
HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

Report on Financial Statements
(With Supplemental Material)

For the Year Ended December 31, 2015

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RICHARD W. BREEDLOVE, CPA
President

INDEPENDENT AUDITORS' REPORT

March 14, 2016

Board of Commissioners
Harris County Emergency Services District No. 16
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 16, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Emergency Services District No. 16, as of December 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Harris County Emergency Service District No. 16's financial statements as a whole. The Supplementary Information on page 18 to 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Breallone & Co., P.C.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

MANAGEMENT DISCUSSION & ANALYSIS DECEMBER 31, 2015

Our discussion and analysis of the financial performance of Harris County Emergency Services District No. 16 (the "District") provides an overview of the District's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements, included in this annual report.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include (1) combined fund financial statements and government-wide financial statements, and (2) notes to the financial statements. The fund and government-wide financial statements combine (1) the Statement of Net Position and Governmental Funds Balance Sheet, and (2) the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance. This report also includes other supplemental information in addition to these basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide financial statements is the Statement of Net Position. This statement is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities reports how the District's net position changed during the current fiscal year. All current revenues and expenses are included regardless of when cash is received or paid.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$18,027,012 as of December 31, 2015, as compared to \$15,457,964 at December 31, 2014.

With the implementation of Government Accounting Standards Board (GASB) Statement No. 34, the District is presenting comparable prior-year columns in the various comparisons and analyses.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

MANAGEMENT DISCUSSION & ANALYSIS
 DECEMBER 31, 2015
 (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Net Position

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current Assets	\$ 11 143 685	\$ 8 399 983
Capital Assets	<u>6 883 327</u>	<u>7 057 981</u>
Total Assets	<u>\$ 18 027 012</u>	<u>\$ 15 457 964</u>
Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Net investment in capital assets	6 883 327	7 057 981
Unrestricted	<u>11 143 685</u>	<u>8 399 983</u>
Total Net Position	<u>18 027 012</u>	<u>15 457 964</u>
Total Liabilities and Net Position	<u>\$ 18 027 012</u>	<u>\$ 15 457 964</u>

The following table provides a comparison of the District's operations for the years ended December 31, 2015 and December 31, 2014. The District increased its net position by \$2,569,048 accounting for a 16.6% growth in net position.

Summary of Changes in Net Position

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Revenues		
Property Taxes	\$ 6 277 479	\$ 5 512 413
Sales Tax Revenues	877 037	-
Penalty and Interest	45 140	54 970
Interest on Temporary Investments	12 008	10 580
Rental and Lease Income	8 419	8 419
Miscellaneous Income	<u>24 558</u>	<u>14 805</u>
Total Revenues	7 244 641	5 601 187
Expenses for Services	<u>4 675 593</u>	<u>4 131 449</u>
Change in Net Position	2 569 048	1 469 738
Net Position, Beginning of Year	<u>15 457 964</u>	<u>13 988 226</u>
Net Position, End of Year	<u>\$ 18 027 012</u>	<u>\$ 15 457 964</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2015

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balances as of the end of the fiscal years ended December 31, 2015 and December 31, 2014 were \$6,680,954 and \$5,164,919, respectively, an increase of \$1,516,035 from the prior year.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for property tax revenues, sales tax revenues, costs, general expenditures, and resources not accounted for in another fund.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments column and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of government-wide and fund financial statements. The notes to the financial statements follow the financial statements in this annual report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Commissioners did not amend the budget during the fiscal year. Actual excess of revenues were \$678,657 more than the budgeted excess of revenues because: (1) the District includes penalties and interest on property tax collections in the budget; however, amount actually collected varies, (2) revenues were budgeted on collections at 100% with no change in property values; (3) property values were adjusted on the tax roll post approval of 2015 budget, and (4) the sales tax revenue was not included in the budget. In addition, some budgeted expenses were greater than expected. Collection fees paid to the tax assessor were not included in the budget, and the capital expenditures were less than expected.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

MANAGEMENT DISCUSSION & ANALYSIS

DECEMBER 31, 2015

(Continued)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Emergency Services District No. 16, 16810 Squyres Rd, Klein, Texas 77379.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and Temporary Investments	\$ 3 199 570	\$ -	\$ 3 199 570
Certificates of Deposit	1 808 181	-	1 808 181
Property Taxes Receivable	4 462 731	-	4 462 731
Due From Tax Assessor	1 030 187	-	1 030 187
Interest Receivable	1 558	-	1 558
Sales Tax Receivable	637 932	-	637 932
Prepaid Expenses	3 526	-	3 526
Capital Assets			
Buildings (net of Accumulated Depreciation of \$1,519,765)	-	4 136 552	4 136 552
Equipment (net of Accumulated Depreciation of \$63,733)	-	434 025	434 025
Land	-	2 312 750	2 312 750
Total Assets	<u>\$ 11 143 685</u>	<u>\$ 6 883 327</u>	<u>\$ 18 027 012</u>
<u>LIABILITIES</u>			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Tax Revenues	<u>4 462 731</u>	<u>(4 462 731)</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>4 462 731</u>	<u>(4 462 731)</u>	<u>-</u>
<u>FUND BALANCE/NET POSITION</u>			
Unassigned Fund Balance	<u>6 680 954</u>	<u>(6 680 954)</u>	<u>-</u>
Total Fund Balance	<u>6 680 954</u>	<u>(6 680 954)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 11 143 685</u>		
Net Investment in Capital Assets		6 883 327	6 883 327
Unrestricted		<u>11 143 685</u>	<u>11 143 685</u>
Total Net Position		<u>18 027 012</u>	<u>18 027 012</u>
Total Liabilities, Deferred Inflows of Resources and Net Position		<u>\$ 6 883 327</u>	<u>\$ 18 027 012</u>

See the accompanying Independent Auditors' Report and Notes to Financial Statements.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>REVENUES</u>			
Property Tax Revenues	\$ 5 049 812	\$ 1 227 667	\$ 6 277 479
Sales Tax Revenues	877 037	-	877 037
Penalty and Interest Revenues	45 140	-	45 140
Interest on Temporary Investments	12 008	-	12 008
Rental and Lease Income	8 419	-	8 419
Miscellaneous Income	<u>24 558</u>	-	<u>24 558</u>
Total Revenues	<u>6 016 974</u>	<u>1 227 667</u>	<u>7 244 641</u>
<u>EXPENDITURES/EXPENSES</u>			
Operating Expenses			
Emergency Services	3 886 986	-	3 886 986
Appraisal District Fees	44 842	-	44 842
Bookkeeping Fees	7 900	-	7 900
Collection Fees	63 876	-	63 876
District Miscellaneous Expenses	7 762	-	7 762
Insurance	31 028	-	31 028
Legal Notices and Filing Fees	5 339	-	5 339
Office Expense	1 954	-	1 954
Professional Services	223 176	-	223 176
Repairs and Maintenance	21 109	-	21 109
Election Expense	52 982	-	52 982
Capital Outlay	153 985	(153 985)	-
Depreciation	-	<u>328 639</u>	<u>328 639</u>
Total Expenditures/Expenses	<u>4 500 939</u>	<u>174 654</u>	<u>4 675 593</u>
Excess(Deficiency) of Revenues over Expenses	1 516 035	1 053 013	2 569 048
Fund Balance/Net Position			
Beginning of Year	<u>5 164 919</u>	<u>10 293 045</u>	<u>15 457 964</u>
End of Year	<u>\$ 6 680 954</u>	<u>\$ 11 346 058</u>	<u>\$ 18 027 012</u>

See the accompanying Independent Auditors' Report and Notes to Financial Statements.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES

Harris County Rural Fire Prevention District No. 16 (District) was created after a public election held January 28, 1984, under the provision of Section 48-d, Article III of the Constitution of Texas. The Board of Commissioners held its first meeting on March 3, 1984. In October 2003, the District converted to Harris County Emergency Services District No. 16, pursuant to Texas Senate Bill 1021. The District was established to provide operating funds for the contracting of emergency services to a portion of northwest Harris County.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The District is an Emergency Services District with a five-member board of commissioners, who are elected to a four years term on a specific staggered basis.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be components units of the District.

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

B. BASIS OF PRESENTATION

The financial transactions of the District are recorded in an individual fund. The funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The funds are reported by generic classification within the financial statements.

The District uses the following fund types:

a. Governmental Funds

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

b. Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Balances

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of commissioners or by an official or body to which the board of commissioners delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose.

The District uses the following classifications for net position:

Net Investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The board must approve any change in the restriction of this fund balance.

Unrestricted – To indicate net position that is available for use in future periods.

C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

The District has adopted GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2015. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents revenues and expenditures adjusted to reflect an accrual basis rather than a modified accrual basis of accounting. All fund balances are adjusted to reflect net position.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015
 (Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGET

The District annually adopts a budget for the General Fund in accordance with the accounting principles applicable to this fund. The Board of Commissioner's approval is required for revisions that alter the total expenditures. Reported budgeted amounts are as originally adopted. Budgeted amounts lapse annually.

E. CASH EQUIVALENTS

For purposes of reporting, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. USE OF ESTIMATES

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

G. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the Statement of Net Position and Governmental Funds Balance Sheet are different because of the following:

Total Fund Balance at December 31, 2015	\$ 6 680 954
Capital assets used in governmental activities are not financial and are not reported in the funds	6 883 327
Conversion of property tax assessments to full accrual basis	<u>4 462 731</u>
Total Net Position at December 31, 2015	<u>\$ 18 027 012</u>

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Change in fund balance	\$ 1 516 035
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay and conveyance of capital assets in the current period.	(174 654)
Conversion of property tax assessments to full accrual basis	<u>1 227 667</u>
Change in net position of governmental activities	<u>\$ 2 569 048</u>

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Management considers accounts receivable to be fully collectible at year-end; accordingly, no allowance for doubtful accounts is required.

I. CAPITAL ASSETS AND DEPRECIATION

Capital assets are valued at historical cost and depreciated over their estimated useful lives, excluding salvage value. Donated capital assets are valued at the estimated fair value at the date of donation. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the Statement of Net Position and Governmental Funds Balance Sheet. Depreciation is provided over the estimated useful lives using the straight-line method. The useful lives range from 5 to 20 years.

NOTE (2) EMERGENCY SERVICES

In January of each year, the District renews its agreement with the Klein Volunteer Fire Department (the Department) to provide fire protection and prevention services to the residents of the District. This agreement automatically renews annually, unless either part informs the other of intent to cancel at least ninety (90) days prior to the expiration of the term of the agreement. The District agrees to pay to the Department its portion of the Department's annual budget, which is to be reviewed and accepted by the District each year. Funds for services are to be paid monthly. The Department may submit for the District's consideration, requests for additional funds to assist with unexpected expenditures. The District has not agreed to pay to the Department more funds than it receives from its tax collections less its administrative costs. For the year ended December 31, 2015, \$3,886,986 was paid to the Department. Separate audited financial statements of Klein Volunteer Fire Department are available as of December 31, 2015.

NOTE (3) AD VALOREM TAX

During the year ended December 31, 2015, the District levied an ad valorem tax at the rate of \$.05000 per \$100 of assessed valuation, which resulted in a tax levy of \$6,270,824 on the taxable valuation of \$12,541,648,535 for the 2015 tax year. The ad valorem tax was due upon receipt and was considered delinquent if not paid by February 1, at which time penalties and interest were assessed. The levy date of the tax was September 1 of the prior year, or as soon after September 1 as it took to set the tax rate. The lien date was January 1 of the subsequent year.

In the governmental funds, property taxes are initially recorded as receivables and unearned revenue at the time the tax levy is billed. Revenues recognized during the fiscal year ended December 31, 2015, include collections during the current period or within 60 days of year-end related to the 2015 and prior years' tax levies.

The District is included in the extra-territorial jurisdiction of the City of Houston and, as such, is subject to possible annexation in the future.

NOTE (4) SALES TAX REVENUES

On May 9, 2015, the residents of the District authorized the District to impose a 1% sales tax where eligible within the District. During the year end December 31, 2015, the District earned \$877,037 in sales tax revenue.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (Continued)

NOTE (5) DEPOSITS AND INVESTMENTS

Deposits were with contracted depository banks in a checking account, a money market savings account, and certificates of deposit during the year.

The District used BBVA Compass Bank as contracted depository bank. The largest cash balance during the year was \$4,887,755, which occurred in March 2015.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the state, or any county, school district, or other political subdivision of the state. Funds of the District may also be placed in certificates of deposit of state or national banks or savings associations within the state. The District holds investments at December 31, 2015, in accordance with the Board approved investment policy, in TexPool State Treasury ("TexPool"). In following the Public Funds Collateral Act, TexPool invests the District's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of the deposits with TexPool plus any accrued interest. A separate financial report for TexPool is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from TexPool Participant Services, c/o Federated Investors, 1001 Texas Ave., 14th Floor, Houston, Texas 77002. The District held investments in TexPool with a total carrying value and market value of \$83,903 at December 31, 2015.

Balances during the year were secured by FDIC coverage and additional securities pledged by the financial institutions.

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has substantially complied with the Act's provisions during the year ended December 31, 2015.

NOTE (6) INTERLOCAL AGREEMENT

On April 11, 2011, the District entered into a lease agreement with Harris County Emergency Services District No. 11 (ESD 11). The lease agreement is for lease of District owned ground and surface estate of a 0.7358 acre parcel of real property. ESD 11 will lease the real property for construction, maintenance, and operation of an emergency medical services facility. ESD 11 agrees to lease the real property for a term commencing on April 11, 2011, and ending on April 11, 2031, with the payment as rental for the use and occupancy of the real property the sum of dollars per year based on the total area required by ESD 11 multiplied by \$0.35 per square foot, due on the initial commencement construction and thereafter on each anniversary date thereof. Upon termination of the lease, ESD 11 has the option of removing the emergency services facilities at its sole cost or requesting the District to purchase at fair market value. On December 20, 2012, both parties signed an amendment on the agreement to change the amount of total area required by ESD 11. Future expected lease income is as follows:

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015
 (Continued)

NOTE (6) INTERLOCAL AGREEMENT (Continued)

2016	\$	8 419
2017		8 419
2018		8 419
2019		8 419
2020		8 419
Thereafter		<u>86 996</u>
Total	\$	<u>129 091</u>

NOTE (7) CHANGES IN CAPITAL ASSETS

The changes in the capital assets are as follows:

	Beginning of Year	Acquisitions (Disposals)	Depreciation Expense	End of Year
Land	<u>\$ 2 298 334</u>	<u>\$ 14 416</u>	<u>\$ -</u>	<u>\$ 2 312 750</u>
Buildings	5 656 317	-	-	5 656 317
Equipment	358 188	139 569	-	497 757
Less: Accumulated Depreciation	<u>(1 254 858)</u>	<u>-</u>	<u>(328 639)</u>	<u>(1 583 497)</u>
Total Net Book Value	<u>4 759 647</u>	<u>139 569</u>	<u>(328 639)</u>	<u>4 570 577</u>
Totals	<u>\$ 7 057 981</u>	<u>\$ 153 985</u>	<u>\$ (328 639)</u>	<u>\$ 6 883 327</u>

During the year ended December 31, 2015, the District capitalized three rapid response trucks and an escrow payment for purchase of land.

NOTE (8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 14, 2016, (the date the financial statements were available to be issued), and conclude that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Actual</u>	<u>Original and Final Budget*</u>	Variance Positive (Negative)
<u>REVENUES</u>			
Property Tax Revenues	\$ 5 049 812	\$ 5 525 054	\$ (475 242)
Sales Tax Revenues	877 037	-	877 037
Penalty and Interest Revenues	45 140	15 000	30 140
Interest on Temporary Investments	12 008	15 000	(2 992)
Rental and Lease Income	8 419	8 419	-
Miscellaneous Income	<u>24 558</u>	<u>-</u>	<u>24 558</u>
Total Revenues	<u>6 016 974</u>	<u>5 563 473</u>	<u>453 501</u>
<u>EXPENDITURES/EXPENSES</u>			
Operating Expenses			
Emergency Services	3 886 986	3 978 195	91 209
Appraisal District Fees	44 842	40 000	(4 842)
Bookkeeping Fees	7 900	8 500	600
Collection Fees	63 876	-	(63 876)
District Miscellaneous Expenses	7 762	15 000	7 238
Election Expense	52 982	45 000	(7 982)
Insurance	31 028	27 000	(4 028)
Legal Notices and Filing Fees	5 339	-	(5 339)
Repairs and Maintenance	21 109	-	(21 109)
Professional Services	223 176	92 400	(130 776)
Office Expense	1 954	-	(1 954)
Capital Outlay	<u>153 985</u>	<u>520 000</u>	<u>366 015</u>
Total Expenditures/Expenses	<u>4 500 939</u>	<u>4 726 095</u>	<u>225 156</u>
Excess(Deficiency) of Revenues over Expenditures	1 516 035	837 378	678 657
Beginning of year	<u>5 164 919</u>	<u>5 164 919</u>	<u>-</u>
End of year	<u>\$ 6 680 954</u>	<u>\$ 6 002 297</u>	<u>\$ 678 657</u>

* Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

SUPPLEMENTARY INFORMATION

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

**SCHEDULE OF TEMPORARY INVESTMENTS
DECEMBER 31, 2015**

CERTIFICATES OF DEPOSIT

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Plains State Bank	04/11/16	0.30%	\$ 241 320
Allegiance Bank	04/11/16	0.50%	103 635
Spirit Bank of Texas Bank	10/13/16	0.75%	241 429
Texan Bank	10/13/16	0.75%	101 144
Texas Capital Bank	04/12/16	0.35%	241 017
Green Bank	04/11/16	0.40%	130 482
Third Coast Bank	04/11/16	0.35%	103 064
Preferred Bank	04/11/16	0.35%	241 252
Community Bank	04/11/16	0.20%	142 151
Allegiance Bank	05/09/16	0.50%	131 652
Central Bank	05/09/16	0.10%	<u>131 035</u>
		TOTAL	<u><u>\$ 1 808 181</u></u>

See Independent Auditors' Report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

ANALYSIS OF TAXES RECEIVABLE
DECEMBER 31, 2015

Taxes Receivable - Beginning of Year	\$ 3 235 064
2015 Tax Roll	6 270 824
Adjustments to prior year taxes	<u>6 655</u>
Total to be Accounted for	<u>9 512 543</u>
Tax Collections Received from Tax Collector	4 019 625
Balance Held by Tax Collector, December 31, 2015	<u>1 030 187</u>
Total Tax Collections	<u>5 049 812</u>
Taxes Receivable - End of Year	<u><u>\$ 4 462 731</u></u>

Assessed Valuation Summary

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Property Valuations					
Real Property	\$11 929 506 087	\$10 575 814 427	\$ 9 398 036 145	\$8 891 645 230	\$8 804 085 696
Personal Property	<u>612 142 448</u>	<u>630 490 175</u>	<u>622 074 689</u>	<u>589 413 581</u>	<u>592 158 106</u>
Total Property Valuations	<u>\$12 541 648 535</u>	<u>\$11 206 304 602</u>	<u>\$ 10 020 110 834</u>	<u>\$9 481 058 811</u>	<u>\$9 396 243 802</u>
Tax Rate per \$100 Valuations	<u>\$ 0.05000</u>	<u>\$ 0.04917</u>	<u>\$ 0.04921</u>	<u>\$ 0.05000</u>	<u>\$ 0.05000</u>
Tax Rolls	<u>\$ 6 270 824</u>	<u>\$ 5 510 140</u>	<u>\$ 4 930 897</u>	<u>\$ 4 740 529</u>	<u>\$ 4 698 122</u>
Percent of Taxes Collected to Taxes Levied	<u>30.9%</u>	<u>99.4%</u>	<u>99.6%</u>	<u>99.8%</u>	<u>99.8%</u>

See Independent Auditors' Report.

HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16

BOARD MEMBERS AND CONSULTANTS

DECEMBER 31, 2015

District Mailing Address: Harris County Emergency Services District No. 16
16810 Squyres Rd
Klein, Texas 77379

District Telephone Number: 281-376-4449

<u>Names</u>	<u>Term of Office</u>	<u>Fees Paid *</u> FYE 12/31/15	<u>Expense</u> <u>Reimbursements</u> FYE 12/31/15	<u>Title at</u> <u>Year End</u>
<u>Board Members</u>				
Robert Farrell	06/14 - 05/18 (Elected)	\$ -	\$ 528	President
Herbert L. Marker	06/14 - 05/18 (Elected)	\$ -	\$ 598	Assistant Treasurer
Steve Falkner	07/14 - 05/16 (Appointed)	\$ -	\$ 587	Secretary
Robert W. Carson	06/12 -05/16 (Elected)	\$ -	\$ 35	Treasurer
Michael Pate	05/14 - 05/16 (Appointed)	\$ -	\$ 2 505	Commissioner
<u>Consultants</u>				
Breedlove & Co., P.C.		\$ 8 950	\$ -	Auditors
Coveler & Katz, P.C.		\$ 108 694	\$ 1 817	Legal Counsel
Harris County Appraisal District		\$ 44 842	\$ -	Appraisal District
Harris County Tax Assessor-Collector		\$ 63 876	\$ -	Tax Collector
Municipal Information Services		\$ 2 350	\$ -	Economist
Myrtle Cruz, Inc.		\$ 7 900	\$ 818	Bookkeeper
BD Realty Advisors, LLC		\$ 10 863	\$ -	Real Estate Advisors

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

See Independent Auditors' Report.