

**MONTGOMERY COUNTY
EMERGENCY SERVICES DISTRICT #10**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

MONTGOMERY COUNTY
EMERGENCY SERVICES DISTRICT #10
Table of Contents
December 31, 2012

	<u>Page</u>
List of Officials	-
Management's Discussion and Analysis	1-4
Independent Auditors' Report	-
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements	
Balance Sheet - Governmental Funds	7
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds	10
Notes to the Financial Statements	11-25
Required Supplemental Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	26
Other Supplemental Information:	
Statement of Expenses - Governmental Funds	27
Ad Valorem Tax Data	28

**MONTGOMERY COUNTY
EMERGENCY SERVICES DISTRICT #10**

**BOARD OF COMMISSIONERS
AND TERMS**

**Bob Buschardt, President
January 2012 to December 2013**

**Wesley Werner, Vice President
January 2012 to December 2013**

**Dwight Arnold, Treasurer/Investment Officer
January 2013 to December 2014**

**Andrew W. Brown, Secretary
January 2013 to December 2014**

**Johnnie Bryant, Assistant Treasurer/Assistant Secretary
January 2013 to December 2014**

**The mailing address for the District
And Commissioners is:**

**P.O. Box 1343
Magnolia, Texas 77353**

**MONTGOMERY COUNTY EMERGENCY
SERVICES DISTRICT #10
Management's Discussion and Analysis**

Our discussion and analysis of Montgomery County Emergency Services District #10's (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2012. Please read this in conjunction with the District's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

The District's assets increased by \$2,140,201. Long-term debt increased by \$1,402,318. Net assets decreased by \$7,840 during 2012.

During the year, the District had revenues that were \$403,726 less than the prior year. Total expenses were \$283,775 less than in 2011. The decrease in expenses was due to additional salary and equipment costs for the 2011 wildfires.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements are also presented. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

One of the most important questions asked about the District's finances is, "Is Montgomery County Emergency Services District #10 improved as a whole as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets-the difference between assets and liabilities-as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the firefighting services provided, to assess the overall health of the District.

Reporting the District's Most Significant Funds

The fund financial statements begin on page 7 and provide detailed information about the most significant funds-not the District as a whole.

Governmental Funds

All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds in a reconciliation at the bottom of the fund financial statements.

THE DISTRICT AS A WHOLE

The District's total assets increased by \$2,140,201 (11.7%). Long-term debt increased by \$1,402,318 (24.13%). Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Table 1 - Net Assets
Governmental Activities

	2011	2012
Current & Other Assets	\$ 7,452,940	\$ 10,113,879
Capital Assets	10,836,199	10,315,461
Total Assets	<u>18,289,139</u>	<u>20,429,340</u>
Long-Term Debt	5,811,445	7,213,763
Deferred Revenue	1,958,157	2,587,339
Other Liabilities	18,800	135,341
Total Liabilities	<u>7,788,402</u>	<u>9,936,443</u>
Net Assets:		
Invested in Capital		
Assets-Net of Debt	5,024,754	3,101,698
Assigned	1,388,423	851,686
Unassigned	4,087,560	6,539,513
Total Net Assets	<u>\$ 10,500,737</u>	<u>\$ 10,492,897</u>

Net assets of the District decreased by .07%. (\$10,500,737 as compared to \$10,492,897). Unassigned net assets that can be used by the District for specific purposes that are not classified as nonspendable, restricted, or committed increased from \$4,087,560 at December 2011 to \$6,539,513 at the end of this year.

Table 2 - Changes in Net Assets
Governmental Activities

	Governmental Activities	
	2011	2012
Revenues		
Ad valorem taxes and penalties	\$ 4,311,112	\$ 3,932,349
Other	140,322	115,359
Total Revenues	4,451,434	4,047,708
Program Expenses		
General	4,339,323	4,055,548
Increase (Decrease) in Net Assets	\$ 112,111	\$ (7,840)

Governmental Activities

Revenues for the District's governmental activities decreased by 9.07% and total expenses decreased 6.54%. The 2012 change in net assets was \$119,951 lower than in 2011.

THE DISTRICT'S FUNDS

Governmental Funds - The purpose of the District's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the district completed the year, its governmental funds (as presented in the balance sheet on page 7) reported a combined fund balance of \$7,391,199. This is 34.97% higher than the prior year fund balance of \$5,475,983. Of the combined fund balance, \$851,686 is assigned and \$6,539,513 is unassigned, which include all residual amounts in governmental funds that are not classified as nonspendable, restricted, or committed.

Governmental Fund Budgetary Highlights

Governmental fund revenues were \$1,942,616 higher than budgeted and expenses were \$189,820 more than budgeted. The higher revenues include loan proceeds of \$2,200,000 which were not budgeted. Overall, on a budgetary basis, the District had a positive variance of \$1,752,796 for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2012, the District had \$10,315,461, net of accumulated depreciation, invested in a broad range of capital assets, including firefighting equipment, buildings and vehicles. This amount represents a net decrease of \$520,738, or 4.81%, from last year. The current depreciation expense was \$869,490.

Table 3 - Capital Assets at Year-end
Governmental Activities

	Governmental Activities	
	2011	2012
Land and buildings	\$ 7,943,672	\$ 8,108,190
Vehicles	7,050,465	7,050,465
Equipment and gear	2,288,455	2,472,689
Less depreciation	(6,446,393)	(7,315,883)
Total Assets	<u>\$ 10,836,199</u>	<u>\$ 10,315,461</u>

Debt

At December 2012 the District had \$7,213,763 in notes payable outstanding. This represents an increase of \$1,402,318 from 2011. New debt of \$2,200,000 was added during the current year. All long-term debt is currently scheduled to be paid off in 2022.

Table 4 - Outstanding Debt at Year-end
Governmental Activities

	Governmental Activities	
	2011	2012
Station	\$ 3,994,644	\$ 3,711,846
Refinance pumpers and tankers	371,111	-
Fire trucks & equipment	-	2,200,000
Fire trucks (3)	1,445,690	1,301,917
Total Long-Term Debt	<u>\$ 5,811,445</u>	<u>\$ 7,213,763</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed officials and citizens considered many factors when setting the 2013 budget. The economy, employment growth, traffic patterns and other factors were all a part of the factors used. The general fund revenues were budgeted at \$4,286,961. The combined ad valorem tax rate will remain at 10.00 cents per hundred dollars of valuation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 questions about this report or need additional financial information, contact the District Secretary at Station 181 at 18215 Buddy Riley Blvd., Magnolia, Texas 77354.

VANWASSEHNOVA AND ASSOCIATES
Certified Public Accountants

Independent Auditors' Report

To the Board of Commissioners
Montgomery County Emergency Services District #10
Magnolia, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County Emergency Services District #10 (District), as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to the financial statements.

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 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 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, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2012, and the respective 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

VanWassehnova & Associates

VanWassehnova & Associates
April 25, 2013

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10

Statement of Net Position

December 31, 2012

	Governmental	
	Activities	Total
Assets		
Cash and cash equivalents	\$ 2,638,707	\$ 2,638,707
Certificates of deposit/investments	2,216,017	2,216,017
Loan Escrow account	2,200,100	2,200,100
Prepaid expenses	314,108	314,108
Receivables, net	2,744,947	2,744,947
Capital assets, net	10,315,461	10,315,461
Total assets	<u>20,429,340</u>	<u>20,429,340</u>
Liabilities		
Accounts payable	135,341	135,341
Noncurrent liabilities:		
Due within one year	645,559	645,559
Due in more than one year	6,568,204	6,568,204
Total liabilities	<u>7,349,104</u>	<u>7,349,104</u>
Deferred inflow of resources		
Nonexchange revenue transactions (property taxes)	<u>2,587,339</u>	<u>2,587,339</u>
Net position		
Invested in capital assets, net of related debt	3,101,698	3,101,698
Restricted	851,686	851,686
Unrestricted	6,539,513	6,539,513
Total net position	<u>\$ 10,492,897</u>	<u>\$ 10,492,897</u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10

Statement of Activities

For the Year Ended December 31, 2012

Function/programs	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government:		
General government	\$ 3,785,802	\$ (3,785,802)
Interest on long-term debt	269,746	(269,746)
	<hr/>	<hr/>
Total primary government	<u>\$ 4,055,548</u>	<u>(4,055,548)</u>
General revenues:		
Ad valorem taxes		3,885,071
Penalties		47,278
Miscellaneous		103,375
Investment earnings		11,984
		<hr/>
Total general revenues		<u>4,047,708</u>
Change in net position		(7,840)
Net position - beginning of year		<u>10,500,737</u>
Net position - end of year		<u>\$ 10,492,897</u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10

Balance Sheet

Governmental Funds

December 31, 2012

	Governmental Fund Types		
	General	Debt Service	Total
Assets			
Cash and cash equivalents	\$ 531,884	\$ 2,106,823	\$ 2,638,707
Loan Escrow account	2,200,100	-	2,200,100
Certificates of deposit/investments	1,558,525	657,492	2,216,017
Prepaid expenses	314,108	-	314,108
Receivables, net of uncollectibles:			
Delinquent taxes	2,562,694	24,645	2,587,339
Due from other funds	1,912,751	-	1,912,751
Due from State	99,672	-	99,672
Other	57,814	122	57,936
	\$ 9,237,548	\$ 2,789,082	\$12,026,630
Liabilities			
Accounts payable	\$ 135,341	\$ -	\$ 135,341
Due to other funds	-	1,912,751	1,912,751
Advances of tax revenues	2,562,694	24,645	2,587,339
	2,698,035	1,937,396	4,635,431
Fund balance			
Fund balance - assigned	-	851,686	851,686
Fund balance - unassigned	6,539,513	-	6,539,513
	6,539,513	851,686	7,391,199
	\$ 9,237,548	\$ 2,789,082	\$12,026,630

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
December 31, 2012

Total governmental fund balances	\$ 7,391,199
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not reported in governmental funds	10,315,461
Long-term liabilities are not reported as liabilities in the governmental funds	<u>(7,213,763)</u>
Net position of governmental activities	<u><u>\$10,492,897</u></u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General Fund	Debt Service	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Ad valorem taxes	\$ 3,875,857	\$ 9,214	\$ 3,885,071
Penalty & interest	44,859	2,419	47,278
Investment earnings	10,068	1,916	11,984
Loan Proceeds	2,200,000	-	2,200,000
Other income	103,364	11	103,375
Total revenues	<u>6,234,148</u>	<u>13,560</u>	<u>6,247,708</u>
Expenditures			
Current:			
General government	3,100,546	164,518	3,265,064
Interest on long-term debt	269,746	-	269,746
Payments on long-term debt	797,682	-	797,682
Total expenditures	<u>4,167,974</u>	<u>164,518</u>	<u>4,332,492</u>
Change in fund balance before transfers	2,066,174	(150,958)	1,915,216
Transfers	<u>385,779</u>	<u>(385,779)</u>	<u>-</u>
Net change in fund balance	2,451,953	(536,737)	1,915,216
Fund balances-beginning of year	<u>4,087,560</u>	<u>1,388,423</u>	<u>5,475,983</u>
Fund balances-end of year	<u>\$ 6,539,513</u>	<u>\$ 851,686</u>	<u>\$ 7,391,199</u>

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2012

Net change in fund balances-total governmental funds \$ 1,915,216

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation for the year. (869,490)

This is the amount of capital expenditures for the year. 348,752

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of current year repayments. 797,682

This is the amount of current year loan proceeds. (2,200,000)

Change in net position of governmental activities \$ (7,840)

The accompanying notes are an integral part of the financial statements.

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10
Notes to Financial Statements
December 31, 2012

Note 1 - General Statement

Montgomery County Emergency Services District #10 (District) operates under Chapter 775, "Emergency Services Districts" of V.T.C.A., Health & Safety Code. The District was converted from a Rural Fire Prevention District on January 1, 1996.

The District is a duly organized emergency services district, created to protect life and property from fire and to conserve natural and human resources. The District is funded by property taxes as paid to it by its citizens (residential and commercial property owners). The District wants to provide fire fighting facilities and fire suppression and rescue services for its citizens. As the District does not employ personnel to provide such facilities and services, the District entered into a contract ("Service Agreement") with the Magnolia Volunteer Fire Department ("Department"). The Department is a duly qualified and sufficiently equipped and staffed independent entity located within the District and can provide such desired fire fighting facilities and fire suppression and rescue services.

The Service Agreement stipulates, in part, that all fire fighting and fire suppression and rescue service will be provided by the Department for the benefit of the Districts citizens. For such services, the District will provide, to the Department, sufficient revenue for the overall operations and payroll of the Department.

The Service Agreement is effective for a three year period commencing on January 1, 2009 and continuing through to December 31, 2011, and shall continue as provided unless explicitly terminated. The Service Agreement has not been explicitly terminated and continues to be in effect.

Note 2 - Summary of Significant Accounting Policies

The accompanying financial statements and accounting policies of the District are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described in the following notes to the financial statements.

The District applies all applicable GASB pronouncements as well as Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In the current year, the District implemented the following new GASB pronouncements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, enhances the usefulness of the financial statements by organizing all sources of generally accepted accounting principles for state and local governments into a single source in an effort to reduce the complexity of locating and using authoritative literature needed to prepare State and local government financial reports.

This statement is intended to enhance the usefulness of the GASB's Codification by incorporating guidance that previously could only be found in certain FASB and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement, which is effective for financial statement periods beginning after December 15, 2011, incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989:

- FASB Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure

District management expects no changes in the District's financial report as a result of implementing this statement.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. This statement provides a new statement of net position format to report all assets, deferred inflows and outflows of resources, liabilities, and net position (which is the residual amount of the other elements). The statement requires that deferred inflows and outflows of resources be reported separately from assets and liabilities and discusses how net position (no longer net assets) should be displayed. Ultimately, this statement will serve to standardize the presentation of deferred balances and their effects on a government's net position and address uncertainty related to their display. The provisions of this statement are effective for financial statement periods beginning after December 15, 2011. This statement has been implemented by the District with significant effect on the presentation of the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* improves financial reporting by clarifying the appropriate use of the financial statement elements, outflows or deferred outflows of resources and inflows or deferred inflows of resources. The provisions of this statement are effective for financial statement periods beginning after December 15, 2012, but early implementation is encouraged. Given the District's implementation of GASB Statement No. 63 and the presence of deferred inflows and outflows of resources, the District opted to early implement this statement. This statement has been implemented by the District with significant effect on the presentation of the financial statements.

A. Financial Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on this, the District has no component units.

B. Financial Statement Presentation

These financial statements include implementation of GASB Statement No. 63 and GASB 65, both of which amend GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement No. 34) and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 34, as amended by Statement No. 63, includes the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

Statement No. 34, as amended by Statement No. 63, established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position 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 improvement of those assets.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints 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.
- Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

C. Basic Financial Statements – Government-Wide Statements

The government-wide financial statements report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District maintains only a governmental activities fund.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

D. Basic Financial Statements - Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for the governmental activities. These statements present each major fund as a separate column on the fund financial statements. Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Debt service revenues are primarily from a tax levy in an amount sufficient to meet debt service requirements in the subsequent year and from interest received from investment of cash not immediately required for debt service payments.

E. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Revenues susceptible to accrual are property taxes and interest income. All other governmental fund type revenues are recognized when received.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

F. Fund Balances

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement No. 54). The objective of Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing governmental fund type definitions.

When implemented in prior year, the District evaluated the use of its Debt Service Fund under the criteria set forth in Statement No. 54 and determined that there is no change needed.

As prescribed by the Statement, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds can consist of the following:

Nonspendable Fund Balance—includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund Balance—includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance— includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally.

Assigned Fund Balance—includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) The Board of Commissioners or (b) a body (a budget, finance committee) to which the assigned amounts are to be specifically used.

Unassigned Fund Balance—includes all residual amounts in governmental funds that are not classified as nonspendable, restricted, committed, or assigned. Unassigned amounts are available for any purpose and may also be used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

G. Use of 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 about future events that may affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, estimates of the useful lives of fixed assets, and legal contingencies, among others. These estimates and assumptions are based on management’s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Adjustments to estimates and assumptions are made when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates, if any, will be reflected in the financial statements in future periods.

H. Budgetary Control

The District has established its fiscal year as the twelve-month period beginning January 1. The Board of Commissioners estimate expenditures for the ensuing fiscal year after which the Board President submits a budget of estimated expenditures and revenues to the District. The budget is then legally enacted through passage of an ordinance. The Board President is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Commissioners. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners. Individual amendments were not material in relation to the original adopted appropriations.

The District prepares its annual budget on a budget basis, which differs from a GAAP basis. The budget and all transactions are presented in accordance with the District's method (budget basis) in the Combined Statement of Revenues, Expenditures and Changes in Net Position—Budget and Actual to provide a meaningful comparison of actual results with the budget. The major difference between the budget and GAAP basis in the General Fund is that depreciation, since it is not a cash expense, is not budgeted. Depreciation for the General Fund for the year ending December 31, 2012 was \$869,490.

I. Cash and Cash Equivalents

The District defines cash on hand and demand deposits as cash. Cash equivalents are defined as highly liquid investments with a maturity of three months or less.

J. Investments

District investments include certificates of deposit and Texas Local Government Investment Pool.

K. Custodial Credit Risk

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's bank deposits, which exceed Federal Deposit Insurance Corporation (FDIC), which is \$250,000 for 2012, may not be returned to it.

In the case of investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

L. Due to/from, Receivables, and Transfers

Short-term amounts owed between funds are classified as "Due to/from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide statements as "internal balances". At December 31, 2012, the due to/from other funds balance showed a payable from the Debt Service Fund and a receivable to the General Fund of \$1,912,751.

Transfers between the governmental funds result primarily due to administration fees and capital assets and are recorded on the Statement of Revenues, Expenditure, and Changes in Net Position. At December 31, 2012, the transfer out/in showed a transfer from the Debt Service Fund to the General Fund in the amount of \$385,779.

All trade receivables are shown net of an allowance for uncollectible amounts.

M. Deferred Outflows / Inflows of Resources

The implementation of GASB Statement No. 65 requires that deferred inflows of resources be reported for imposed nonexchange revenue transactions (property taxes) when resources for the transaction are received or reported as a receivable before the period for which property taxes are levied. The full amount of property taxes receivable that has been recognized is offset against deferred inflows of resources. Revenues will subsequently be recognized in the fiscal year in which they become available to finance expenditures of that fiscal year.

N. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental columns in the government-wide financial statements. 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 estimated fair market value on the date donated. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Depreciation has been calculated on the estimated useful lives of each class of depreciable property using the straight-line method as follows:

Buildings and improvements	30 Years
Equipment	10-15 Years
Vehicles	5 Years

O. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. For the District, long-term obligations consist of notes payable and capital leases. The District is not obligated in any manner for special assessment debt. At December 31, 2012, the amount restricted for use to pay debt obligations is \$851,686.

Long-term debt is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest is reported as expenditures. In governmental fund balances, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of the net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the business-type fund upon payment, with an appropriate reduction of principal in the government-wide financial statements.

P. Advertising costs

Advertising costs are expensed as incurred and are reflected in the Statement of Revenues, Expenses, and Changes in Net Position. Advertising costs for the year ended December 31, 2012 were \$1,791.

Note 3 - Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract and can be categorized according to three levels of risk:

- Category #1 - Insured or registered for which the securities are held by the government agents in the District's name;
- Category #2 - Uninsured and unregistered for which the securities are held by the dealer's trust department or agent in the District's name; or
- Category #3 - Uninsured and unregistered for which the securities are held by the dealer or by its trust department but not in the District's name.

As of December 31, 2012, all of the District's deposits were classified as Category 1.

The bank deposits of the District, at times, may exceed the federally insured limit. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds against custodial credit risk exposure on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. District funds and taxes collected were adequately secured at all times during the year. The District has not experienced any losses in such accounts and management believes it is not exposed to any significant custodial risk on cash. In addition to the pledged securities, Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary (through December 31, 2012) unlimited deposit insurance coverage for non interest-bearing transaction accounts at all FDIC insured depository institutions.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, as amended by, GASB Statement No. 59, *Financial Instruments Omnibus*, the District reports all investments at fair value, except for "money market investments" and "2a-7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the Security and Exchange Commissions (SEC) Rule 2a-7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price. TexPool accounts are secured by the State of Texas.

The Texas Local Government Investment Pool has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. The Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. under an agreement with the Comptroller, acting on behalf of the Trust Company.

TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. Standard & Poor's rates TexPool AAA. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

Note 4 – Loan Escrow Account

Per the lease agreement entered into in 2012, the District is required to establish a separate loan escrow account. The funds in this account are restricted for use in purchasing new fire trucks. The account had a book balance for the year ending December 31, 2012 of \$2,200,100.

Note 5 - Property Taxes

The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount. The property tax is allocated each year between the General and Debt Service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

All property values are determined by the Montgomery County Appraisal District. Property taxes are levied on October 1 and are payable on or before January 31. They attach as an enforceable lien on January 1. Penalties and interest are charged if taxes are not paid by the succeeding January 31.

The tax rate in effect during the year ended December 31, 2012 was 10 cents per \$100 of valuation for 2012 taxes and 9.88 cents per \$100 valuation for 2011 taxes.

Note 6 - Long-Term Obligations

The District enters into notes payable and capital lease agreements to provide financing for its various governmental activities operations.

In 2012, the District entered into a capital lease agreement with Houston Community Bank in the amount of \$2,200,000 to provide financing for the purchase of equipment and fire trucks. The lease agreement carries an interest rate of 2.22% and is secured by the trucks and equipment.

In 2010, the District entered into a notes payable loan agreement with Houston Community Bank in the amount of \$1,650,000 for the purchase of three new fire trucks. The note carries an interest rate of 4.38% and is secured by the purchased fire trucks and by tax revenues.

In 2007, the District entered into a construction loan agreement with Wells Fargo Brokerage Services to provide financing for the purchase of land and the construction of a new fire station. The construction loan has been approved to a maximum of \$5,000,000 and carries an interest rate of 4.38%. The loan is secured by the real estate.

In 2004, the District entered into a capital lease agreement with Wells Fargo in the amount of \$3,370,300 to provide financing for the purchase of six pumpers and six tankers. This capital lease agreement was refinanced in 2004 with an additional amount included of \$500,000 for the purchase of firefighting equipment. The lease agreement carries an interest rate of 4.53% and is secured by the vehicles and equipment.

Note 7 - Operating Leases

The District has entered into an operating lease agreement for office equipment. The monthly payments are \$980. Minimum payments are \$11,760 for the years ending September 2013 through 2016 and \$5,880 for the year ending September 30, 2017.

Note 8 - Commitments

The District, along with 15 other organizations, has entered into a VHF Simulcast Communications Agreement with Montgomery County Hospital District. The 16 organizations are represented by the Montgomery County Fire Chiefs Association, Inc. Payments will be made by each organization of \$18,295 per year until 2025.

In addition to the aforementioned agreement, the District has also entered into various contractual relationships with outside consultants to provide accounting and administrative services, and to provide certain operational tasks (garbage, cleaning).

Note 9 - Contingent Liabilities

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Note 10 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; personal injury and death; and natural disasters for which the District carries commercial insurance. The District has no additional risk or responsibility to the insurance provider outside of the payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past several years.

Note 11 - New Accounting Pronouncements

The GASB has issued several new pronouncements. Except for those applicable to the District and implemented in the current year, no other pronouncements are applicable.

Note 12 - Subsequent Events

The District has evaluated events, transactions, or pronouncements that may impact the financial statements for the year ended December 31, 2012 through April 25, 2013, the date the financial statements were available to be issued. There were no subsequent events, transactions, or pronouncements that require recognition or disclosure in the financial statements.

Note 13 - Long-Term Debt

The following is a summary of long term debt transactions for the year ended December 31, 2012:

	Balance 12-31-2011	Increases	Decreases	Balance 12-31-2012
Pumper and Tanker trucks and equipment	\$ 371,111	\$ -	\$ (371,111)	\$ -
Fire Station	3,994,644	-	(282,798)	3,711,846
Fire trucks and Equipment	-	2,200,000	-	2,200,000
Fire trucks	1,445,690	-	(143,773)	1,301,917
	<u>\$ 5,811,445</u>	<u>\$ 2,200,000</u>	<u>\$ (797,682)</u>	<u>\$ 7,213,763</u>

Long-term debt at December 31, 2012 was comprised of the following capital leases and notes payable:

Capital Lease/Purchase contract with Wells Fargo for six E-One C2 pumpers and six Freightliner FL112 30K tankers equipment. Amount financed for \$3,370,300, with refinancing in 2004 to purchase fire fighting equipment. (Note - one of the tankers was totaled in 2005). Payments are made semi-annually on April 1st and October 1st of each year through 2012 and include interest at 4.53%. The lease is secured by the equipment. At December 31, 2012, the lease was fully repaid.

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principal Payment</u>	<u>Purchase Option Price</u>
October 2004	\$ 298,764	\$ 209,713	\$ 3,370,300
April 2005	298,764	226,302	3,132,117
October 2005	298,764	231,423	2,888,544
April 2006	273,867	216,938	2,639,460
October 2006	273,867	221,847	2,384,739
April 2007	273,867	226,867	2,124,253
October 2007	191,878	150,012	1,952,012
April 2008	191,878	153,406	1,775,874
October 2008	191,878	156,877	1,595,749
April 2009	191,878	160,428	1,411,549
October 2009	191,878	164,088	1,223,190
April 2010	191,878	167,771	1,030,549
October 2010	191,878	171,567	833,559
April 2011	191,878	175,449	632,111
October 2011	191,878	179,420	426,104
April 2012	191,878	183,480	215,436
October 2012	191,878	187,631	-
Total	3,828,551	3,183,219	
Retired through 2012	<u>3,828,551</u>	<u>3,183,219</u>	
Balance	<u>\$ -</u>	<u>\$ -</u>	

Note payable with Wells Fargo Brokerage Services for the purchase of 3.25 acres of land for the purpose of constructing a new fire station. Amount financed was \$5,000,000. Payments are made annually on January 30th of each year through 2022 in the amount of \$478,136 which includes interest at 4.89%. The loan is secured by the real estate. At December 31, 2012, the outstanding note payable principal balance was \$3,711,846.

<u>Year Ending</u>	<u>Total Payment</u>	<u>Principal Payment</u>	<u>Purchase Option Price</u>
December 2008	\$ 478,136	\$ 233,636	\$ 4,887,905
December 2009	478,136	245,061	4,629,724
December 2010	478,136	257,045	4,359,925
December 2011	478,136	269,614	4,077,986
December 2012	478,136	282,798	3,783,358
December 2013	478,136	296,627	3,475,473
December 2014	478,136	311,132	3,153,733
December 2015	478,136	326,347	2,817,515
December 2016	478,136	342,304	2,466,167
December 2017	478,136	359,044	2,099,008
December 2018	478,136	376,601	1,715,326
December 2019	478,136	395,017	1,314,380
December 2020	478,136	414,333	895,391
December 2021	478,136	434,593	457,546
December 2022	<u>478,136</u>	<u>455,848</u>	1
Total	7,172,040	5,000,000	
Retired through 2012	<u>2,390,680</u>	<u>1,288,154</u>	
Balance	<u>\$ 4,781,360</u>	<u>\$ 3,711,846</u>	

Note payable with Houston Community Bank for the purchase of three new vehicles. Amount financed was \$1,650,000. Payments are made semi-annually on November 20th and May 20th of each year through 2020 each in the amount of \$102,768, which includes interest at 4.38%. The loan is secured by the equipment and tax revenues. At December 31, 2012, the outstanding note payable principal balance was \$1,301,917.

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
November 2010	\$ 102,768	\$ 66,633	\$ 36,135
May 2011	102,768	68,093	34,675
November 2011	102,768	69,584	33,184
May 2012	102,768	71,108	31,660
November 2012	102,768	72,665	30,103
May 2013	102,768	74,256	28,512
November 2013	102,768	75,882	26,886
May 2014	102,768	77,544	25,224
November 2014	102,768	79,243	23,525
May 2015	102,768	80,977	21,791
November 2015	102,768	82,751	20,017
May 2016	102,768	84,563	18,205
November 2016	102,768	86,415	16,353
May 2017	102,768	88,308	14,460
November 2017	102,768	90,242	12,526
May 2018	102,768	92,218	10,550
November 2018	102,768	94,238	8,530
May 2019	102,768	96,302	6,466
November 2019	102,768	98,410	4,358
May 2020	102,772	100,568	2,204
Total	2,055,364	1,650,000	405,364
Retired through 2012	513,840	348,083	165,757
Balance	<u>\$ 1,541,524</u>	<u>\$ 1,301,917</u>	<u>\$ 239,607</u>

Capital Lease/Purchase contract with Houston Community Bank for the purchase of fire vehicles and fire equipment (Note - no purchases had been made for any new vehicles or equipment as of December 31, 2012). Amount financed for \$2,200,000. Payments are made semi-annually on May 15th and November 15th of each year beginning in 2013 and continuing through 2022 each in the amount of \$123,268, which includes interest at 2.22%. The lease is secured by the fire vehicles and fire equipment. At December 31, 2012, the outstanding lease principal payment was \$2,200,000.

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
May 2013	\$ 123,268	\$ 98,848	\$ 24,420
November 2013	123,268	99,946	23,323
May 2014	123,268	101,055	22,213
November 2014	123,268	102,177	21,092
May 2015	123,268	103,311	19,958
November 2015	123,268	104,458	18,811
May 2016	123,268	105,617	17,651
November 2016	123,268	106,789	16,479
May 2017	123,268	107,975	15,294
November 2017	123,268	109,173	14,095
May 2018	123,268	110,385	12,883
November 2018	123,268	111,610	11,658
May 2019	123,268	112,849	10,419
November 2019	123,268	114,102	9,166
May 2020	123,268	115,368	7,900
November 2020	123,268	116,649	6,619
May 2021	123,268	117,944	5,325
November 2021	123,268	119,253	4,015
May 2022	123,268	120,577	2,692
November 2022	123,267	121,913	1,353
Total	2,465,366	2,200,000	265,366
Retired through 2012	-	-	-
Balance	<u>\$ 2,465,366</u>	<u>\$ 2,200,000</u>	<u>\$ 265,366</u>

Total Long-Term Debt requirements are as follows:

<u>Year Ending</u>	<u>Total Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
December 2013	930,209	645,559	284,650
December 2014	930,209	671,151	259,058
December 2015	930,209	697,843	232,365
December 2016	930,209	725,689	204,520
December 2017	930,209	754,742	175,467
December 2018	930,209	785,053	145,156
December 2019	930,209	816,680	113,529
December 2020	827,445	746,918	80,526
December 2021	724,673	671,790	52,883
December 2022	724,671	698,338	26,333
	<u>\$ 8,788,250</u>	<u>\$ 7,213,763</u>	<u>\$ 1,574,487</u>

Note 14 - Capital Assets

A summary of changes in capital assets is as follows:

Governmental Activities	<u>Balance 12-31-2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12-31-2012</u>
Capital assets not being depreciated				
Land	<u>\$ 1,328,001</u>	<u>\$ 164,518</u>	<u>\$ -</u>	<u>\$ 1,492,519</u>
Capital assets being depreciated				
Office equipment	229,731	-	-	229,731
Buildings	6,615,671	-	-	6,615,671
Vehicles	7,050,465	-	-	7,050,465
Equipment	<u>2,058,724</u>	<u>184,234</u>	<u>-</u>	<u>2,242,958</u>
Total capital assets being depreciated	<u>15,954,591</u>	<u>184,234</u>	<u>-</u>	<u>16,138,825</u>
Less accumulated depreciation				
Office equipment	(111,667)	(26,176)	-	(137,843)
Buildings	(1,160,163)	(220,533)	-	(1,380,696)
Vehicles	(3,725,808)	(482,825)	-	(4,208,633)
Equipment	<u>(1,448,755)</u>	<u>(139,956)</u>	<u>-</u>	<u>(1,588,711)</u>
Total accumulated depreciation	<u>(6,446,393)</u>	<u>(869,490)</u>	<u>-</u>	<u>(7,315,883)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 10,836,199</u>	<u>\$ (520,738)</u>	<u>\$ -</u>	<u>\$ 10,315,461</u>

SUPPLEMENTAL INFORMATION

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budgetary Basis)**

General & Debt Service Funds

For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Amended	Amounts	Positive (Negative)
Revenues				
Ad valorem taxes (and P&I)	\$ 4,184,789	\$ 4,280,417	\$ 3,932,349	\$ (348,068)
Loan Proceeds	-	-	2,200,000	2,200,000
Investment earnings	14,000	7,800	11,984	4,184
Miscellaneous	15,161	16,875	103,375	86,500
Total revenues	<u>4,213,950</u>	<u>4,305,092</u>	<u>6,247,708</u>	<u>1,942,616</u>
Expenditures				
General government	3,146,521	3,075,240	3,265,064	(189,824)
Debt principal and interest	1,255,064	1,067,432	1,067,428	4
Total expenditures	<u>4,401,585</u>	<u>4,142,672</u>	<u>4,332,492</u>	<u>(189,820)</u>
Net change in fund balance	(187,635)	162,420	1,915,216	<u>\$ 1,752,796</u>
Fund balance-beginning	<u>7,025,597</u>	<u>7,025,597</u>	<u>5,475,983</u>	
Fund balance-ending	<u>\$ 6,837,962</u>	<u>\$ 7,188,017</u>	<u>\$ 7,391,199</u>	

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10

Statement of Expenses

Governmental Funds

For the Year Ended December 31, 2012

	General Fund	Debt Service	Total
Fire department payroll	\$ 1,784,335	\$ -	\$ 1,784,335
Debt service - principal	797,682	-	797,682
Fire department maintenance	618,736	-	618,736
Capital outlay	184,234	164,518	348,752
Debt service - interest	269,746	-	269,746
Payroll	160,046	-	160,046
Fire department other	96,254	-	96,254
Dispatch	78,945	-	78,945
Bookkeeping	37,192	-	37,192
Insurance	35,823	-	35,823
Appraisal district	29,300	-	29,300
Legal fees	28,454	-	28,454
Radio tower	18,300	-	18,300
Audit fees	9,771	-	9,771
Miscellaneous	7,133	-	7,133
Tax assessor/collector fee	5,610	-	5,610
Legal notices	1,818	-	1,818
Travel	1,647	-	1,647
Office supplies	1,441	-	1,441
Membership & dues	1,000	-	1,000
Postage & delivery	422	-	422
Bank fees	85	-	85
	<hr/>	<hr/>	<hr/>
Total general fund expenses	4,167,974	164,518	4,332,492
Adjustments to the Statement of Activities:			
Depreciation	-	869,490	869,490
Debt principal payments	(797,682)	-	(797,682)
Capital outlay	(184,234)	(164,518)	(348,752)
Total Primary Government Expenses	<u>\$ 3,186,058</u>	<u>\$ 869,490</u>	<u>\$ 4,055,548</u>

MONTGOMERY COUNTY EMERGENCY SERVICES DISTRICT #10
Schedule of Property Taxes Receivable

Year	Property Valuation	Tax Rate Per Hundred	Total Assessment
2003	\$ 2,068,485,997	.10	\$ 2,068,486
2004	2,057,311,891	.10	2,057,312
2005	2,253,722,761	.10	2,253,723
2006	2,579,849,625	.10	2,579,850
2007	2,979,082,380	.10	2,979,082
2008	4,137,440,923	.10	4,137,441
2009	4,606,454,592	.095	4,378,996
2010	4,080,208,246	.10	4,080,208
2011	4,249,505,345	0.0988	4,198,511
2012	4,418,624,830	.10	4,418,625

Taxes Receivable, by years:

2002 & prior	\$ 7,043
2003	3,727
2004	4,749
2005	5,571
2006	6,364
2007	9,813
2008	14,012
2009	20,222
2010	30,797
2011	49,004
2012	<u>2,436,037</u>

Total taxes receivable as of December 31, 2012 \$ 2,587,339