

SMITH, MURDAUGH, LITTLE & BONHAM, L.L.P.

ATTORNEYS AT LAW

1100 LOUISIANA STREET

SUITE 400

HOUSTON, TEXAS 77002-5211

713/652-6500

TELECOPIER 713/652-6515

W. JAMES MURDAUGH, JR.
HERMAN I. LITTLE, JR.
JAMES D. BONHAM
SARA J. ANDERSON
LORI G. AYLETT
MELISSA P. KILPATRICK
WM. SCOTT SMITH
G. TAYLOR GOODALL, JR.

CYRIL J. SMITH
(1904-1982)

May 24, 2011

Honorable Robert E. Hebert
Fort Bend County Judge
Fort Bend County Commissioners' Court
301 Jackson Street
Richmond, Texas 77469

Mr. Charles S. Stone, Executive Director
Texas Department of Rural Affairs
Post Office Box 12877
Austin, Texas 78711

Mr. James Patterson
Commissioner, Precinct 4
Fort Bend County Commissioners' Court
301 Jackson Street
Richmond, Texas 77469

Mr. James H. White, Board President
Fort Bend County ESD No. 5
14007 Old Richmond Road
Sugar Land, Texas 77478

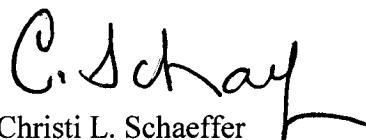
Re: Fort Bend County Emergency Services District No. 5 (the "District");
Annual Financial Statement, Fiscal Year Ended December 31, 2010

Dear Sirs:

Enclosed please find the District's annual financial statement for the fiscal year ended December 31, 2010 prepared by the firm of McCall Gibson Swedlund Barfoot PLLC.

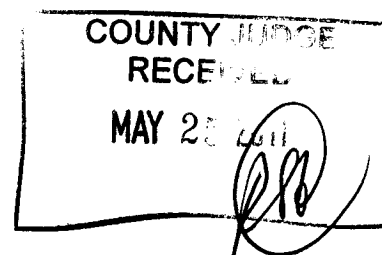
If you have any questions, please do not hesitate to contact us.

Very truly yours,



Christi L. Schaeffer
Senior Legal Assistant

cls/
Enclosure



FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

7801 N. Capital of Texas Hwy.
Suite 350
Austin, Texas 78731-1169
(512) 418-2358
Fax: (512) 340-0604
www.mgsbpllc.com

Board of Commissioners
Fort Bend County Emergency
Services District No. 5
Fort Bend County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and major fund of Fort Bend County Emergency Services District No. 5 (the "District"), as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of December 31, 2010, 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.

Board of Commissioners
Fort Bend County Emergency
Services District No. 5

The Management's Discussion and Analysis on pages 3 through 6 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 19 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The supplementary information required by Fort Bend County on pages 21 through 24 and other supplementary information on pages 26 through 29 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

April 12, 2011

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Our discussion and analysis of Fort Bend County Emergency Services District No. 5's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the basic financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Assets and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance. This report also includes other supplementary information in addition to the 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 statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on page 7. The Statement of Net Assets 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 assets. Over time, increases or decreases in net assets 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 Statement of Activities on page 9 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

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 resources not accounted for in another fund, property tax revenues, costs and general expenditures.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FUND FINANCIAL STATEMENTS (Continued)

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 columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 8 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities on page 10 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on page 11 through 17 in this 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$284,368 as of December 31, 2010. The following is a comparative analysis of government-wide change in net assets:

| | Summary of Changes in the Statement of Net Assets | | |
|-------------------------------------|---|-------------------|----------------------------------|
| | 2010 | 2009 | Change Positive (Negative) |
| Total Current and Other Assets | \$ 1,804,257 | \$ 1,886,156 | \$ (81,899) |
| Total Current and Other Liabilities | <u>1,519,889</u> | <u>1,522,352</u> | <u>2,463</u> |
| Net Assets-Unrestricted | <u>\$ 284,368</u> | <u>\$ 363,804</u> | <u>\$ (79,436)</u> |

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the year ended December 31, 2010 and the inception period ended December 31, 2009. The District's net assets decreased by \$79,436, accounting for a 21.8% decrease in net assets. Comparative data is presented below.

| | Summary of Changes in the Statement of Activities | | |
|-------------------------|---|--------------------|----------------------------------|
| | 2010 | 2009 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 1,499,587 | \$ 1,483,892 | \$ 15,695 |
| Other Revenues | <u>24,931</u> | <u>19,829</u> | <u>5,102</u> |
| Total Revenues | \$ 1,524,518 | \$ 1,503,721 | \$ 20,797 |
| Expenses for Services | <u>(1,603,954)</u> | <u>(1,139,917)</u> | <u>(464,037)</u> |
| Change in Net Assets | \$ (79,436) | \$ 363,804 | \$ (443,240) |
| Net Assets, Inception | <u>363,804</u> | <u>-0-</u> | <u>363,804</u> |
| Net Assets, End of Year | <u>\$ 284,368</u> | <u>\$ 363,804</u> | <u>\$ (79,436)</u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's General Fund fund balance as of December 31, 2010, was \$259,725, a decrease of \$90,666 from the prior year. This decrease was primarily due to the increase in contributions to Northeast Fort Bend County Fire Department.

BUDGETARY HIGHLIGHTS

The Board of Commissioners amended the budget during the current fiscal year increasing expected legal costs. Actual revenues were \$29,674 more than budgeted revenues. Actual expenditures were \$42,503 more than budgeted. See budget to actual comparison on page 19.

LONG-TERM DEBT ACTIVITY

On August 12, 2008, the District executed a promissory note for a revolving line of credit with Capital One, NA in the amount of \$100,000. As of December 31, 2010, no amount is owed in relation to this note.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Emergency Services District No. 5, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 1100 Louisiana Street, Suite 400, Houston, Texas 77002.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2010

| | General Fund | Adjustments | Statement of Net Assets |
|---|---------------------|--------------------|----------------------------|
| ASSETS | | | |
| Cash, Note 4 | \$ 441,351 | \$ | \$ 441,351 |
| Cash with Fort Bend County | 546,974 | | 546,974 |
| Receivables: | | | |
| Property Taxes | 810,845 | | 810,845 |
| Penalty and Interest on Delinquent Taxes | 5,087 | | 5,087 |
| TOTAL ASSETS | \$ 1,804,257 | \$ -0- | \$ 1,804,257 |
| LIABILITIES | | | |
| Accounts Payable | \$ 11,578 | \$ | \$ 11,578 |
| Deferred Revenues: | | | |
| Property Taxes | 1,527,867 | (19,556) | 1,508,311 |
| Penalty and Interest on Delinquent Taxes | 5,087 | (5,087) | |
| TOTAL LIABILITIES | \$ 1,544,532 | \$ (24,643) | \$ 1,519,889 |
| FUND BALANCE/NET ASSETS | | | |
| FUND BALANCE | | | |
| Unreserved-Undesignated | \$ 259,725 | \$ (259,725) | |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 1,804,257 | | |
| NET ASSETS | | | |
| Unrestricted | | \$ 284,368 | \$ 284,368 |
| TOTAL NET ASSETS | | \$ 284,368 | \$ 284,368 |

The accompanying notes to basic financial
statements are an integral part of this report.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

| | |
|--|-------------------|
| Total Fund Balance – Governmental Fund | \$ 259,725 |
| Amounts reported for governmental activities in the Statements of Net Assets are different because: | |
| Deferred tax revenue for the 2009 and prior tax levies became part of recognized revenues in the governmental activities of the District. | 19,556 |
| Deferred penalty and interest revenue for 2009 and prior tax levies became part of recognized revenues in the governmental activities of the District. | <u>5,087</u> |
| Total Net Assets – Governmental Activities | <u>\$ 284,368</u> |

The accompanying notes to basic financial statements are an integral part of this report.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

| | General Fund | Adjustments | Statement of Activities |
|--|---------------------|------------------|----------------------------|
| REVENUES | | | |
| Property Taxes | \$ 1,490,936 | \$ 8,651 | \$1,499,587 |
| Penalty and Interest | 20,139 | 2,579 | 22,718 |
| Investment Revenues | 2,213 | | 2,213 |
| TOTAL REVENUES | \$ 1,513,288 | \$ 11,230 | \$1,524,518 |
| EXPENDITURES/EXPENSES | | | |
| Service Operations: | | | |
| District Services – Northeast Fort Bend County | | | |
| Fire Department, Note 5 | | | |
| Monthly Fees | \$ 1,029,828 | \$ | \$1,029,828 |
| Capital Costs | 515,083 | | 515,083 |
| Accounting and Auditing | 16,775 | | 16,775 |
| Appraisal District Fees | 7,683 | | 7,683 |
| Commissioner Fees | 5,810 | | 5,810 |
| Legal Fees – General | 10,728 | | 10,728 |
| Legal Fees – Delinquent Tax Collections | 6,650 | | 6,650 |
| Tax Assessor Collector Fees | 5,413 | | 5,413 |
| Other | 5,984 | | 5,984 |
| TOTAL EXPENDITURES/EXPENSES | \$ 1,603,954 | \$ -0- | \$1,603,954 |
| NET CHANGE IN FUND BALANCE | \$ (90,666) | \$ 90,666 | \$ |
| CHANGE IN NET ASSETS | | (79,436) | (79,436) |
| FUND BALANCE/NET ASSETS – JANUARY 1, 2010 | 350,391 | 13,413 | 363,804 |
| FUND BALANCE/NET ASSETS – DECEMBER 31, 2010 | \$ 259,725 | \$ 24,643 | \$ 284,368 |

The accompanying notes to basic financial
statements are an integral part of this report.

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | |
|--|--------------------|
| Net Change in Fund Balance - Governmental Fund | \$ (90,666) |
| Amounts reported for governmental activities in the Statements of Activities are different because: | |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenues are recorded in the accounting period for which the taxes are levied. | 8,651 |
| Governmental funds report delinquent tax penalty and interest when collected. However, in the Statement of Activities, revenues are recorded when the penalty and interest are assessed. | <u>2,579</u> |
| Change in Net Assets - Governmental Activities | <u>\$ (79,436)</u> |

The accompanying notes to basic financial statements are an integral part of this report.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1. CREATION OF DISTRICT

Fort Bend County Emergency Services District No. 5 was created by the Commissioners' Court of the County of Fort Bend on May 12, 2007, in accordance with Article III, Section 48-e, of the Texas Constitution. The District operates under Chapter 775 of the Health and Safety Code. The District was established to provide operating funds for the contracting of fire prevention and rescue services within the boundaries of the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

- Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Assets – This component of net assets consists of external constraints placed on the use of net assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Assets and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Assets is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Assets.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District’s fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund which is considered to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, property tax revenues, costs and general expenditures.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2009 tax levy collections during the period October 1, 2009, to December 31, 2010, and taxes collected from January 1, 2010, to December 31, 2010, for the 2008 and prior tax levies. The 2010 tax levy has been fully deferred to meet the District's planned expenditures in the 2011 fiscal year.

Cash and Cash Equivalents

Cash and cash equivalents include all amounts in checking accounts, money market accounts, savings accounts, external investment pools, certificates of deposit and cash with Fort Bend County. All accounts are reflected at cost which the District considers to be fair value.

Capital Assets

Capital assets, if any, are reported in the government-wide Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset after completion.

As of December 31, 2010, the District has not constructed or purchased any capital assets.

Budgeting

In compliance with governmental accounting principles, the Board of Commissioners annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that fees of office received by Commissioners are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net assets.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances are included on the Balance Sheet as follows:

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through April 12, 2011; which is the date these statements were available to be issued.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3. TAX LEVY

Voters of the District have approved a maximum tax rate of \$0.10 per \$100 of assessed valuation. During the year ended December 31, 2010, the District levied an ad valorem tax at the rate of \$0.07997 per \$100 of assessed valuation for the 2010 tax year. This resulted in a tax levy of \$1,508,311 on the adjusted taxable valuation of \$1,885,838,836 for the 2010 tax year. The 2010 levy has been fully deferred to meet the operating expenditures for the 2011 fiscal year.

The District's tax calendar is as follows:

- Levy Date - Before the later of September 30th or the 60th day after the receipt of the certified tax roll.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$441,351 and the bank balance was \$444,467. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was covered by a pledge of securities held in safekeeping by a third party institution in the District's name.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at December 31, 2010, as listed below:

| | |
|----------------|-------------------|
| Total Deposits | <u>\$ 441,351</u> |
|----------------|-------------------|

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Commissioners.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) mbonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of December 31, 2010, the District did not have any investments.

NOTE 5. CONTRACT FOR FIRE PROTECTION AND RESCUE SERVICES

On January 13, 2009, the District executed a contract for providing fire protection and rescue services with the Northeast Fort Bend County Fire Department, Inc. (the "Department"). The term of the contract is January 1, 2009, to December 31, 2009. The contract may be renewed from year to year by amendment to extend its term. The contract was renewed for the year ending December 31, 2010. Under the terms of the contract, the Department agrees to provide fire protection and rescue services to all the residents and commercial interests in the service area.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5. CONTRACT FOR FIRE PROTECTION AND RESCUE SERVICES
(Continued)

The Department agreed to submit a budget indicating proposed operating, capital and debt expenditures at the District's September meeting each year for the District's review and approval. The District agreed to provide periodic payments to the Department based on the approved budgets. Ownership of all assets of the Department shall remain with the Department during the term of this contract. Responsibility for operating, maintaining, repairing and insuring any facilities by which fire protection and rescue services are provided belongs solely to the Department.

For the year ended December 31, 2010, the District paid the Department \$1,029,828 for operations and maintenance, and \$515,083 for capital costs, subject to the limitations set forth in the contract, for a total of \$1,544,911.

NOTE 6. RISK MANAGEMENT

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

NOTE 7. LINE OF CREDIT

On August 12, 2008, the District executed a promissory note for a Revolving Line of Credit with Capital One, NA, in the amount of \$100,000. As of December 31, 2010, the District did not owe a balance on this line of credit.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010

**FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Original Budget | Final Amended Budget | Actual | Variance Positive (Negative) |
|---|---------------------|----------------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 1,482,114 | \$ 1,482,114 | \$ 1,490,936 | \$ 8,822 |
| Penalty and Interest | | | 20,139 | 20,139 |
| Investment Revenues | <u>1,500</u> | <u>1,500</u> | <u>2,213</u> | <u>713</u> |
| TOTAL REVENUES | <u>\$ 1,483,614</u> | <u>\$ 1,483,614</u> | <u>\$ 1,513,288</u> | <u>\$ 29,674</u> |
| EXPENDITURES | | | | |
| Service Operations: | | | | |
| District Services-Northeast Fort Bend | | | | |
| County Fire Department | \$ 1,511,871 | \$ 1,511,871 | \$ 1,544,911 | \$ (33,040) |
| Accounting and Auditing | 14,000 | 14,000 | 16,775 | (2,775) |
| Appraisal District Fees | | | 7,683 | (7,683) |
| Commissioner Fees | 12,000 | 12,000 | 5,810 | 6,190 |
| Legal Fees-General | 10,200 | 12,000 | 10,728 | 1,272 |
| Legal Fees-Delinquent Tax Collections | | | 6,650 | (6,650) |
| Tax Assessor Collector Fees | | | 5,413 | (5,413) |
| Other | <u>11,580</u> | <u>11,580</u> | <u>5,984</u> | <u>5,596</u> |
| TOTAL EXPENDITURES | <u>\$ 1,559,651</u> | <u>\$ 1,561,451</u> | <u>\$ 1,603,954</u> | <u>\$ (42,503)</u> |
| NET CHANGE IN FUND BALANCE | \$ (76,037) | \$ (77,837) | \$ (90,666) | \$ (12,829) |
| FUND BALANCE - JANUARY 1, 2010 | <u>350,391</u> | <u>350,391</u> | <u>350,391</u> | |
| FUND BALANCE - DECEMBER 31, 2010 | <u>\$ 274,354</u> | <u>\$ 272,554</u> | <u>\$ 259,725</u> | <u>\$ (12,829)</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5

SUPPLEMENTARY INFORMATION

REQUIRED BY FORT BEND COUNTY

DECEMBER 31, 2010

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
STATEMENT OF CASH FLOWS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tax Receipts (including penalty and interest) collected by Fort Bend County | \$ 1,612,011 |
| Cash Payments to Northeast Fort Bend County Fire Department | (1,544,911) |
| Cash Payments to Other Suppliers of Goods and Services | <u>(52,520)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 14,580</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Receipt of Interest Revenue from Investments | <u>\$ 2,213</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>\$ 2,213</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 16,793 |
| CASH AND CASH EQUIVALENTS – JANUARY 1, 2010 | <u>971,532</u> |
| CASH AND CASH EQUIVALENTS – DECEMBER 31, 2010 | <u>\$ 988,325</u> |
| RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES TO CASH PROVIDED BY OPERATING ACTIVITIES | |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (90,666) |
| Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided (used) by operating activities: | |
| Delete Investment Revenues | (2,213) |
| Decrease (Increase) in Receivables | 98,692 |
| Increase (Decrease) in Accounts Payable | (5,540) |
| Increase (Decrease) in Deferred Revenues | <u>14,307</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 14,580</u> |
| Cash | \$ 441,351 |
| Cash with Fort Bend County | <u>546,974</u> |
| Total Cash and Cash Equivalents | <u>\$ 988,325</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
LISTING OF THE NUMBER OF EMERGENCY
RESPONSES MADE WITHIN AND OUTSIDE THE DISTRICT -
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

| | |
|--|--------------|
| Number of Emergency Responses made Within the District | 1,896 |
| Number of Emergency Responses made Outside of the District | <u>-0-</u> |
| Total Emergency Responses | <u>1,896</u> |

See accompanying independent auditor's report.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 5
SCHEDULE OF INSURANCE AND BONDING COVERAGE
DECEMBER 31, 2010

| Type of Coverage | From To | Amount of Coverage | Insurer/Name |
|---|----------------------|-----------------------|--|
| FIDELITY BONDS | | | |
| Treasurer's Bond | 12/15/10 12/15/11 | \$ 100,000 | Hartford Casualty Insurance Company |
| Position Schedule Bond Per Commissioner | 12/15/10 12/15/11 | \$ 10,000 | Merchants Bonding Company |
| Public Employee Blanket Crime Bond | 12/15/10 12/15/11 | \$ 10,000 | Hartford Fire Insurance Company |
| COMMERCIAL GENERAL LIABILITY | 12/15/10 12/15/11 | | Mid-Continent Casualty Company |
| General Aggregate | | \$ 3,000,000 | |
| Each Occurrence | | 1,000,000 | |
| Personal/Advertising Injury | | 1,000,000 | |
| Product Liability | | 3,000,000 | |
| Fire Legal Liability | | 100,000 | |
| Hired Car and Non-Ownership Auto Liability | | 1,000,000 | |
| DIRECTORS AND OFFICERS LIABILITY | 12/15/10 12/15/11 | | Mid-Continent Casualty Company |
| Per Claim | | \$ 1,000,000 | |

See accompanying independent auditor's report.