roger Croley– Audit Staff

Melissa Staggs will coordinate fieldwork and planning. James Edwards will serve as an overall audit reviewer.

All members of the audit team have experience in governmental auditing. Melissa Staggs has six years of governmental auditing experience and Roger Croley has 2 years of governmental auditing. Resumes of the member and audit manager of J.R. Edwards & Associates, LLC, are included at the end of this proposal.

The assigned staff attends governmental continuing professional education (CPE) yearly. Each member of the audit team is current on the continuing education requirements required of those that perform governmental audits.

SIMILAR ENGAGEMENTS
WITH OTHER GOVERNMENTAL ENTITIES

The firm is currently auditing Jefferson County Emergency Services District No. 3, City of Nederland, Texas, Lumberton Independent School District, East Chambers Independent School District, High Island Independent School District, Buna Independent School District and other governmental entities. The member and audit manager have extensive experience in governmental audits.

In addition, the member or audit manager of J.R. Edwards & Associates, LLC have prior experience working on the following audits:

City of Beaumont, Texas
Jefferson County, Texas
City of Port Arthur, Texas
City of Port Neches, Texas
Southeast Texas Regional Planning Commission

Of these audits, several were involved in the GFOA certificate program. We assisted them in this endeavor.

SIMILAR ENGAGEMENTS
WITH OTHER GOVERNMENTAL AND NON-PROFIT ENTITIES

The members of our firm have participated in the following engagements:

Cheryl Dowden P O Box 967 Nederland, TX 77627 409-723-1509	GFOA Certificate Single Audit
Jefferson County, Texas Patrick Swain, County Auditor Office of County Judge Beaumont, Texas (409) 835-8500	Audit of CAFR GFOA Certificate Single Audit
Jefferson Co. ESD #3 Doug Saunders, Fire Chief/EMT-B P.O. Box 697 China, Texas 77613 (409)752-5100	Audit of GPFS

SCHEDULE OF PROFESSIONAL FEES

2015 Estimate	$5,000-$6,000

If any issues arise that may require additional time, they will be discussed with the Jefferson County ESD No. 4 before any additional work is begun.

ATTACHMENTS AND RESUMES

Robert D. Goldstein, CPA

2603 Augusta Drive • Suite 950 • Houston, TX 77057-5638
(713) 787-9927 • e-mail RDGTexas@aol.com
Member of the TSCPA and the AICPA Center for Audit Quality

System Review Report

October 24, 2014

To the Member of J.R. Edwards & Associates, LLC
and the Peer Review Committee of the Texas Society of Certified Public Accountants

I have reviewed the system of quality control for the accounting and auditing practice of J.R. Edwards & Associates, LLC (the firm) in effect for the year ended April 30, 2014. My peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards* and an audit of an employee benefit plan.

In my opinion, the system of quality control for the accounting and auditing practice of J.R. Edwards & Associates, LLC in effect for the year ended April 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. J.R. Edwards & Associates, LLC has received a peer review rating of *pass*.

Robert D. Goldstein, CPA

Robert D. Goldstein, CPA

POSITION:	Owner/Member
EDUCATION:	Bachelor of Business Administration, Accounting, Lamar University, 1977
PROFESSIONAL HISTORY:	J R Edwards & Associates, LLC Beaumont, Texas Member, July 1, 2009 to date Edwards & Fontenote, LLP, Beaumont, Texas, Partner, December 2000 to July 1, 2009 Cook, Shaver, Parker, Williams, & Edwards, P.C., Beaumont, Texas, Partner, December 1990 to December 2000 Lawrence, Blackburn, Meek, Maxey & Co., P.C., Beaumont, Texas, Partner, November 1984 to December 1990 Wathen, DeShong & Company, Beaumont, Texas, January 1977 to November 1984
RANGE OF EXPERIENCE:	Audit and Accounting Experience: Various non-audit accounting and tax services provided to a wide range of for-profit and non-profit entities including consulting and forensic accounting services. Several audits of Texas school districts, Cities and Counties with revenues of approximately $10 million to $200 million and federal compliance with OMB circular A-133. Various nonprofit institutions with assets in excess of $40 million and compliance with OMB circular A-133. Manufacturing entities with assets and revenues in excess of $30 million. Several audits of construction companies with revenues of approximately $10 to $30 million. Various employee benefit plans with assets in excess of $10 million.

RANGE OF EXPERIENCE (Continued):

Manufacturer of extrusion die body and feedblocks in the plastics industry with multiple related entities and locations in multiple states with revenues of approximately $50 million.

Catastrophe and restoration company with services provided mainly along the Gulf Coast with revenues in excess of $20 million.

COMMUNITY AND PROFESSIONAL ORGANIZATIONS:

Member, American Institute of CPAs
Member, Texas Society of CPAs
Past President, Kiwanis Club of Beaumont, Texas

Melissa Staggs, CPA

POSITION:	Staff Accountant/Manager
EDUCATION:	Bachelor of Business Administration, Accounting, Lamar University, 2009
CERTIFICATIONS:	Certified Public Accountant, February 2012
PROFESSIONAL HISTORY:	J.R. Edwards & Associates, LLC Beaumont, Texas, Staff Accountant, July 2012 to date Lawrence, Blackburn, Meek, Maxey & Co., P.C., Beaumont, Texas, Staff Accountant, February 2010 – June 2012
RANGE OF EXPERIENCE:	Six years of accounting and auditing experience, including school district, government, nonprofit, and various types of privately owned businesses. Several audits of Texas school districts, and Cities with revenues of approximately \$10 million to \$200 million and federal compliance with OMB circular A-133. Various nonprofit institutions and compliance with OMB circular A-133. Manufacturing entities with assets and revenues in excess of \$30 million. Audits of construction companies with revenues of approximately \$10 million.
PROFESSIONAL ORGANIZATIONS:	Member, American Institute of CPAs Secretary, Texas Society of CPAs

Roger Croley

POSITION:	Staff Accountant
EDUCATION:	Bachelor of Business Administration, Accounting, Lamar University, 2013
PROFESSIONAL HISTORY:	J.R. Edwards & Associates, LLC Beaumont, Texas, Staff Accountant, October 2015 to date Edgar, Kiker & Cross P.C., Beaumont, Texas, Staff Accountant, August 2013 – October 2015
RANGE OF EXPERIENCE:	Seven years of accounting and two years of auditing experience, including school districts, water districts, navigation districts, government, nonprofit, and various types of privately owned businesses. Several audits of Texas water districts, and Cities and federal compliance with OMB circular A-133. Multiple nonprofit institutions and compliance with OMB circular A-133. Audits of construction companies with revenues of approximately $10 million.
PROFESSIONAL ORGANIZATIONS:	Member, American Institute of CPAs