

**FORT BEND COUNTY EMERGENCY  
SERVICES DISTRICT NO. 3**

**Financial Statements  
with  
Report of Independent Auditor**

**December 31, 2016**

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SERVICES DISTRICT NO. 3

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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, 2016, 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, 2016, 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  
April 14, 2017

*Sidel Schneider*

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 2016. 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*

	2016	2015
Current & Other assets	\$ 253,742	\$ 271,644
Capital assets	83,029	96,585
Total assets	336,771	368,229
Outstanding debt	24,567	70,383
Other liabilities	6,491	6,346
Total liabilities	31,058	76,729
Deferred inflows of resources	52,381	73,187
Net investment in capital assets	58,462	26,202
Restricted net position	-	-
Unrestricted net position	194,870	192,111
Total net position	253,332	218,313

#### *Statement of Activities*

	2016	2015
Property tax revenue	\$ 151,921	\$ 156,150
Other income	388	2,066
Total revenue	152,309	158,216
Professional fees	13,388	16,863
Other administrative expenses	6,431	7,270
Department expenses	97,471	137,091
Total expenses	117,290	161,224
Change in net position	35,019	(3,008)

As of December 31, 2016, the District had net position of \$253,332. As of December 31, 2015 net position was \$218,313 for a net increase of \$35,019.

Property taxes decreased by \$4,229 in 2016 due to a decrease in the property tax values for the 2015 assessment.

Department expenses decreased by \$39,620 in 2016 due to a decrease in some of the District's line items on the budget.

#### General Fund Budget

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

- Overall, expenses were \$16,152 more than budgeted in 2016. Debt service expenditures were \$25,730 more than budgeted because the 2017 note payment was made in December, 2016.

#### Long Term Debt

At the end of the 2016 fiscal year, the District owed \$24,567 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, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 204,014	\$ -	\$ 204,014
Receivables, tax	12,340	-	12,340
Prepaid insurance	-	1,166 (4)	1,166
Due from Fort Bend County Tax Office	36,222	-	36,222
Capital assets	-	83,029 (3)	83,029
Total Assets	<u>\$ 252,576</u>	<u>84,195</u>	<u>336,771</u>
<b>LIABILITIES</b>			
Accounts payable	6,459	-	6,459
Accrued interest	-	32 (1)	32
Lease obligation, net of current portion	-	24,567 (1)	24,567
Total Liabilities	<u>6,459</u>	<u>24,599</u>	<u>31,058</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	63,953	(11,572) (2)	52,381
Total Deferred Inflows of Resources	<u>63,953</u>	<u>(11,572)</u>	<u>52,381</u>
<b>FUND BALANCE / NET POSITION</b>			
Fund Balance:			
Assigned	100,661	(100,661)	-
Unassigned	81,503	(81,503)	-
	<u>182,164</u>	<u>(182,164)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 252,576</u>		
Net Position:			
Net investment in capital assets		58,462	58,462
Restricted		-	-
Unrestricted		194,870	194,870
Total Net Position		<u>\$ 253,332</u>	<u>\$ 253,332</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 Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
For the Year Ended December 31, 2016

	General Fund	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 149,696	\$ (380) (3)	\$ 149,316
Penalty and interest	2,605	-	2,605
Interest income	195	-	195
Miscellaneous	193	-	193
Total revenues	<u>152,689</u>	<u>(380)</u>	<u>152,309</u>
Expenditures/expenses:			
Administrative:			
Tax collection fee 1%	1,316	-	1,316
Central Appraisal District fees	926	-	926
Professional fees	13,388	-	13,388
Office	1,204	506 (5)	1,710
Advertising	79	-	79
Board fee	2,400	-	2,400
Department:			
Orchard Volunteer Fire Department			
Operations	81,165	-	81,165
Depreciation expense	-	13,556 (4)	13,556
Debt service:			
Principal	45,816	(45,816) (1)	-
Interest	5,664	(2,914) (2)	2,750
Total expenditures/expenses	<u>151,958</u>	<u>(34,668)</u>	<u>117,290</u>
Change in fund balance/ net position	731	34,288	35,019
Fund balance / net position:			
Beginning of the year	<u>181,433</u>	<u>36,880</u>	<u>218,313</u>
End of the year	<u>\$ 182,164</u>	<u>\$ 71,168</u>	<u>\$ 253,332</u>

- (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  
Notes to Basic Financial Statements  
December 31, 2016

5. Assigned fund balance

As of December 31, 2016 the Board has assigned \$100,661 for capital outlay expenditures for the District or the Orchard Volunteer Fire Department.

6. Contract with Orchard Volunteer Fire Department

The District has entered into a contract with the Orchard Volunteer Fire Department. Within the District's geographical area, the Department has agreed to provide fire prevention and medical emergency training and to respond to requests for assistance in the event of fire and/or medical emergencies. The District has agreed to pay the Department's monthly submitted and approved bills not to exceed the taxes collected less the District's administrative expenses.

7. Capital Assets

The following is a summary of capital asset activity during the year ended December 31, 2016.

	Balance at Dec. 31, 2015	Additions/ Completion	Retirements/ Adjustments	Balance Dec. 31, 2016
<u>Governmental activities</u>				
Capital assets being depreciated				
Machinery and equipment	\$ 271,116	\$ -	\$ -	\$ 271,116
Total at historical cost	271,116	-	-	271,116
Less: accumulated depreciation for:				
Machinery and equipment	174,531	13,556	-	188,087
Total accumulated depreciation	174,531	13,556	-	188,087
Total capital assets being depreciated, net	96,585	(13,556)	-	83,029
Governmental activities capital assets, net	<u>\$ 96,585</u>	<u>\$ (13,556)</u>	<u>\$ -</u>	<u>\$ 83,029</u>

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 \$188,087. 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, 2016:

FORT BEND COUNTY EMERGENCY SERVICES DISTRICT NO. 3  
Notes to Basic Financial Statements  
December 31, 2016

<u>Year Ending December 31:</u>	
2018	<u>\$ 25,740</u>
Total minimum lease payments	25,740
Less: amount representing interest cost	<u>(1,173)</u>
Present value of minimum lease payments	<u><u>\$ 24,567</u></u>

*Changes in Long-Term Liabilities.* During the year ended December 31, 2016, the following changes occurred in long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Capital lease obligation	\$ 70,383	\$ -	\$ 45,816	\$ 24,567	\$ -

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. Payments of \$16,095 will be paid annually until 2018.