

AGENDA

ITEM 4

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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February 11, 2019

Board of Commissioners
Brazoria County Emergency
Services District No. 3
Brazoria County, Texas

Re: Audit Continuance – Fiscal Year Ending December 31, 2018

Dear Board of Commissioners:

We have previously provided you with an evergreen engagement letter dated December 12, 2016.

No information has come to our attention that would cause us to believe that the terms of that preceding engagement letter need to be revised for the current engagement. We therefore confirm that the terms set forth in the engagement letter dated December 12, 2016, will govern the current services we are to provide for the District for the year ended December 31, 2018. We estimate our fee for the audit of the District's financial statements and for the nonattest services to be provided for the year ended December 31, 2018, will range between \$17,000 and \$18,500. Not included in the fees are out-of-pocket costs such as printing, postage and other charges incidental to the completion of our audit.

As required by Chapter 2270, Government Code, we hereby verify that our firm does not boycott Israel and will not boycott Israel through the term of our engagement. For purposes of this verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Pursuant to Chapter 2252, Texas Government Code, we represent and certify that, at the time of execution of this Agreement neither our firm, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

If you have any questions, please let us know. We appreciate the confidence you have placed in us by retaining our firm as your independent auditor and we look forward to continuing to serve you.

Sincerely,



Debbie Gibson

Attachment

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

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December 12, 2016

Board of Commissioners
Brazoria County Emergency
Services District No. 3
Brazoria County, Texas

We are pleased to confirm our understanding of the services we are to provide Brazoria County Emergency Services District No. 3 (the "District"). We will audit the financial statements of the governmental activities and major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for each fiscal year ending December 31st.

ANNUAL AUDIT OF FINANCIAL STATEMENTS

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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 the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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's Discussion and Analysis,
- 2) Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, and
- 3) Schedules required by GASB 68 for pensions

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We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. The document we submit to you will include the following supplementary schedules: a Schedule of Insurance and Bonding Coverage, a Schedule of Taxes Levied and Receivable, a Comparative Schedule of Revenues and Expenditures for Five Years, and a Schedule of Board of Commissioners and Consultants. This supplementary information will be subjected to the auditing procedures applied in our 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 and we will provide an opinion on it in relation to the financial statements as a whole except for that portion marked "unaudited", on which we will express no opinion.

Audit Objective

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 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 will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Commissioners of the District. 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 may withdraw from this engagement.

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 District or to acts by management or employees acting on behalf of the District.

Audit Procedures – General (Continued)

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. 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 you of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any 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 direct confirmation of certain assets and liabilities by correspondence with selected individuals, 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 the financial statements and related matters.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the District 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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. 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.

Audit Procedures – Compliance

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

Other Services

We will prepare the financial statements, the appropriate capital asset schedules including calculation of depreciation on the capital assets and the journal entries to convert the fund financial statements to the government-wide financial statements as required by generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

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 confirming to us in the management 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 District 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 District received in communications from employees, former employees, consultants, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information. 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. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information, (2) that you believe the supplementary information, including its form and content, is fairly presented, (3) that the methods of measurement or presentation have not changed from those used in the prior period, and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

Management Responsibilities (Continued)

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees and Other

Barring any unforeseen circumstances, we will comply with State statutes, including Chapter 775 of the Health and Safety Code, which requires the timely filing of audits.

In accordance with provisions of the Local Records Retention Schedule Section 2-1: Item 1025-01(e) we agree to retain our audit work papers in our office for a period of three years after all questions arising from the audit have been resolved. In order to allow for all questions arising from the audit to be resolved and to comply with Rule 501.76(f) of the Rules of Professional Conduct of the Texas State Board of Public Accountancy the actual date will be the five-year anniversary of the audit report in question.

We expect to present a draft of the audit report within 45 days of the availability of the District's accounting records. Debbie Gibson is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign the report. We will annually provide to the Board of Commissioners and the District's bookkeeper an estimate of the fees for the audit services during the District's annual budget process. The following is an estimate of our fees for the services included in this engagement letter for the initial audit period under this agreement:

- Fees for the audit of the District's financial statements and for the other services to be provided for the year ended December 31, 2016, will range between \$14,500 and \$15,500.

Not included in the fees above are out-of-pocket costs such as printing, postage, and other charges incidental to the completion of our audit. If for any reason our services are terminated prior to issuance of a final report, our engagement will be deemed to have been completed, even if we have not completed our report. The District will be obligated to compensate us for our time expended through the date of termination. The above fee is based on anticipated cooperation from your consultants 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.

GENERAL TERMS AND CONDITIONS

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written documentation from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

This agreement may be terminated by either party, with or without cause, upon 30 days written notice.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.


We believe this letter accurately summarizes the significant terms of the engagement. If you have any questions, please let us know. If you agree with the terms of the engagement as described in this letter, please sign the enclosed copy and return it to us. We appreciate the confidence you have placed in us by retaining this firm as your independent auditor in this matter.

Sincerely,

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

This letter correctly sets forth the understanding of the District.



Signature



Title



Date

Engagement Letter

AGENDA

ITEM 5

**BRAZORIA COUNTY EMERGENCY
SERVICES DISTRICT NO. 3 RESOLUTION
TO UPDATE DISTRICT FINANCIAL INSTITUTIONS**

THE STATE OF TEXAS §
COUNTY OF BRAZORIA §

BRAZORIA COUNTY EMERGENCY §
SERVICES DISTRICT NO. 3 §

We, the undersigned commissioners and officers of Brazoria County Emergency Services District No. 3 (the “District”), hereby certify as follows:

1. The Board of Commissioners of the District convened in a meeting on February 20, 2019, at the designated meeting place (the “Meeting”), and a quorum was established of the duly constituted commissioners of said Board of Commissioners, to wit:

| <u>Name</u> | <u>Title</u> | |
|------------------------|------------------------|------------------|
| Darrell Valusek | President | (Present) |
| Mike Jones | Vice President | (Present) |
| Frank Hagdorn | Secretary | (Present) |
| Matt Glaves | Treasurer | (Present) |
| Roy Beken | Asst. Treasurer | (Present) |

Whereupon, among other business, the following was transacted at the Meeting:

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF
BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3 TO
UPDATE DISTRICT FINANCIAL INSTITUTIONS**

(the “Resolution”) was duly introduced for the consideration of the Board of Commissioners. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of the Resolution, prevailed and carried by the following vote:

AYES: All members of the Board of Commissioners shown present above voted “Aye” except as shown below.

OPPOSED: None

ABSTAIN: None

2. That a true, full, and correct copy of the Resolution is attached to and follows this Certificate; that the Resolution has been duly recorded in the Board of Commissioners’ minutes of the Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from the Board of Commissioners’ minutes of the Meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board of Commissioners as indicated therein; that each of the officers and members of the Board of

Commissioners was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting, and that the Resolution would be introduced and considered for adoption at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose, and that the Meeting was open to the public and public notice of the time, place, and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

3. That the President of the Board of Commissioners of the District has approved and hereby approves the Resolution; that the President and the Secretary of the District have duly signed the Resolution; and that the President and the Secretary of the District hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of the Resolution for all purposes.

PASSED AND APPROVED at the meeting of Brazoria County Emergency Services District No. 3 held on 20th day of February, 2019.

Frank Hagdorn, District Secretary
Board of Commissioners

Darrell Valusek, President
Board of Commissioners

**BRAZORIA COUNTY EMERGENCY
SERVICES DISTRICT NO. 3 RESOLUTION
TO UPDATE DISTRICT FINANCIAL INSTITUTIONS**

WHEREAS, BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3 (“District”) have engaged various financial institutions regarding the deposit of District funds in conformity with the Public Funds Collateral Act and Public Funds Investment Act; and

WHEREAS, the District has previously engaged the firm Myrtle Cruz, Inc. to act as District book keepers and to assist the District is all matters dealing with depository institutions and investments; and

WHEREAS, the District has ended its engagement of the firm Myrtle Cruz, Inc., effective February 1, 2019; and

WHEREAS, the District has employed full-time staff to manage the financial affairs of the District under the supervision of the Board of Commissioners; and

WHEREAS, the District authorizes the below named commissioners and staff to interact with the District financial institutions, including moving funds between accounts and securing documents from the institutions to update contact and authorization information for the Board of Commissioners and staff:

NOW THEREFORE, BE IT RESOLVED BY THE BRAZORIA COUNTY EMERGENCY SERVICES DISTRICT NO. 3:

RESOLVED: That the District designates the below named Commissioners and Executive Staff to, whose signatures are presented below, as the authorized persons to execute any and all documents required to update contact and access information with the District’s financial institutions.

| <u>NAME</u> | <u>TITLE</u> | <u>SIGNATURE</u> |
|------------------------|----------------------------------|------------------|
| Darrell Valusek | President | _____ |
| Mike Jones | Vice President | _____ |
| Frank Hagdorn | Secretary | _____ |
| Matt Glaves | Treasurer | _____ |
| Roy Beken | Asst. Treasurer | _____ |
| Dave Ferguson | Executive Director | _____ |
| Beth Strobe | Asst. Director of Finance | _____ |

FURTHER RESOLVED: That the District's Authorized Officers and Executive Staff, upon such terms and conditions as the Board of Commissioners may approve, in their sole discretion, to execute on behalf of the District any and all necessary documents to update the contact and access information for financial institutions, including but not limited to depository and investment institutions.

PASSED AND APPROVED at the meeting of Brazoria County Emergency Services District No. 3 held on 20th day of February, 2019.