

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

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Ubernosky & Majeres, PLLC
Certified Public Accountants

820 Gessner, Suite 1200 • Houston, Texas 77024 • Office: 713.935.0071 • Fax: 713.935.0639 • www.umpllc.com

Board of Commissioners
Fort Bend County Emergency Services District No. 2
Fort Bend County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities of the general fund of Fort Bend County Emergency Services District No. 2, Fort Bend County, Texas, 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 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 that 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 financial position of the governmental activities of the general fund of Fort Bend County Emergency Services District No.2, Fort Bend County, Texas, as of December 31, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 7 and 21 through 22 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 the 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 sufficient evidence to express an opinion or provide any assurance.

Ubernosky & Majeres PLLC

UBERNOSKY & MAJERES, PLLC
Houston, TX

June 9, 2015

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

Our discussion and analysis of the Fort Bend Emergency Services District No.2's financial performance provides an overview of the district's financial activities for the fiscal year ended December 31, 2014. Please review it in conjunction with the District's financial statements which begin on page 8 of this report.

FINANCIAL HIGHLIGHTS

- Total net assets at December 31, 2014 were \$18,015,329 as compared to \$15,874,062 as of December 31, 2013, representing an increase in total net assets of \$2,141,267 or 13%.
- The total 2014 assessed tax levy of the District, which will be used to fund operations for the 2015 calendar year, is \$4,705,763 as compared to the total 2013 assessed tax levy of \$4,162,532, an increase of \$543,231 or 13%.
- The District incurred \$2,685,652 of expenses during the year ended December 31, 2014 as compared to \$2,409,888 for the year ended December 31, 2013, representing an increase in expenses of \$275,764 or 11%.
- The general fund reported a fund balance of \$6,880,543 at December 31, 2014 as compared to \$7,912,794 as of December 31, 2013, representing a decrease in general fund balance of \$1,032,251 or 13%.
- As of December 31, 2014, the District has identified approximately \$1,273,800 of future capital expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8-9) provide information about the activities of the District as a whole. Fund financial statements are included on pages 10-13. The notes provide additional information essential to a full understanding of the data provided in the government-wide financial statements (statement of net assets and the statement of activities), and the fund financial statements. The notes to the basic financial statements can be found on pages 14-20 of this report.

The government-wide financial statements are designed to present a longer-term view of an entity's finances and are prepared under the *full accrual basis of accounting*. These statements include all of the assets and liabilities of the District using methods similar to those used by private-sector companies.

Fund financial statements use a *modified accrual basis of accounting* and focus on sources and uses of cash in the near term, measuring cash and all other financial assets that can be readily converted to cash.

The District's services are reported through one governmental fund, the General Fund.

DISTRICT FINANCIAL SUMMARY

The District levies property taxes on residents of the District to cover the costs of providing emergency services. Below is a summary of the taxes assessed for the years ended December 31, 2014 and 2013.

	For the Years ended December 31,	
	<u>2014</u>	<u>2013</u>
Total Property Valuations	\$ 4,801,798,980	\$ 4,247,481,633
Tax Rate per \$100 Valuation	<u>.000980</u>	<u>.000980</u>
Taxes Assessed	<u>\$ 4,705,763</u>	<u>\$ 4,162,532</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

DISTRICT FINANCIAL SUMMARY (continued)

The collections received from the tax levy and the cost of providing emergency services and other general expenses of the District are summarized below:

	For the Years ended December 31,	
	<u>2014</u>	<u>2013</u>
Property Tax Revenue	\$ 4,761,486	\$ 4,197,219
Penalties and Interest	19,104	10,367
Interest Income	43,149	36,891
False Alarm Fees	2,200	-
Miscellaneous	980	4,502
Donations	-	5,000
Cost of Emergency Services	(2,210,569)	(2,022,582)
General Government	(389,331)	(337,646)
Interest on Long Term Debt	(85,752)	(49,660)
 Increase in Net Assets	 <u>\$ 2,141,267</u>	 <u>\$ 1,844,091</u>

The District's total net assets as of December 31, 2014 and 2013 are summarized below:

	As of December 31,		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets (non-capital)	\$ 11,605,091	\$ 12,094,923	\$(489,832)
Assets (capital)	9,226,763	7,219,153	2,007,610
Liabilities (current)	(241,850)	(98,750)	(143,100)
Liabilities (non-current)	(2,574,675)	(3,341,264)	766,589
 Net Assets	 <u>\$ 18,015,329</u>	 <u>\$ 15,874,062</u>	 <u>\$ 2,141,267</u>

Following is a summary of the differences between the District's significant budgeted amounts vs. actual amounts reported in the general fund for the year ended December 31, 2014, which is more fully detailed on page 21 of this report:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues:</u>			
Property Tax Revenue	\$ 4,120,907	\$ 4,218,253	\$ 97,346
Penalties and Interest	-	19,104	19,104
Interest Income	30,000	43,149	13,149
Other	238,585	3,180	(235,405)
 <u>Expenditures:</u>			
Purchase of Capital Assets	1,580,363	2,377,158	(796,795)
Emergency Services	2,042,035	1,841,019	201,016
Principal & Interest	178,200	708,429	(530,229)
Other General Expenses	538,157	389,331	148,826
Contingencies	50,000	-	50,000
 Net Variance - Favorable	 <u>\$ 737</u>	 <u>\$(1,032,251)</u>	 <u>\$(1,032,988)</u>

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

The Commissioners of the District as of the date of this report are as follows:

Mr. Thomas M. Raia Jr, President

Mr. Robert Miller, Vice President

Mr. Jack Hazel, Treasurer

Ms. Marti Thorne, Secretary

Mr. John Schwin, Asst. Treasurer

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

STATEMENT OF NET ASSETS

DECEMBER 31, 2014

ASSETS:

CURRENT ASSETS:

Cash	\$ 1,431,366
Certificates of deposit	6,099,257
Short term investments	683,896
Taxes receivable	1,989,991
Due from tax assessor/collector	1,390,484
Prepays and other current assets	10,097
	<hr/>
Total Current Assets	11,605,091

NON-CURRENT ASSETS:

Capital Assets:

Buildings and improvements	4,980,943
Emergency service equipment	3,917,846
Prepaid emergency equipment	1,193,520
Construction in progress	1,026,500
Station furniture and equipment	304,014
Land	56,050
Accumulated depreciation	(2,252,110)
	<hr/>
Total Non-Current Assets	9,226,763
	<hr/>
Total Assets	20,831,854

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	18,785
Interest payable	61,740
Current portion of long term debt	161,325
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Total Current Liabilities	241,850

NON-CURRENT LIABILITIES:

Long-term debt	2,574,675
	<hr/>
Total Liabilities	2,816,525

NET ASSETS:

Investments in capital assets - net of related debt	6,490,763
Restricted:	
Prepaid expenses	10,097
Committed:	
Emergency operations	3,000,000
Capital asset replacement	1,688,420
Unrestricted net assets	6,826,049
	<hr/>
Total Net Assets	\$ 18,015,329

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Contributions</u>	<u>Net (Expense) Revenue</u>
Primary Government:			
Governmental Activities:			
Public safety - emergency services	\$ 2,210,569	\$ -	\$ (2,210,569)
General government	389,331	-	(389,331)
Interest on long term debt	85,752	-	(85,752)
Total Government Activities	<u>\$ 2,685,652</u>	<u>\$ -</u>	<u>(2,685,652)</u>
 <u>GENERAL REVENUES:</u>			
Property taxes			4,761,486
Penalties and interest			19,104
Interest income			43,149
False alarm fees			2,200
Miscellaneous			980
Total General Revenues			<u>4,826,919</u>
Change in Net Assets			2,141,267
Net Assets - Beginning of Year			<u>15,874,062</u>
Net Assets - End of Year			<u>\$ 18,015,329</u>

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

BALANCE SHEET - GOVERNMENTAL FUND

DECEMBER 31, 2014

ASSETS:

Cash	\$ 1,431,366
Certificates of deposit	6,099,257
Short term investments	683,896
Taxes receivable	1,989,991
Due from tax assessor/collector	1,390,484
Prepays and other current assets	10,097
	<hr/>
Total Assets	<u>\$ 11,605,091</u>

LIABILITIES AND FUND BALANCE:

LIABILITIES:

Accounts payable	\$ 18,785
Deferred tax revenue	4,705,763
	<hr/>
Total Liabilities	<u>4,724,548</u>

FUND BALANCE:

Nonspendable:	
Prepaid expenses	10,097
Committed for:	
Emergency operations	3,000,000
Capital asset replacement	1,688,420
Unassigned	2,182,026
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Total Fund Balance	<u>6,880,543</u>
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Total Liabilities and Fund Balance	<u>\$ 11,605,091</u>

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

BALANCE SHEET - GOVERNMENTAL FUND

DECEMBER 31, 2014

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Total Government Fund Balance:</u>	\$ 6,880,543
Capital assets used in governmental activities are not financial resources and therefore are not recorded in the governmental fund financial statements.	11,478,873
Accumulated depreciation has not been included in the governmental fund financial statements.	(2,252,110)
Deferred revenues are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	4,705,763
Interest expense is accrued on outstanding debt in the statement of net assets, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(61,740)
Obligations incurred under debt financed construction are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,736,000)</u>
<u>Net Assets of Governmental Activities:</u>	<u>\$ 18,015,329</u>

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

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES:

Property taxes	\$ 4,218,253
Penalties and interest	19,104
Interest income	43,149
False alarm fees	2,200
Miscellaneous	980
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Total Revenues	4,283,686

EXPENDITURES:

Purchase of capital assets - net	2,377,158
Wages and payroll taxes - firefighters	1,621,472
Fire station note principal	637,495
Repairs and maintenance	180,422
Consumables	71,204
Fire station note loan interest	70,934
Insurance	67,344
Wages and payroll taxes - administration	67,060
Legal and professional fees	57,519
Utilities	46,929
Tax collector fees	28,124
Fuel	25,454
Telephone and communications	23,714
Office expenses	20,020
Appraisal district fees	10,317
Commissioners fees and expenses	6,412
Travel and meals	4,359
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Total Expenditures	5,315,937
(Excess) of Expenditures Over Revenues	(1,032,251)
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Fund Balance - Beginning of Year	7,912,794
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Fund Balance - End of Year	\$ 6,880,543

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