

FORT BEND COUNTY EMERGENCY
SERVICES DISTRICT NO. 3

Financial Statements
with
Report of Independent Auditor

December 31, 2014

TABLE OF CONTENTS

Introductory Section

Title Page

Table of Contents

Financial Section

Page

Independent Auditors' Report

1

Management's Discussion and Analysis

3

Statement of Net Position and Governmental Fund Balance Sheet

6

Statement of Activities and Governmental Fund Revenues,
Expenditures, and Changes in Fund Balance

7

General Fund Statement of Revenues, Expenditures, and Changes
in Fund Balance Budget and Actual

8

Notes to Basic Financial Statements

9



CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Fort Bend County Emergency Services District No. 3

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fort Bend County Emergency Services District No. 3, (the "District") as of and for the year ended December 31, 2014, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fort Bend County Emergency Services District No. 3 as of December 31, 2014, and the respective changes in financial position and budgetary comparison for the year then ended in accordance 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 on pages 3 through 5 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.

Brenham, Texas
May 14, 2015

Seidel Schaefer

Fort Bend County
Emergency Services District No. 3
P.O. Box 295
Orchard, Texas 77464

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial activities of the Fort Bend County Emergency Services District No. 3 for the year ended 2014. The information presented herein should be considered in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

The Statement of Net Position and the Statement of Activities are statements required under GASB 34 and provide information about the activities of the district as a whole and present a longer-term view of the District's finances.

Overview of the Financial Statements

The annual report consists of three parts – Independent Auditors Report, Management Discussion and Analysis, Basic Financial Statements and Fund Financial Statements.

- The first statement shows Statements of Net Position and Governmental Funds Balance Sheet.
- The next statement presents the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The financial statements also include notes that explain some of the information in the financial statements and provide more details.

Reporting the District as a Whole

The accompanying **Government Wide Financial Statements** include two statements that present financial data for the district as a whole. The Statement of Activities reports information about the district as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All the current year revenues and expenses are taken into account regardless of when funds are received or paid.

These two statements report the District's net position and liabilities and changes in them. The difference between the District's assets and liabilities are one way to measure the district's financial position.

Reporting the District's Most Significant Funds

The fund financial statements provide detailed information about the District's general fund which is the only fund.

- General fund is a governmental fund. This fund focuses on how much money flows into and out of the district and the balances left at year end that are available for spending. The governmental fund statements provided detailed short term view of the District's general government operations and the basic services it provides.

Government-Wide Financial Statements

Statement of Net Position

	2013	2014
Current & Other Assets	213,252	254,710
Capital Assets	123,697	110,141
Total Assets	336,949	364,851
Outstanding Debt	112,112	91,734
Other Liabilities	13,915	7,541
Total Liabilities	126,026	99,275
Deferred Inflows of Resources	58,472	44,255
Net Position invested in Capital Assets, Net of related debt	11,586	18,407
Restricted Net Position	-	-
Unrestricted Net Position	140,866	202,914
Total Net Position	152,452	221,321

Statement of Activities

	2013	2014
Property Tax Revenue	160,850	172,103
Other Income	2,334	8,427
Total Revenue	163,184	180,530
Professional Fees	14,116	17,986
Other Administrative Expenses	7,156	14,676
Department Expenses	103,472	78,999
Total Expenses	124,744	111,661
Change in Net Position	38,440	68,869

As of December 31, 2014, the District had net position of \$221,321. As of December 31, 2013 net position was \$152,452 for a net increase of \$68,869.

Property Taxes increased by \$11,253 in 2014 due to an increase in the property tax values for the 2013 assessment.

General Fund Budget

Differences between the original budget and the actual income/expense are summarized as follows:

- Overall, expenses were \$41,699 less than budgeted in 2014. The District budgeted approximately \$9,600 for station repairs that were not expensed. Payments to the Fire Department were below the budgeted amounts.

Long Term Debt

At the end of the 2014 fiscal year, the District owed \$91,734 on the capital lease. The lease was for the purchase of a fire truck that was leased to the Orchard Volunteer Fire Department.

Contacting the District's Financial Management

This financial report is designed to provide our taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have a question about this report or need additional information, contact Fort Bend County Emergency Services District No. 3, P.O. Box 295, Orchard, Texas 77464.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3

Statement of Net Position and
Governmental Funds Balance Sheet
December 31, 2014

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 223,221	\$ -	\$ 223,221
Receivables, tax	13,731	-	13,731
Prepaid insurance	-	1,329 (4)	1,329
Due from Fort Bend County Tax Office	16,429	-	16,429
Capital assets	-	110,141 (3)	110,141
Total Assets	<u>\$ 253,381</u>	<u>111,470</u>	<u>364,851</u>
LIABILITIES			
Accounts payable	3,701	-	3,701
Accrued interest	-	3,840 (1)	3,840
Current portion of lease obligation	-	21,351 (1)	21,351
Lease obligation, net of current portion	-	70,383 (1)	70,383
Total Liabilities	<u>3,701</u>	<u>95,574</u>	<u>99,275</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	57,125	(12,870) (2)	44,255
Total Deferred Inflows of Resources	<u>57,125</u>	<u>(12,870)</u>	<u>44,255</u>
FUND BALANCE / NET POSITION			
Fund Balance:			
Assigned	100,283	(100,283)	-
Unassigned	92,272	(92,272)	-
	<u>192,555</u>	<u>(192,555)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 253,381</u>		
Net Position:			
Invested in capital assets, net of related debt		18,407	18,407
Restricted		-	-
Unrestricted		202,914	202,914
Total Net Position		<u>\$ 221,321</u>	<u>\$ 221,321</u>

- (1) Long-term liabilities are not due and payable in current year and therefore are not reported in the general fund.
- (2) Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.
- (3) Capital assets are not financial resources and are not reported in the general fund.
- (4) Prepaid assets in governmental activities are not financial resources and therefore are not reported in the governmental funds.

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Statement of Activities and
Governmental Fund Statements of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 2014

	General Fund	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 174,429	\$ (2,326) (3)	\$ 172,103
Penalty and interest	8,327	-	8,327
Interest income	100	-	100
Total revenues	182,856	(2,326)	180,530
Expenditures/expenses:			
Administrative:			
Tax collection fee 1%	1,681	-	1,681
Central Appraisal District fees	1,140	-	1,140
Professional fees	17,986	-	17,986
Office	1,360	(1,328) (5)	32
Advertising	88	-	88
Board fee	2,607	-	2,607
Miscellaneous	9,128	-	9,128
Department:			
Orchard Volunteer Fire Department			
Operations	60,933	-	60,933
Depreciation expense	-	13,556 (4)	13,556
Debt service:			
Principal	20,377	(20,377) (1)	-
Interest	5,363	(853) (2)	4,510
Total expenditures/expenses	120,663	(9,002)	111,661
Change in fund balance/ net position	62,193	6,676	68,869
Fund balance / net position:			
Beginning of the year	130,362	22,090	152,452
End of the year	\$ 192,555	\$ 28,766	\$ 221,321

- (1) Repayment of lease principal is an expenditure in general fund, but the repayment reduces long-term liabilities in the Statement of Net Position.
- (2) Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund.
- (3) In the governmental fund, property taxes that are receivable, but not available are not recognized as income and are deferred.
- (4) General fund reports capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated based upon their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.
- (5) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended December 31, 2014

	Original / Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues:			
Property taxes	\$ 162,363	\$ 174,429	\$ 12,066
Penalty and interest	-	8,327	8,327
Interest income	-	100	100
Total revenues	<u>162,363</u>	<u>182,856</u>	<u>20,493</u>
Expenditures:			
Administrative			
Tax collection fee 1%	3,000	1,681	(1,319)
Central Appraisal District fees	1,030	1,140	110
Professional fees	15,300	17,986	2,686
Bond fee	125	-	(125)
Office	50	1,360	1,310
Board reimbursement fee	2,400	2,607	207
Advertising	100	88	(12)
Miscellaneous	5,239	9,128	3,889
Fire Protection and Safety:			
Orchard Volunteer			
Fire Department:			
Operations	99,795	60,933	(38,862)
Station repairs	9,584	-	(9,584)
Debt service:			
Principal	19,446	20,377	931
Interest	6,294	5,363	(931)
Total expenditures	<u>162,363</u>	<u>120,663</u>	<u>(41,700)</u>
Change in fund balance	-	62,193	62,193
Fund balance, beginning of the year	<u>130,362</u>	<u>130,362</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 130,362</u>	<u>\$ 192,555</u>	<u>\$ 62,193</u>

The notes to the financial statements are an integral part of this statement.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2014

8. Long-term debt

The District along with the Orchard Volunteer Fire Department has entered into a lease agreement as lessee for financing a fire truck used by the Department. Assets under lease total \$271,116 and are reported in the Government-Wide Financial Statements net of accumulated depreciation of \$110,141. Amortization expense is included in depreciation expense. The following is a schedule of the future minimum lease payments under this lease and the present value of the minimum lease payments at December 31, 2014:

<u>Year Ending December 31:</u>		
2015	\$	25,740
2016		25,740
2017		25,740
2018		25,740
Total minimum lease payments		<u>102,960</u>
Less: amount representing interest cost		<u>(11,226)</u>
Present value of minimum lease payments	\$	<u><u>91,734</u></u>

Changes in Long-Term Liabilities. During the year ended December 31, 2014, the following changes occurred in long-term debt:

	<u>Beginning</u>		<u>Ending</u>		<u>Due within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Capital lease obligation	\$ 112,111	\$ -	\$ 20,377	\$ 91,734	\$ 21,351

9. Commitments

The Fire Department entered into a capital lease for a 2000 Gallon Tanker Truck in 2006 and received a grant of \$108,000 to be applied to this purchase. The truck was received and placed in service in 2007. Based upon the agreement with the Fire Department, the District will reimburse the Department for the remaining payments toward this purchase. The first payment was made July 2007 in the amount of \$16,095. Future payments of \$16,095 will be paid annually until 2018.

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3
Notes to Basic Financial Statements
December 31, 2014

10. Subsequent Events

In April 2015, the District entered into a construction contract for renovations to be done on the fire station in the amount of \$12,400.