



Travis County Commissioners Court Agenda Request

Meeting Date: April 17, 2012, 9:00AM Voting Session

Prepared By/Phone Number: Janice Rosemond, Auditor's Office, 854-9155

Elected/Appointed Official/Dept. Head: Susan Spataro, Travis County Auditor

Commissioners Court Sponsor: Commissioner Huber and Commissioner Eckhardt

AGENDA LANGUAGE: Receive Fiscal Year 2011 financial audit reports for Emergency Services Districts numbers 2, 3, 8, 9, and 14

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

See attachments

STAFF RECOMMENDATIONS:

Please approve

ISSUES AND OPPORTUNITIES:

None

FISCAL IMPACT AND SOURCE OF FUNDING:

None

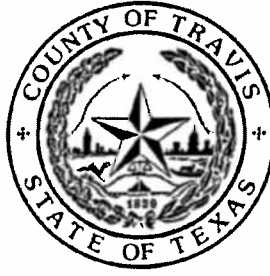
REQUIRED AUTHORIZATIONS:

Auditor's Office	Nicki Riley 854-9125
Auditor's Office	Susan Spataro 854-9125
Commissioner Pct 2 Office	Sarah Eckhardt 854-9222
Commissioner Pct 3 Office	Karen Huber 854-9333

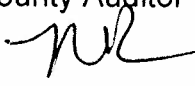
AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Cheryl Aker in the County Judge's office, Cheryl.Aker@co.travis.tx.us by **Tuesdays at 5:00 p.m.** for the next week's meeting.

TRAVIS COUNTY
AUDITOR'S OFFICE

SUSAN A. SPATARO, CPA, CMA
COUNTY AUDITOR



TRAVIS COUNTY
ADMINISTRATION BUILDING
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To: Commissioners Court
From: Nicki Riley, Chief Assistant County Auditor
Date: April 9, 2012 
Re: ESD Audit Reports

Texas Health and Safety Code, Chapter 775.082 requires all Emergency Services Districts to submit an audit report to the Commissioners Court by June 1st of each year. The following ESDs have submitted their audited financial statements to the County for fiscal year 2011.

We have reviewed the attached audit reports and are placing them on the agenda to be formally received by the Commissioners Court. We have included an agenda request for the reports listed below.

<u>Emergency Services District</u>	<u>Precinct</u>	<u>Fiscal Year</u>
No. 14	3	2011
No. 8	3	2011
No. 3	3	2011
No. 9	3	2011
No. 2	1 & 2	2011

Please do not hesitate to call me at ext. 49125 if you have any questions.

**Travis County Emergency
Services District No. 2**

Independent Auditors' Report
and Basic Financial Statements

September 30, 2011

Travis County Emergency Services District No. 2

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Independent Auditors' Report

To the Board of Commissioners
Travis County Emergency Services
District No. 2

Pflugerville, Texas

We have audited the accompanying statement of net assets and governmental funds balance sheet of the Travis County Emergency Services District No. 2 (the "District") as of September 30, 2011, and the related statements of activities and governmental funds revenues, expenditures, and changes in fund balances for the year then ended, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 District as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11 of the notes to the basic financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Accounting Standards Codification, Section N50, *Nonexchange Transactions*, effective October 1, 2010.

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As described in Note 1, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*, effective October 1, 2010.

The management's discussion and analysis and schedule of revenues, expenditures, and budgetary comparison schedule – budget and actual – general fund on pages 3 through 13 and page 31, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Padgett, Stratemann & Co., LLP

Certified Public Accountants
January 10, 2012



Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

Introduction

Travis County Emergency Services District No. 2 (the "District") is pleased to submit the following discussion and overview analysis concerning the District's financial statements for the year ended September 30, 2011. The accompanying Financial Audit for fiscal year 2011 was performed by Padgett, Stratemann & Co., L.L.P. from Austin, Texas.

Background

The District, a governmental entity authorized under Texas statute, is a fire and first response medical provider within Travis County, Texas. The District currently has a population estimated at over ninety thousand (90,000) people and covers a hundred (100) square miles of northeast Travis County.

The City of Pflugerville lies within the District, with another large unincorporated subdivision known as Wells Branch in the western half of the District. The area is roughly bound by Farm-to-Market Road 1325 on the west, the Travis/Williamson County line on the north, Farm-to-Market Road 973 and Cameron Road on the east, and Yager Lane, Dessau Road, and Howard Lane on the south. The population of the District is essentially evenly divided on the east and west side of Interstate 35. This heavily traveled highway is the most direct route from Middle America to Mexico and is called by many, "The North American Free Trade Agreement Highway." Two (2) additional tollways have been built and opened through the north and eastern part of the district; State Highway 45 and State Highway 130, respectively.

The District maintains capability for both urban and rural emergency response. The District has a great responsibility providing fire suppression, fire prevention, and first response emergency medical care in this large area, remains committed to this community, and will do everything possible to provide the required services with the greatest efficiency and effectiveness. The District is currently served by personnel and equipment working out of four (4) fire stations. The four (4) modern fire stations are ready twenty-four (24) hours a day and house the District's fleet of firefighting apparatus. The District uses the latest fire suppression technology of Compressed Air Foam Systems "CAFS."

The District is a leader in the state and nation with respect to fire suppression using CAFS. This technology was first introduced in this country to combat wildfires in the forested areas of the northwest. The system injects air into a water and foam solution creating a most effective fire suppression agent. The foam is, in reality, a really good soap that is environmentally friendly. Today, CAFS has been adapted for structure fires and most other fire situations that we encounter on any given day.

The importance of this technology is based in quick fire suppression. Less collateral property damage is done during fire operations; thereby ensuring more property is returned to its owner. Firefighters are able to actually put out much more fire with much less water being applied. Another important feature of this system is the safety factor. Firefighters are able to extinguish a great deal of fire without having to travel so deeply into a burning structure due to the penetration ability of a good foam stream.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

Background (continued)

One of the reasons CAFS makes a lot of sense for the District is because the amount of water used is less than traditional fire fighting methods. Water has become an important issue in Texas, as well as for the nation. As responsible citizens, we want to participate in conserving this precious natural resource and using this fire suppression system contributes toward this effort.

As mentioned above, in addition to fire suppression, the District is also responsible for meeting the needs of the community as a first responder to medical emergencies. The percentage of time and resources that the District devotes to first responder activities continues to grow at a rapid rate. Currently, over seventy percent (70%) of the District's calls involve first responder activities. The District is an active participant in a county-wide initiative focused on providing the community with the best level of care as a first responder.

The District provides quarters for two (2) ambulances that are owned and operated by the Austin-Travis County Emergency Medical Services System. While these ambulances are stationed at the District, they are utilized throughout the entire Austin/Travis County area. This results in ambulances from other locations also providing transportation of patients within the District.

The Travis County Commissioners' Court appoints five (5) Commissioners who govern the operation of the District. These Commissioners represent a cross-section of the District and meet on a regular basis to determine administrative policy and perform financial oversight. Commissioners are appointed for two (2) year terms and continue the original spirit of volunteerism that started this organization.

The District is a taxing authority limited by statute to a maximum tax of ten (10) cents per hundred (100) dollars of property valuation. The District's fiscal year begins on October 1 and ends on September 30. The majority of income to operate the District, over ninety (90) percent, comes from property tax and the half (0.5) cent of sales tax approved by the voters. Prior to the beginning of each fiscal year, the Commissioners review and approve a budget that covers income and expenses for operations, prevention, and administration. Through foresight and fiscal responsibility, the District has also budgeted reserve funds for future expansion and/or to assist the District in covering payroll and other expenses during an economic downturn.

The District will continue as a financially stable organization that delivers a superior level of traditional and innovative emergency and non-emergency services. The District exists solely to improve the quality of life, health, and safety of our constituents. The District will maximize the commonly accepted service methodologies and go beyond traditionally accepted practices to better serve the community.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

Financial Highlights – Comparison of Fiscal Year 2011 and 2010

- The District's auditors for fiscal year 2011, Padgett, Stratemann & Co., L.L.P., have worked with the District since the audit for fiscal year 2008.
- During both fiscal year 2011 and fiscal year 2010, the District has restricted expenditures as a fiscally responsible strategy in facing an uncertain economic situation nationwide. As a consequence, the District's financials are not significantly different between these fiscal years, except for a restatement done in fiscal year 2011, as shown below, related to the adoption on October 1, 2010 of Governmental Accounting Standards Board Accounting Standards Codification Section N50, *Nonexchange Transactions*, with regard to the timing of recognition for sales tax revenue.
- During the fiscal year, the District experienced a slight decline in revenues from property tax revenue with an increase in sales tax revenue, as shown below. Another decline of three (3%) percent in property tax revenues has already been confirmed by Travis County for fiscal year 2012. Expenditures for the District grew during fiscal year 2011, as maintenance and other purchases that had been delayed during the prior fiscal years in anticipation of the decline in tax revenues had to be completed. The net change in fund balance was positive for fiscal year 2011, and that balance has been carried forward to assist in balancing the budget for fiscal year 2012.
- During fiscal year 2011, the use of about \$350,000 of the District's budgeted reserved funds was approved by the commissioners to cover unforeseen operational expenses and capital purchases. The District over the years has instituted limits on reserved funds: a capital asset development fund with a limit of \$1,500,000; an apparatus/equipment replacement with a limit of \$750,000; a disaster response reserve with a limit of 25% of the operations budget, about \$150,000; a personnel payroll protection of 25% of payroll and overhead, about \$1,800,000; and an operating or contingency reserve of 25% of estimated expenses for the first fiscal quarter of about \$750,000. Budgeted reserve funds carried from the close of fiscal year 2010, were about \$3,200,000. As stated above, during fiscal year 2011, about \$350,000 in reserve funds were approved for use and the operating or contingency reserve was used to cover budgeted expenses for fiscal year 2012.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

Financial Highlights – Comparison of Fiscal Year 2011 and 2010 (continued)

Below is a summary comparison of revenues and expenditures for fiscal year 2011 and fiscal year 2010:

	September 30,	
	2011	2010
Revenues:		
Property taxes – including penalties and interest	\$ 5,904,034	\$ 6,029,526
Sales tax receipts	3,121,625	2,717,951
Other revenue	727,714	662,103
Total revenues	9,753,373	9,409,580
Total expenditures	9,518,704	8,850,116
Other financing sources – net	42,150	48,312
Change in net assets	276,819	607,776
Net assets at beginning of year – as originally stated	6,621,582	6,013,806
Prior period adjustment	474,651	-
Net assets at end of year – as restated	\$ 7,373,052	\$ 6,621,582

- During fiscal year 2009, the Department of Homeland Security informed the District that the Staffing for Adequate Fire and Emergency Response (“SAFER”) grant submitted in the prior fiscal year had been approved. The grant covers a five (5) year period starting on May 13, 2009. This grant allowed the District to hire nine (9) new additional firefighters during fiscal year 2009. The grant provides for 90% reimbursement of salary and benefit costs in the first year, and provides for a decreasing reimbursement of these costs for the new hires over the five (5) year period. Additionally, during fiscal year 2011, the District made purchases of an air and light trailer and exhaust removal systems for all operational apparatus through grant awards from the Assistance for Firefighters Grant program.
- During fiscal year 2011, the Board of Commissioners approved the purchase of needed operational equipment financed by Wells Fargo Bank under several leases. Approved purchases totaled about \$650,000; however, not all purchases were completed during the fiscal year due to lag time in manufacturing and delivery.

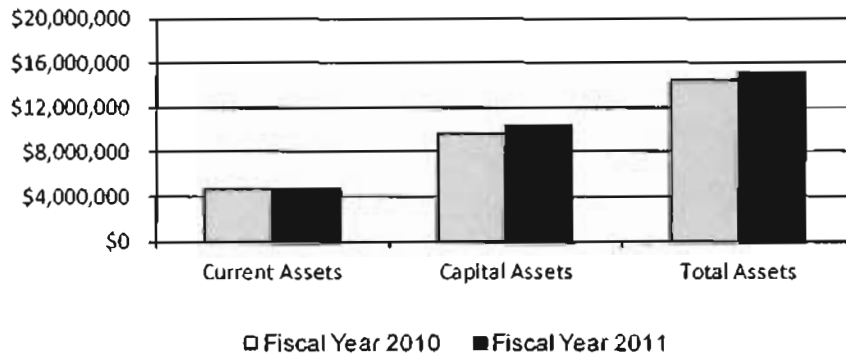
Travis County Emergency Services District No. 2
Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

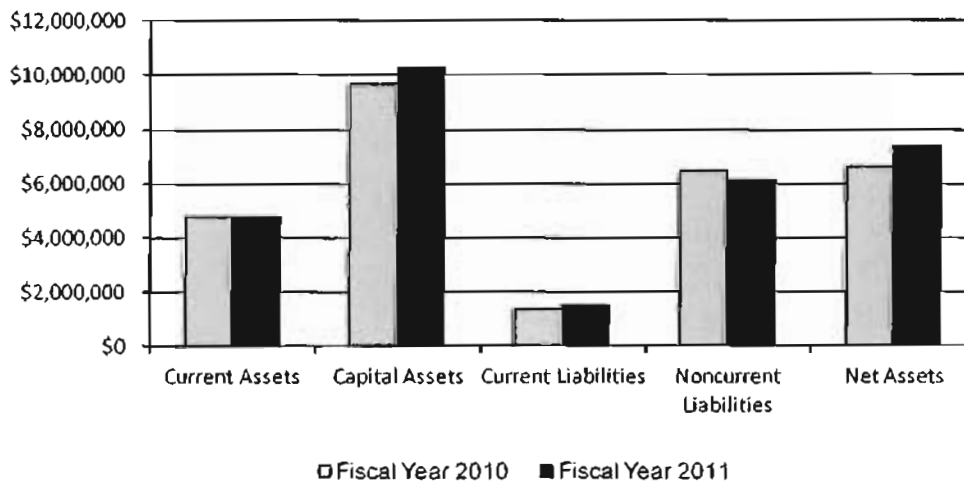
Financial Highlights – Comparison of Fiscal Year 2011 and 2010 (continued)

The increase in total assets and net assets is reflected in the charts below.

**Total Assets – Fiscal Year 2010
and Fiscal Year 2011**



**Assets and Liabilities – Fiscal Year 2010
and Fiscal Year 2011**



- Additionally, net assets divided by fund (General Fund and Debt Service Fund) were as follows when compared between fiscal year 2010 and fiscal year 2011. Beginning fund balance for the General Fund was \$3,926,149 and ending balance was \$4,468,097; this increase included the sales tax restatement of \$474,651, and a slight increase from fiscal year 2011 operations, revenues over expenses of \$67,297. The Debt Service Fund decreased from \$153,781 to an ending balance of \$151,219. This fund balance represents the debt amount paid by the City of Austin to the District on property annexed away from the District in prior years. This fund balance should continue to decrease from fiscal year to fiscal year as that portion of the debt is paid.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

Overview of the Financial Statements

The District's financial statements presented in this report include basic financial statements, as well as information on required supplementary information.

The basic financial statements attached hereto are comprised of the following major components.

The *statement of net assets and governmental funds balance sheet* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or declining.

The *statement of activities and governmental fund revenues, expenditures, and changes in fund balances* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the accrual basis of accounting is used, which is similar to the accounting used by most private sector companies.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated and accounted for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

In the District's basic financial statements, you will see the following major governmental funds:

- General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted in another fund.
- Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

District's Fiscal Year 2011 – Financial Analysis Summary

The District's current assets consist of cash, investments, property tax receivables, and prepaid expenses. The District maintains the majority of its investments with Texas Local Government Pool ("TexPool"), which is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity, and yield consistent with the Public Funds Investment Act. The TexPool program offers a convenient and effective choice for the

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

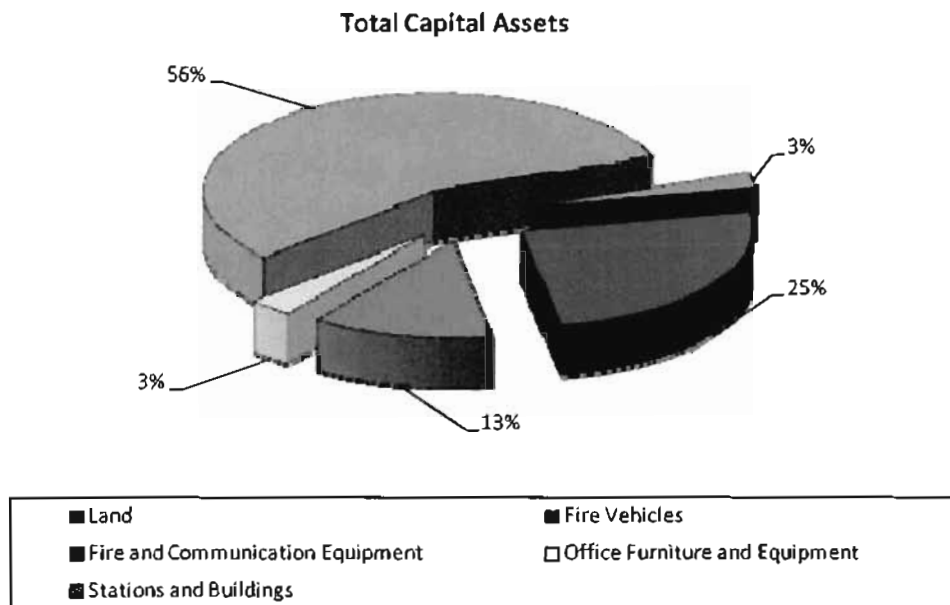
Year Ended September 30, 2011

District's Fiscal Year 2011 – Financial Analysis Summary (continued)

investment of local funds, and, as an AAAM rated local government investment pool, TexPool is committed to maintaining safety and stability. This investment strategy has served the District well through the volatility, downturn in the economy, and in the financial markets worldwide.

During fiscal year 2011, the District kept part of its cash investment in an interest bearing savings account with Wells Fargo Bank. The bank was able to offer a slightly higher interest rate than TexPool, and this account assisted with routine cash management.

The District's total assets of approximately \$15 million represented mostly capital assets of approximately \$9.7 million, net of accumulated depreciation, and over \$15 million gross. Capital assets are shown divided into the different categories in the chart below.



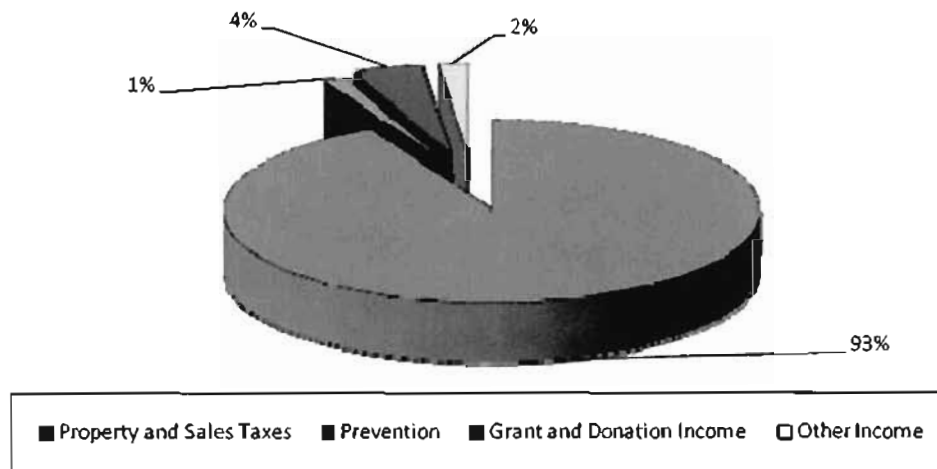
Travis County Emergency Services District No. 2
Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

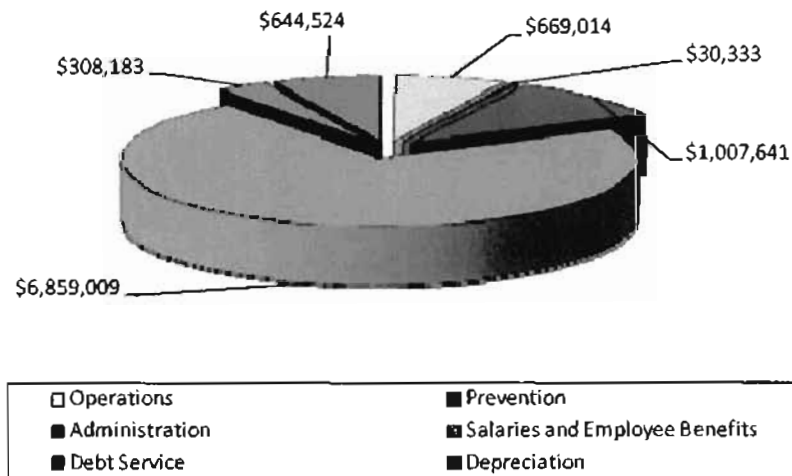
District's Fiscal Year 2011 – Financial Analysis Summary (continued)

The source of the District's operating revenues is almost exclusively from property and sales tax collections. Operating revenues for fiscal year 2011 totaled approximately \$9.7 million, of which 93% was received from tax collections. Operating expenses totaled approximately \$9.5 million, of which almost 72% of operating expenses were related to employee salaries and benefits for fiscal year 2011.

Operating Revenues



Operating Expenses – Including Depreciation



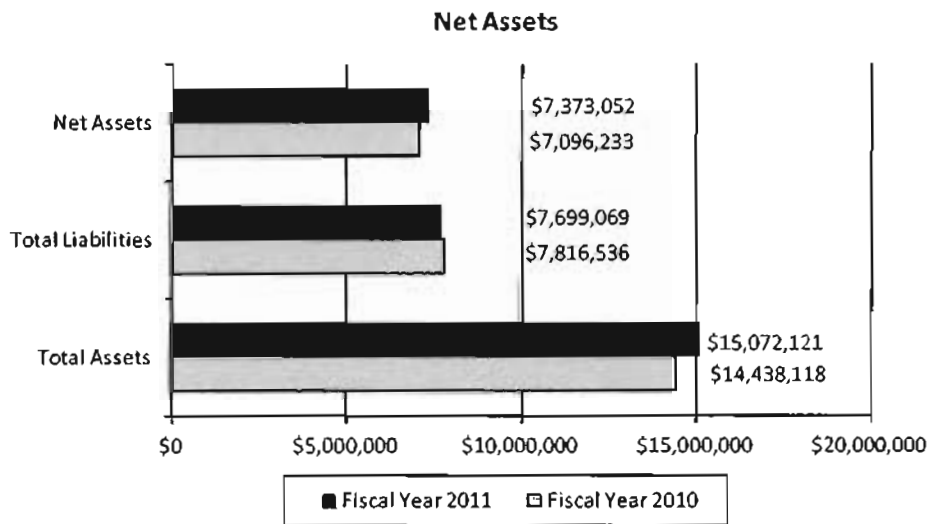
Travis County Emergency Services District No. 2
Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

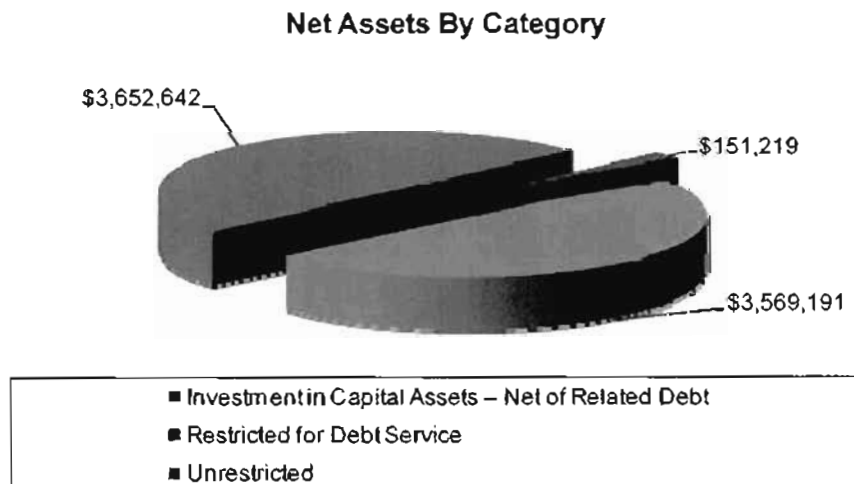
Capital Assets and Outstanding Debt

District liabilities continued to be reduced during fiscal year 2011, as the District made scheduled payments of both principal and interest on bonds, leases, and loans, and even though new debt was incurred during the fiscal year, it was less than the debt retired.

The chart below shows a comparison between the fiscal year 2011 and fiscal year 2010 fund balance. The fund balance represents the difference between total assets and total liabilities.



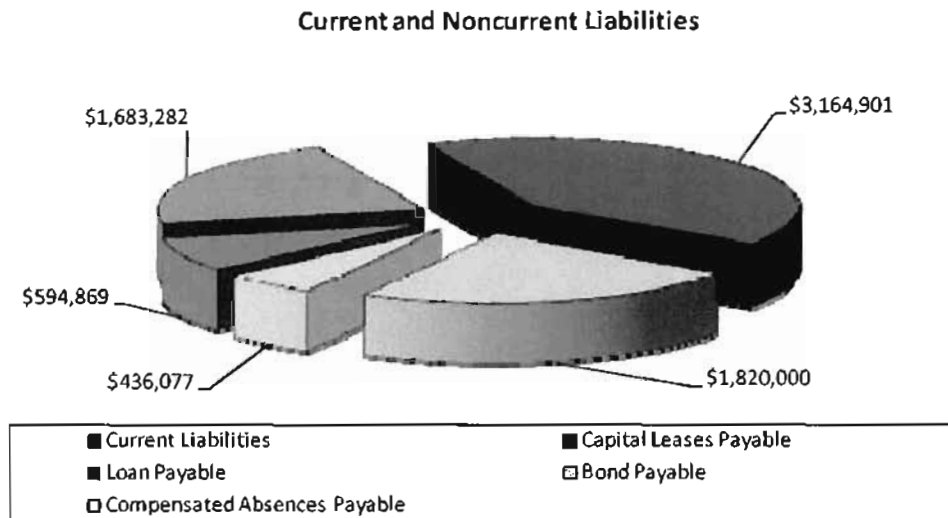
Additionally, the charts below detail the components of net assets and total liabilities for fiscal year 2011 for the District.



Travis County Emergency Services District No. 2
Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

Capital Assets and Outstanding Debt (continued)



Economic Factors and Budgetary Highlights

In September 2010, the District's commissioners approved a resolution to levy ad valorem tax at a tax rate of \$0.0938 on each \$100.00 of taxable property within the District in order to provide funds for maintenance and operating purposes, and a tax rate of \$0.0062 on each \$100.00 in order to provide for payment and principal of and interest and associated obligations on the District's unlimited tax bonds now outstanding. The total levy of ad valorem tax for fiscal year 2011 was a rate of \$0.10. Likewise in September 2011, the District's commissioners approved a levy of ad valorem tax for fiscal year 2012 of a \$0.10 rate.

It is unclear if the District's revenues will continue to be affected by the economic downturn; both in the collection of property and sales tax revenue. During the Annual Planning Conference in fiscal year 2011, focus was devoted to the economic outlook for the District during the next two (2) to five (5) year period. During fiscal year 2011, the District chose goals for fiscal year 2011 that were low cost and high impact for the organization, goals that should prepare it to meet the challenges in the years to come. For fiscal year 2012, the strategic plan is intended to provide long term guidance toward a new paradigm for the District. Senior management came together in order to form a shared vision for the future. That vision is not bound by the constraints of day-to-day operations, but rather takes day-to-day activities and uses them to direct better utilization of District resources to provide service to our community.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2011

Economic Factors and Budgetary Highlights (continued)

As of September 30, 2010, the District and the Pflugerville Firefighters Association, Local 4137, approved and signed a Collective Bargaining Agreement effective from October 1, 2010, through September 30, 2013. Following approval of the collective bargaining process by the voters in the District; negotiations began in December 2009 and concluded with the approval and execution of the agreement on September 30, 2010. The agreement was implemented during fiscal year 2011.

Each fiscal year, the District prepares a budget for most income and expense items in the General Fund. This budget does not include the day-to-day income and expenses for its public use facilities. During fiscal year 2011, the District revised the annual budget, variances are very slight when compared to actual.

When comparing actual-to-budgeted amounts, the positive variance of \$186,892 in sales tax revenues is due to a difference in category. The budget amount is shown net of fees in the revenue section, while the actual amount is shown gross and the fee is shown below as an expenditure creating a variance in the expenditure category as well. Salaries were over budget due to unforeseen expenses related to the Labor Day fires in Pflugerville. The Board of Commissioners approved the use of reserve funds to cover the amount over budget; additionally, some of the costs have been submitted through Travis County for reimbursement by the federal government under an emergency assistance program. It is unclear the length of time the reimbursement process will take or the final amount that will be reimbursed.

For fiscal year 2012, revenue is expected to remain constant. A three percent (3%) decline in property taxes has been communicated by the County; however, a sales tax increase could potentially offset the reduction as in fiscal year 2011. In general, once an upturn in the economy is sustained, it is expected that governmental entities' dependent on property tax revenue, like the District, will likely lag two (2) or more years behind in recovery compared to the general economy.

Budget preparation and budget review is a valued process at the District. It is used as a planning tool and the continuous review of the budget against actual enhances the monitoring of day-to-day operations and assists to highlight unexpected income or expense items.

Basic Financial Statements

Travis County Emergency Services District No. 2

Statement of Net Assets and Governmental Funds Balance Sheet

September 30, 2011

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,419,248	\$ 11,025	\$ 1,430,273	\$ -	\$ 1,430,273
Investments	2,157,907	140,194	2,298,101	-	2,298,101
Receivables – property taxes – net of uncollectible taxes	219,297	14,495	233,792	-	233,792
Receivables – sales taxes	572,323	-	572,323	-	572,323
Prepays and other current assets	213,541	-	213,541	-	213,541
Total current assets	4,582,316	165,714	4,748,030	-	4,748,030
Noncurrent assets:					
Restricted cash	625,011	-	625,011	-	625,011
Security deposit	3,326	-	3,326	-	3,326
Capital assets – net of accumulated depreciation	-	-	-	9,695,754	9,695,754
Total noncurrent assets	628,337	-	628,337	9,695,754	10,324,091
Total assets	\$ 5,210,653	\$ 165,714	\$ 5,376,367	\$ 9,695,754	\$ 15,072,121
Liabilities					
Current liabilities:					
Accounts payable	\$ 309,683	\$ -	\$ 309,683	\$ -	\$ 309,683
Accrued payroll and employee benefits	203,176	-	203,176	-	203,176
Accrued interest	-	-	-	71,610	71,610
Deferred income	223,347	14,495	237,842	(233,792)	4,050
Deposits	6,350	-	6,350	-	6,350
Capital leases payable	-	-	-	395,472	395,472
Loan payable	-	-	-	251,006	251,006
Bond payable	-	-	-	300,000	300,000
Total current liabilities	742,556	14,495	757,051	784,296	1,541,347
Noncurrent liabilities:					
Capital leases payable	-	-	-	1,287,810	1,287,810
Loan payable	-	-	-	2,913,835	2,913,835
Bond payable	-	-	-	1,520,000	1,520,000
Compensated absences payable	-	-	-	436,077	436,077
Total noncurrent liabilities	-	-	-	6,157,722	6,157,722
Total liabilities	742,556	14,495	757,051	6,942,018	7,699,069
Fund Balances					
Restricted:					
Retirement of long-term debt	-	151,219	151,219	(151,219)	-
Unassigned	4,468,097	-	4,468,097	(4,468,097)	-
Total fund balances	4,468,097	151,219	4,619,316	(4,619,316)	-
Total liabilities and fund balances	\$ 5,210,653	\$ 165,714	\$ 5,376,367		
Net Assets					
Investment in capital assets – net of related debt				3,652,642	3,652,642
Restricted for debt service				151,219	151,219
Unrestricted				3,569,191	3,569,191
Total net assets				\$ 7,373,052	\$ 7,373,052

Notes to basic financial statements form an integral part of this statement.

Travis County Emergency Services District No. 2

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances

Year Ended September 30, 2011

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes – including penalties and interest	\$ 5,534,057	\$ 365,791	\$ 5,899,848	\$ 4,186	\$ 5,904,034
Sales tax receipts	3,121,625	-	3,121,625	-	3,121,625
Fee for services	27,199	-	27,199	-	27,199
Prevention	132,872	-	132,872	-	132,872
Grant and donation income	418,526	-	418,526	-	418,526
Facilities income	139,929	-	139,929	-	139,929
Miscellaneous	9,188	-	9,188	-	9,188
Total revenues	9,383,396	365,791	9,749,187	4,186	9,753,373
Expenditures					
Current:					
Operations	669,014	-	669,014	-	669,014
Prevention	30,333	-	30,333	-	30,333
Administrative:					
Professional services	508,763	-	508,763	-	508,763
General and administrative	496,382	2,496	498,878	-	498,878
Salaries	5,664,595	-	5,664,595	-	5,664,595
Employee benefits	1,154,644	-	1,154,644	39,770	1,194,414
Debt service:					
Principal retirement	1,028,898	290,000	1,318,898	(1,318,898)	-
Interest and fees	247,593	78,237	325,830	(17,647)	308,183
Capital outlay	680,976	-	680,976	(680,976)	-
Depreciation	-	-	-	644,524	644,524
Total expenditures	10,481,198	370,733	10,851,931	(1,333,227)	9,518,704
Excess (deficiency) of revenues over (under) expenditures	(1,097,802)	(4,942)	(1,102,744)	1,337,413	234,669
Other Financing Sources (Uses)					
Interest income	35,557	2,086	37,643	-	37,643
Proceeds from sale of assets	12,374	-	12,374	(7,867)	4,507
Proceeds from loans	1,117,462	-	1,117,462	(1,117,462)	-
Transfers in	492,526	384,876	877,402	-	877,402
Transfers out	(492,820)	(384,582)	(877,402)	-	(877,402)
Total other financing sources (uses)	1,165,099	2,380	1,167,479	(1,125,329)	42,150
Net change in fund balances	67,297	(2,562)	64,735	212,084	276,819
Fund balances at beginning of year – as originally stated	3,926,149	153,781	4,079,930	2,541,652	6,621,582
Prior period adjustment	474,651	-	474,651	-	474,651
Fund balances at end of year – as restated	<u>\$ 4,468,097</u>	<u>\$ 151,219</u>	<u>\$ 4,619,316</u>	<u>\$ 2,753,736</u>	<u>\$ 7,373,052</u>

Notes to basic financial statements form an integral part of this statement.

Notes to Basic Financial Statements

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Travis County Emergency Services District No. 2 (the "District") included in the accompanying basic financial statements, conform to accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental entities. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which constitutes the primary source of GAAP for governmental units. The following represents the more significant accounting and reporting policies and practices used by the District.

Reporting Entity

The District was created by order of the Travis County Commissioners Court following a conversion election, which was held within the boundaries of Travis County Rural Fire Prevention District No. 3. A majority of the voters within the Rural Fire Prevention District voted to convert the Rural Fire Prevention District to the Emergency Services District. This election was held on January 18, 1992. The District operates under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a five member Board of Commissioners appointed by the Travis County Commissioners Court. The District's major activities include providing emergency services to the residents of the District.

Effective October 1, 1994, the District assumed, through a series of agreements, the assets, leases, and other obligations of the Pflugerville Volunteer Fire Department.

The accompanying basic financial statements present information required to account for those activities, organizations, and functions which are related to the District and are controlled by, or dependent upon, the District's governing body, the Board of Commissioners (the "Board").

The District does not meet the criteria for inclusion as a component unit of any entity nor does any entity meet the criteria for inclusion as a component unit of the District.

The criteria used by the District for including activities in its basic financial statements are in conformity with GASB Accounting Standards Codification ("ASC"), Section 2100, *Defining the Financial Reporting Entity*. GASB has concluded that the basic criterion for including a legally separate organization in a governmental unit's reporting entity for general purpose financial reports is financial accountability of the primary government for the legally separate organization. Based upon that criterion, there are no legally separate organizations, which fall within the financial reporting entity of the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and charges to customers.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The District has the following major governmental funds:

- General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Measurement Focus

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. All governmental funds are accounted for on a "spending" or "financial flow" measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance of governmental funds is considered a measure of "available spendable resources."

The government-wide financial statements follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Sales taxes are recognized as revenues in the year in which the taxes are remitted to the state of Texas.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Measurement Focus (continued)

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. Revenues, other than grants, are considered to be available when they are expected to be collected during the current budgetary period, or within 60 days thereafter, to pay liabilities outstanding at the close of the budgetary period. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. Interest revenue is recorded when earned since it is measurable and available. Other revenues are recognized when measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, except expenditures for debt service including interest on long-term debt. Expenditures for principal and interest on long-term debt are recognized when matured.

Effective October 1, 2010, the District adopted GASB Statement No. 59, *Financial Instruments Omnibus*, which revised the reporting and disclosure for certain types of financial instruments. The adoption of this standard did not have an impact on the District's financial statements.

Effective October 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which revised the reporting and disclosure of governmental fund balances. For fiscal year 2011, the District reported the following types of governmental funds balances: Restricted and Unassigned.

- Restricted fund balances are those that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (e.g., debt covenants), grantors, contributors, or laws/regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party.
- Unassigned fund balances are those within the General Fund and represent fund balance that has not been restricted, committed, or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first.

Budgets and Budgetary Accounting

A budget adopted by the Board is presented in the accompanying basic financial statements on the budgetary basis. The budget is not legally binding. No supplemental appropriations were made during the year. Annual appropriations lapse at the end of the fiscal year.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management's estimates. Items for which estimates are necessary include the amount of receivables, which may not be collectible, and the service lives and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amount from contingencies such as litigation.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits.

Investments

Investments are stated at fair value based on net asset value per share as published by the investment pool sponsor. The District has adopted an investment policy, which allows for various types of investments. Additional information regarding the District's investments can be found in Note 2.

Accounts Receivable

The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the allowance.

Restricted Assets

Certain proceeds of the District's bank loan obligations are classified as restricted assets on the statement of net assets because their use is limited by the debt instrument. When those proceeds are restricted for the acquisition or construction of noncurrent assets or are restricted for liquidation of long term debt then they are further classified as noncurrent restricted assets.

Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Assets under capital lease are recorded at the present value of future minimum lease payments at the inception of the lease.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Donated capital assets are valued at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building improvements	20 years
New fire trucks	10 years
Other vehicles	7 years

Deferred Revenue

Delinquent property taxes receivable are recorded as deferred revenue in the governmental funds since they are not currently available. Deferred revenue also includes deposits and customer advances to rent a facility owned by the District.

Long-Term Debt

General obligation bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, if any. Bonds payable are reported net of the applicable bond premium or discount, if any. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt, if any.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure has been recorded. The amount of vested or accumulated vacation and sick leave that is not expected to be liquidated with expendable available financial resources is reported as a long-term liability in the statement of net assets and governmental funds balance sheet. The District's liability for accrued vacation and sick time at September 30, 2011 totaled \$436,077.

Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from Volunteer Fireman's Insurance Services and has effectively managed risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

2. Cash and Investments

The investment policies of the District are governed by state statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be Federal Deposit Insurance Corporation ("FDIC") insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third-party trustees.

Cash and cash equivalents are carried at cost, which approximates market value. At September 30, 2011, the bank balance totaled \$2,093,122, which was covered by the FDIC and pledged collateral.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

2. Cash and Investments (continued)

Investments

The District's investments at September 30, 2011 are as follows:

	<u>Carrying Amount</u>	<u>Amortized Cost, Which Approximates Fair Value</u>
Texas Local Government Investment Pool ("TexPool")	\$ <u>2,298,101</u>	\$ <u>2,298,101</u>

The Texas 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 Texas Comptroller has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board's members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's.

The District believes TexPool operates in a manner consistent with the United States Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, as defined in GASB Statement No. 59. As such, the District uses amortized cost to report its investments.

Interest Rate Risk – In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the types of investments it allows and the maturity.

Credit Risk – The District's investment policy allows for various types of investments including: obligations of, or guaranteed by the United States, certificates of deposit, and TexPool. At September 30, 2011, the District's investments in TexPool were rated AAAM by Standard & Poor's and Moody's Investors Service.

3. Ad Valorem Property Taxes

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1 are due on November 1, and are past due the following February 1. The Travis County Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Collector bills and collects the District's property taxes.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

3. Ad Valorem Property Taxes (continued)

The property tax rates, established in accordance with state laws, were based on 100% of the net assessed valuation of real property within the District on the 2010 tax roll. The assessed value of the 2010 tax roll reported by the County, upon which the levy for the 2010 fiscal year was based, was initially \$5,946,779,520 and subsequently updated to \$5,914,062,280. The tax rates assessed for the year ended September 30, 2010 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.0938 and \$0.0062 per \$100 valuation, respectively, for a total of \$0.1000 per \$100 valuation.

At September 30, 2011, deferred revenue related to property taxes amounted to \$233,792. Property taxes receivable at September 30, 2011 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Current year levy	\$ 44,553	\$ 2,945
Prior year's levy	<u>174,744</u>	<u>11,550</u>
	<u>\$ 219,297</u>	<u>\$ 14,495</u>

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

4. Interfund Receivables and Payables

At September 30, 2011, there were no interfund receivables and/or payables.

Transfers are used to move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due and to move restricted amounts from borrowings to the Debt Service Fund to establish mandatory reserve accounts.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

5. Capital Assets

Prior to the implementation of GASB ASC Section 1400, *Reporting Capital Assets* (formerly known as GASB Statement No. 34), the District was not required to calculate depreciation expense for reporting capital assets. In accordance with the implementation of GASB Statement No. 34, capital assets have been adjusted to reflect the historical cost of infrastructure assets and for the purpose of recording depreciation. The current year activity at September 30, 2011 is as follows:

	<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Deletions and Other Adjustments</u>	<u>Balance at September 30, 2011</u>
Capital assets not depreciated:				
Land	\$ 378,930	\$ 16,615	\$ -	\$ 395,545
Construction in progress	-	12,373	-	12,373
	<u>378,930</u>	<u>28,988</u>	<u>-</u>	<u>407,918</u>
Total capital assets not depreciated				
Capital assets being depreciated:				
Fire vehicles	4,022,357	103,450	-	4,125,807
Fire and communication equipment	1,719,259	386,948	(10,607)	2,095,600
Office furniture and equipment	449,886	57,768	-	507,654
Station #2	850,776	-	-	850,776
Station #3	476,392	45,480	-	521,872
Station #4	742,118	-	-	742,118
Training center	1,208,360	-	-	1,208,360
Central station	1,097,669	18,405	-	1,116,074
Administrative building	2,023,689	-	-	2,023,689
Education building	2,130,318	-	-	2,130,318
Pfluger Hall	236,848	-	-	236,848
Improvements	323,722	39,937	-	363,659
	<u>15,281,394</u>	<u>651,988</u>	<u>(10,607)</u>	<u>15,922,775</u>
Total capital assets being depreciated				
Less accumulated depreciation	<u>(5,993,155)</u>	<u>(644,524)</u>	<u>2,740</u>	<u>(6,634,939)</u>
Capital assets being depreciated – net	<u>9,288,239</u>	<u>7,464</u>	<u>(7,867)</u>	<u>9,287,836</u>
Total capital assets – net	<u>\$ 9,667,169</u>	<u>\$ 36,452</u>	<u>\$ (7,867)</u>	<u>\$ 9,695,754</u>

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

6. Operating Leases

The District has entered into various operating leases for office equipment. Future minimum annual lease payments are as follows:

Year ending September 30,	
2012	\$ 19,956
2013	<u>8,315</u>
	<u>\$ 28,271</u>

Lease expense for office equipment for the year ended September 30, 2011 totaled \$20,748.

7. Long-Term Debt

The District issued limited tax bonds for construction of fire protection facilities and equipment. Tax revenue from yearly ad valorem tax assessments will pay principal and interest on the outstanding tax-supported bonds of the District. General obligation bonds currently outstanding are as follows for the year ended September 30, 2011:

	Balance at October 1, 2010	Additions	Deletions	Balance at September 30, 2011	Due Within One Year
Bond payable – Series 2005	\$ 2,110,000	\$ -	\$ 290,000	\$ 1,820,000	\$ 300,000
Other debt:					
Loan payable	3,403,776	-	238,935	3,164,841	251,006
Capital lease obligations	1,355,783	1,117,462	789,963	1,683,282	395,472
Accrued vacation leave	<u>396,307</u>	<u>39,770</u>	<u>-</u>	<u>436,077</u>	<u>-</u>
Total long-term debt	<u>\$ 7,265,866</u>	<u>\$ 1,157,232</u>	<u>\$ 1,318,898</u>	<u>\$ 7,104,200</u>	<u>\$ 946,478</u>

The unspent proceeds of debt issued for capital purposes and the debt are excluded from the computation of capital assets – net of related debt. At September 30, 2011 the balance of unspent bond proceeds, for capital purposes, was \$625,011.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

7. Long-Term Debt (continued)

Bond Payable

Detailed information on the original limited tax bond obligation is as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Original Principal Balance</u>
\$2,604,999 Limited Tax Bond – Series 2005	April 15, 2005	3%-4%	\$ 2,604,999

The following schedule sets forth the debt service requirements on the general obligations outstanding bond indebtedness of the District at September 30, 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2012	\$ 300,000	\$ 66,800	\$ 366,800
2013	315,000	54,500	369,500
2014	330,000	41,600	371,600
2015	345,000	28,100	373,100
2016	360,000	14,000	374,000
2017	<u>170,000</u>	<u>3,400</u>	<u>173,400</u>
	<u>\$ 1,820,000</u>	<u>\$ 208,400</u>	<u>\$ 2,028,400</u>

Loan Agreements

During the 2006 fiscal year, the District entered into loan agreements with Wells Fargo Brokerage Services for the financing of improvements to properties owned by the District in the amount of \$4,250,000. The proceeds of this loan were used to fund the construction of an administrative office building, a training facility, and an educational facility.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

7. Long-Term Debt (continued)

Loan Agreements (continued)

Long-term debt at September 30, 2011 is comprised of the following items:

Note payable to Wells Fargo at 4.99% interest, secured by District assets, due in semiannual installments through June 2021	\$ 3,164,841
Less current portion	<u>251,006</u>
	<u>\$ 2,913,835</u>

Maturities of long-term debt for the fiscal years subsequent to September 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2012	\$ 251,006	\$ 154,833	\$ 405,839
2013	263,688	142,151	405,839
2014	277,010	128,829	405,839
2015	291,005	114,834	405,839
2016	305,708	100,132	405,840
2017-2021	<u>1,776,424</u>	<u>252,772</u>	<u>2,029,196</u>
	<u>\$ 3,164,841</u>	<u>\$ 893,551</u>	<u>\$ 4,058,392</u>

Capital Lease Obligations

The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,641,283 at September 30, 2011, and accumulated amortization at September 30, 2011 totaled \$1,945,751. The amortization of assets held under capital leases is included with depreciation expense. Lease obligations are re-paid with general revenue sources.

The District's obligations under capital leases are reported as a long-term liability in the statement of net assets and governmental funds balance sheet.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

7. Long-Term Debt (continued)

Capital Lease Obligations (continued)

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments at September 30, 2011:

Year ending September 30,	
2012	\$ 456,601
2013	563,120
2014	461,320
2015	183,252
2016	<u>167,404</u>
Minimum lease payments for all capital leases	1,831,697
Lease amount representing interest at the District's incremental borrowing rate	<u>(148,415)</u>
Present value of minimum lease payments	1,683,282
Less current portion	<u>395,472</u>
	<u>\$ 1,287,810</u>

8. Defined Contribution Plan

In April 2007, the Board authorized the creation of the Travis County Emergency Services District No. 2 457(b) Plan (the "Plan") with Principal Financial Group. Employees are eligible to participate in the Plan after meeting defined requirements. The Plan replaces the Travis County Emergency Services District No. 2 401(a) as the employer funded plan of the District until January 1, 2010. On January 1, 2010, the Board of Commissioners again authorized employer contributions into the Travis County Emergency Services District No. 2 401(a) plan and continued the 457(b) plan for employee contributions only. During the fiscal year, the Board also approved changes to the plan administrator and investments held in the Plan, following a recommendation from the District's Investment Workgroup. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes 10% of the employee's base salary each month. The District's contributions for each employee (and interest allocated to the employee's account) vest 20% per year during the first five years of service. The District's contribution for the year ended September 30, 2011 totaled \$445,919. Participant contributions for the year ended September 30, 2011 totaled \$269,123.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

9. Commitments

Effective October 1, 1995, the District entered into an agreement with Pflugerville Volunteer Fire Department (the "Department"). The Department agreed to provide support services to the District. The District agreed to pay the Department a total of \$2,000 per year out of tax revenues actually collected by the District. The term of the agreement is yearly and may be terminated by either party by providing 90 days' written notice of termination to the other party. Amounts payable to the Department shall be disbursed to the Department quarterly, if and when collected by the District, following the provision by the District of adequate reserves of such tax receipts for the budgeted expenditures of the District. Under the agreement, the District will provide administrative services, all necessary equipment, and training for Department personnel.

Effective December 31, 2001, the District entered into an agreement with the City of Austin Fire Department to provide dispatch services to the District service area on a fee-for-service basis. The service fee is based on the number of calls dispatched in the District service area in the preceding year and was \$22.00 per call and totaled \$141,262 during 2011. Either party may terminate this agreement with 90 days' prior written notice to the other party.

Effective April 25, 2000, the District entered into an agreement with ICPProcess.com ("ICP") to provide billing services for the District's fees charged to respond to fire calls and other related departmental services provided to the general public. The District may terminate this agreement at any time upon 30 days' prior written notice to ICP. The agreement calls for the District to pay ICP a 20% commission of the total amount collected on behalf of the District.

10. Reconciliation of Government Wide Financial Statements and Fund Financial Statements

The statement of net assets and governmental funds balance sheet include adjustments between governmental funds balances and net assets. The details on those adjustments are as follows:

Total governmental fund balances	\$ 4,619,316
Recording of governmental assets – net of accumulated depreciation	9,695,754
Deferred property tax revenue	233,792
Accrued interest	(71,610)
Capital lease payable obligations	(1,683,282)
Loan payable	(3,164,841)
Bonds payable	(1,820,000)
Compensated absences payable	<u>(436,077)</u>
Total net assets	<u>\$ 7,373,052</u>

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

10. Reconciliation of Government Wide Financial Statements and Fund Financial Statements (continued)

The statement of activities and governmental funds revenues, expenditures, and changes in fund balances includes the following adjustments:

Net change in governmental fund balances	\$ 64,735
Capital outlay	680,976
Depreciation	(644,524)
Compensated absences	(39,770)
Principal retirement	1,318,898
Loan proceeds	(1,117,462)
Deferred property tax	4,186
Interest expense	17,647
Proceeds from sale of assets	<u>(7,867)</u>
Change in net assets of governmental activities	<u>\$ 276,819</u>

11. Restatement of 2011 Financial Statement Balances

On October, 1, 2010, the District adopted GASB ASC Section N50, *Nonexchange Transactions*. The implementation of this statement required the nonexchange transactions related to sales tax revenue to be recognized in the accounting period when they become available and measurable. The October 1, 2010 balance in the unrestricted general fund was increased by \$474,651 to record the approximate amount of August and September 2010 sales taxes that had been collected by the state of Texas, but not remitted to the District.

Required Supplementary Information

Travis County Emergency Services District No. 2

Comparison Schedule – General Fund – Budgetary Basis

Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Adjustments	Actual Budget Basis	Variance With Final Budget Favorable (Unfavorable)
Revenues						
Property taxes – including penalties and interest	\$ 5,413,800	\$ 5,534,057	\$ 5,534,057	\$ -	\$ 5,534,057	\$ -
Sales tax receipts	2,920,000	2,934,733	3,121,625	-	3,121,625	186,892
Fee for services	142,000	127,199	27,199	-	27,199	(100,000)
Prevention	112,535	132,872	132,872	-	132,872	-
Grant and donation income	268,227	418,526	418,526	-	418,526	-
Facilities income	172,500	172,500	139,929	-	139,929	(32,571)
Miscellaneous	538,000	2,022,775	9,188	2,011,915	2,021,103	(1,672)
Total revenues	9,567,062	11,342,662	9,383,396	2,011,915	11,395,311	52,649
Expenditures						
Current:						
Operations	521,050	672,010	669,014	-	669,014	2,996
Prevention	31,000	30,334	30,333	-	30,333	1
Administrative:						
Professional services	485,000	447,098	508,763	-	508,763	(61,665)
General and administrative	552,700	417,842	496,382	-	496,382	(78,540)
Salaries	5,440,110	5,505,729	5,664,595	-	5,664,595	(158,866)
Employee benefits	1,500,720	1,157,537	1,154,644	-	1,154,644	2,893
Debt service:						
Principal retirement	499,536	1,028,898	1,028,898	-	1,028,898	-
Interest and fees	263,729	247,594	247,593	-	247,593	1
Capital outlay	70,500	673,108	680,976	-	680,976	(7,868)
Total expenditures	9,364,345	10,180,150	10,481,198	-	10,481,198	(301,048)
Excess (deficiency) of revenues over (under) expenditures	202,717	1,162,512	(1,097,802)	2,011,915	914,113	(248,399)
Other Financing Sources (Uses)						
Interest income	10,000	35,558	35,557	-	35,557	(1)
Proceeds from sale of assets	-	-	12,374	(12,374)	-	-
Proceeds from loans	-	-	1,117,462	(1,117,462)	-	-
Transfers in	-	-	492,526	(492,526)	-	-
Transfers out	-	-	(492,820)	492,820	-	-
Total other financing sources (uses)	10,000	35,558	1,165,099	(1,129,542)	35,557	(1)
Net change in fund balance	212,717	1,198,070	67,297	882,373	949,670	(248,400)
Fund balance at beginning of year – as originally stated	2,849,902	2,849,902	3,926,149	(530,974)	3,395,175	575,273
Prior period adjustment	-	-	474,651	-	474,651	(474,651)
Fund balance at end of year – as restated	\$ 3,062,619	\$ 4,047,972	\$ 4,468,097	\$ 351,399	\$ 4,819,496	\$ (147,778)

See accompanying independent auditors' report

TRAVIS COUNTY
EMERGENCY SERVICES DISTRICT #3

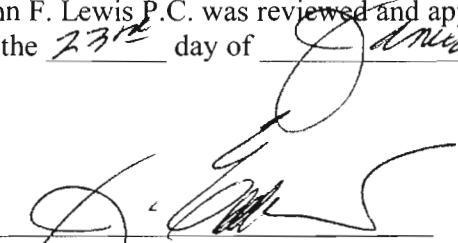
ANNUAL FINANCIAL STATEMENTS
WITH OTHER SUPPLEMENTAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2011

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Certificate of Board Approval

I, J. Edd New, President of the Board of Travis County Emergency Services District #3, do hereby certify that this accompanying audit report for the year ended September 30, 2011 from John F. Lewis P.C. was reviewed and approved at a meeting of the Board of Commissioners held on the 23rd day of January, 2012.



J. Edd New
President, Board of Commissioners

TRAVIS COUNTY
EMERGENCY SERVICES DISTRICT #3

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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
LISTING OF OFFICIALS
SEPTEMBER 30, 2011

Board of Commissioners

J. Edd New.....	President
John Villanacci	Vice President
Carroll Knight.....	Treasurer/Secretary
Gina Starr-Hill.....	Assistant Treasurer
Robert L. Taylor.....	Commissioner

Command Staff

J.J. Wittig.....	Acting Fire Chief
Robert Hartigan.....	District Chief
Madeline Miller.....	Business / HR Manager

JOHN F. LEWIS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

3613 WILLIAMS DRIVE, SUITE 501
GEORGETOWN, TX 78628

LOCAL (512) 863-5720
AUSTIN METRO 931-2801
FAX (512) 863-5170
www.johnlewiscpa.com

Independent Auditors' Report

To the Board of Commissioners
Travis County Emergency Services District #3
Austin, Texas

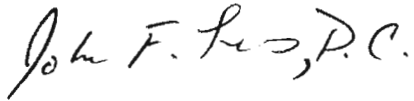
We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Travis County Emergency Services District #3, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Travis County Emergency Services District #3's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Travis County Emergency Services District #3, as of September 30, 2011, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 31 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 Travis County Emergency Services District #3's financial statements as a whole. The introductory section, statistical section and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The fiduciary fund financial statements are the responsibility of management as its administrator and were derived from and relate directly to the underlying accounting and other records used to prepare those financial statements. The information has 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.



John F. Lewis, P.C.
December 7, 2011

Required Supplementary Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Management's Discussion and Analysis For the Year Ended September 30, 2011

Our discussion and analysis of the financial performance of Travis County Emergency Services District #3, and provides an overview of the District's financial activities for the year ended September 30, 2011. Please read it in conjunction with the District's basic financial statements, which begin on page 11 of this report.

FINANCIAL HIGHLIGHTS

- The District's general fund had revenues of \$3,851,195 and expenditures of \$3,271,562 for the year ended September 30, 2011.
- The District had total net assets of \$6,222,087 at September 30, 2011.
- The District's cash and investment balances were \$3,362,818 as of September 30, 2011.
- The District's debt obligations consisted of capital leases payable, notes payable, and bonds payable with outstanding amounts of \$407,888, \$435,415, and \$3,555,000, respectively as of September 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Travis County ESD #3. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or declining.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the accrual basis of accounting is used, which is similar to the accounting used by most private-sector businesses. Some revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Management's Discussion and Analysis For the Year Ended September 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

In the Statement of Net Assets, we present the District as one type of fund:

Governmental - Most of the District's activities are reported here.

The government-wide financial statements are found on pages 11-12 of this report.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The fund financial statements begin on page 13, and provide detailed information about the most significant funds - not the District as a whole. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are included in one category: governmental funds. Some funds are required to be established by State law and by bond covenants; currently, the only fund required is the general fund. As the District ventures further into securing bonded debt on future endeavors it may be necessary to establish other funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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*, 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 services it provides. Governmental fund information helps 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 relationship (or differences) between governmental activities and governmental funds in the *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets* and the *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities* found on pages 14 and 16 of this report.

The *Notes to Financial Statements* provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-30 of this report.

Each year the District adopts a budget for its General Fund. A budgetary comparison schedule has been provided for the Governmental Funds to demonstrate compliance with this budget. This information can be found on page 31 of this report.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Management's Discussion and Analysis For the Year Ended September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's net assets increased by \$292,334 during fiscal year 2011. At September 30, 2011, the District's assets exceed liabilities by \$6,222,087. The information below presents a summary of the net assets and changes in net assets of governmental activities over the past three years. Details of this information can be found in the Government-wide financial statements on pages 11-12 of this report.

Travis County ESD #3 - Net Assets

	Governmental Activities		
	2009	2010	2011
Assets:			
Current and other assets	\$ 2,667,065	\$ 3,163,138	\$ 3,422,476
Capital assets, net of accumulated depreciation	7,962,585	7,677,558	7,455,376
Intangible assets, net of accumulated amortization	69,630	64,987	60,346
Total Assets	\$ 10,699,280	\$ 10,905,683	\$ 10,938,198
Liabilities:			
Current and other liabilities	\$ 575,520	\$ 559,627	\$ 630,251
Non-current liabilities	4,719,802	4,416,303	4,085,860
Total Liabilities	\$ 5,295,322	\$ 4,975,930	\$ 4,716,111
Net Assets:			
Invested in capital assets, net of related debt	\$ 2,985,067	\$ 2,974,180	\$ 3,057,073
Restricted	45,036	45,258	53,984
Unrestricted	2,373,855	2,910,315	3,111,030
Total Net Assets	\$ 5,403,958	\$ 5,929,753	\$ 6,222,087

Travis County ESD #3 - Changes in Net Assets

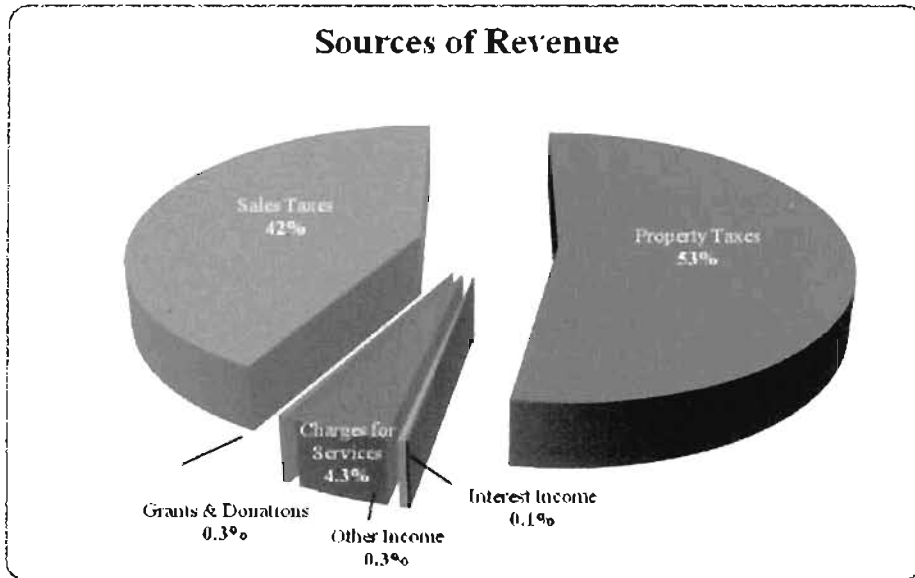
	Governmental Activities		
	2009	2010	2011
Revenues:			
Program revenue	\$ 203,226	\$ 198,849	\$ 181,669
General revenues:			
Property taxes	2,017,566	2,105,183	2,040,122
Sales taxes	1,500,372	1,593,159	1,620,115
Interest and other income	134,322	16,076	17,585
Total General Revenues	3,652,260	3,714,418	3,677,822
Total Revenues	3,858,486	3,913,267	3,859,491
Expenses:			
Fire and Emergency Services	3,392,010	3,387,472	3,567,157
Total Expenses	3,392,010	3,387,472	3,567,157
Increase in Net Assets	\$ 463,476	\$ 525,795	\$ 292,334

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

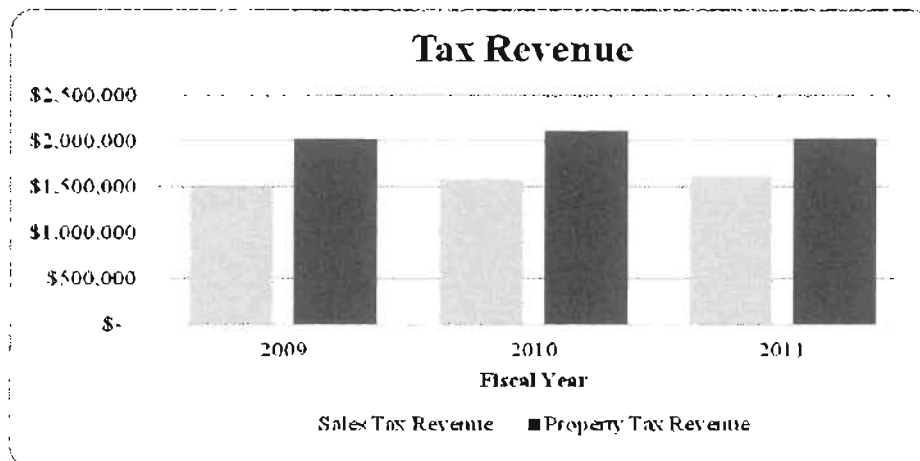
Management's Discussion and Analysis For the Year Ended September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District receives the majority of its revenue from property taxes and sales taxes collected by Travis County and remitted to the District. The following graph presents the different sources of revenue recorded by the District during fiscal year 2011.



Property tax revenues decreased \$65,061 or 3.1% from fiscal year 2010. The related tax rate held by the District remained unchanged at \$0.10/\$100. The amount of sales tax collected by the District increased \$26,956 or 1.7% from fiscal year 2010. The following graph presents a comparison of the amount of property tax and sales tax revenue collected by the District for the years ended September 30, 2009, 2010, and 2011.



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Management's Discussion and Analysis For the Year Ended September 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

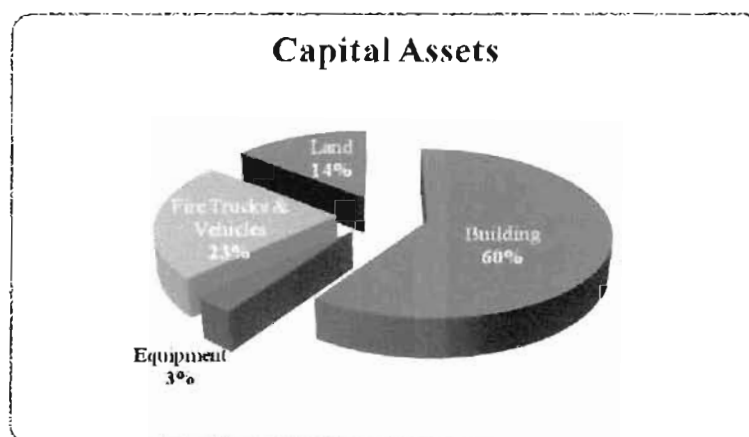
Total revenues for the District's governmental funds were \$3,851,195 while total expenditures were \$3,271,562. The excess of revenues over expenditures was \$579,633.

As of September 30, 2011, the fund balance in the General Fund was \$3,219,901, and \$53,984 in the Debt Service Fund. Details of this information can be found on pages 13 and 15 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2011, the District had \$9,612,773 invested in capital assets, less accumulated depreciation of \$2,157,397. The following graph presents a detail of the types of capital assets held by the District at the year ended September 30, 2011.



In addition to the capital assets listed above, the District had an intangible asset consisting of bond issuance costs in the amount of \$60,346, net of accumulated amortization.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

**Management's Discussion and Analysis
For the Year Ended September 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

As of September 30, 2011, the District had long-term debt consisting of capital leases payable, notes payable, and bonds payable. The following chart presents the current and long-term portions of each type of debt obligation.

	Current Portion	Long-Term Portion	Total
Capital Leases Payable	\$ 76,187	\$ 331,701	\$ 407,888
Notes Payable	29,256	424,159	453,415
Bonds Payable	225,000	3,330,000	3,555,000
Total	\$ 330,443	\$ 4,085,860	\$ 4,416,303

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's appointed officials consider many factors when setting the fiscal budget, tax rates, and necessary expenses to be incurred in the next fiscal year's activities. The District's budgetary growth has mirrored its residential growth and economy.

The original budget was amended due to increased revenue and a decision to increase spending in payroll and benefits and to decrease spending in continuing education. The result was going from a projected budget deficit of (\$71,344) to a projected surplus of \$196,548.

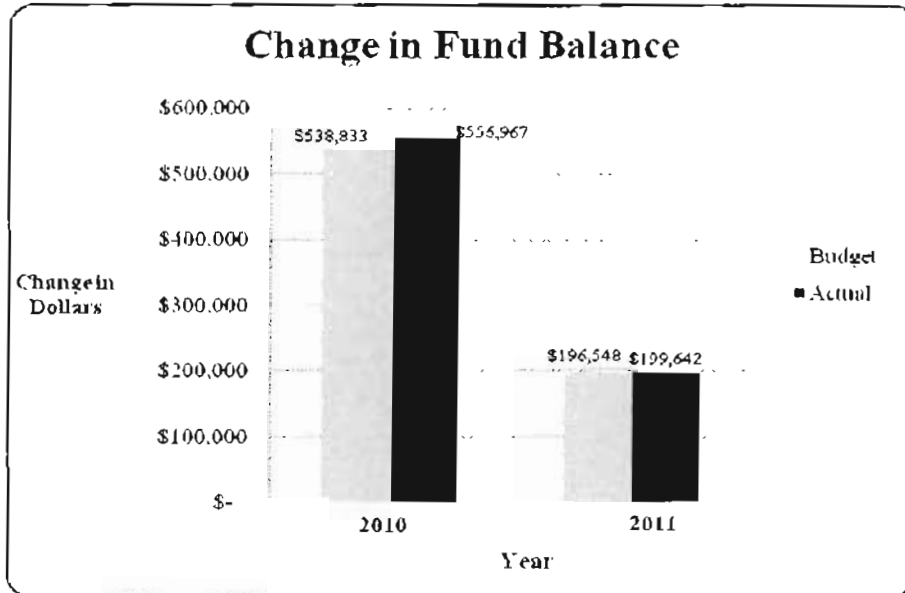
During the year the District's general fund was over/under budget in various categories. The amount of these variances was not significant to the overall budget of the District and was caused by unexpected increases/decreases in operating costs and other maintenance items.

The District was able to generate an increase in fund balance above the amount that was budgeted for the year ended September 30, 2011. The following graph shows the final budgeted and actual amounts of the change in fund balance of governmental funds for the years ended September 30, 2010 and 2011. For a more detailed budget to actual comparison see page 31 of this report.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

**Management's Discussion and Analysis
For the Year Ended September 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers 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 at:

Travis County Emergency Services District #3
Attn: Treasurer
4111 Barton Creek Boulevard
Austin, Texas 78735

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

ASSETS	<u>Governmental Activities</u>	<u>Component Units</u>
Current Assets		
Cash and cash equivalents	\$ 1,122,605	\$ 12,242
Investments	2,240,213	-
Property tax receivables (net of uncollectible taxes)	41,020	-
Accounts receivable - other	951	-
Prepaid expenses	17,687	-
Total Current Assets	<u>3,422,476</u>	<u>12,242</u>
Noncurrent Assets		
Capital assets (net of accumulated depreciation)	7,455,376	-
Intangible assets (net of accumulated amortization)	60,346	-
Total Noncurrent Assets	<u>7,515,722</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 10,938,198</u>	<u>\$ 12,242</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 23,441	\$ -
Salaries payable	80,849	-
Accrued liabilities	3,281	-
Accrued interest on long-term liabilities	27,377	-
Compensated absences payable	164,860	-
Leases payable, current portion	76,187	-
Notes payable, current portion	29,256	-
Bonds payable, current portion	225,000	-
Total Current Liabilities	<u>630,251</u>	<u>-</u>
Noncurrent Liabilities		
Leases payable, less current portion	331,701	-
Notes payable, less current portion	424,159	-
Bonds payable, less current portion	3,330,000	-
Total Noncurrent Liabilities	<u>4,085,860</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,716,111</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,057,073	-
Restricted for debt service	53,984	-
Unrestricted	3,111,030	12,242
TOTAL NET ASSETS	<u>\$ 6,222,087</u>	<u>\$ 12,242</u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
Governmental Activities:					
Fire and Emergency Services	\$ 3,008,928	\$ 169,329	\$ 12,340	\$ (2,827,259)	-
General Government	269,380	-	-	(269,380)	-
Interest on long-term debt	288,849	-	-	(288,849)	-
Total Governmental Activities	\$ 3,567,157	\$ 169,329	\$ 12,340	\$ (3,385,488)	-
Response Training Foundation	\$ 8,850	-	\$ 5,830	-	(3,020)
General revenue					
Property taxes				2,040,122	-
Sales taxes				1,620,115	-
Interest income				5,792	-
Other income				11,793	-
Total General Revenue				3,677,822	-
Change in Net Assets				292,334	(3,020)
Net Assets, beginning of year				5,929,753	15,262
Net Assets, end of year				\$ 6,222,087	\$ 12,242

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General	Debt Service	Total
ASSETS			
Cash and cash equivalents	\$ 1,068,621	\$ 53,984	\$ 1,122,605
Investments	2,240,213	-	2,240,213
Property taxes receivable (net of uncollectible taxes)	41,020	-	41,020
Accounts receivable - other	951	-	951
Prepaid expenses	17,687	-	17,687
TOTAL ASSETS	\$ 3,368,492	\$ 53,984	\$ 3,422,476
LIABILITIES			
Accounts payable	\$ 23,441	\$ -	\$ 23,441
Salaries payable	80,849	-	80,849
Accrued liabilities	3,281	-	3,281
Deferred revenue	41,020	-	41,020
TOTAL LIABILITIES	148,591	-	148,591
FUND BALANCE			
Restricted	-	53,984	53,984
Committed	32,865	-	32,865
Assigned	1,129,361	-	1,129,361
Unassigned	2,057,675	-	2,057,675
TOTAL FUND BALANCE	3,219,901	53,984	3,273,885
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,368,492	\$ 53,984	\$ 3,422,476

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

Total Governmental Fund Balances	\$	3,273,885
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets (net) and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		7,515,722
<p>Long-term liabilities, including bonds payable, notes payable capital leases and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.</p>		(4,581,163)
<p>Expenses in the statement of activities that do not use current financial resources are not reported as expenses in the funds.</p>		(27,377)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		<u>41,020</u>
Net Assets of Governmental Activities	\$	<u><u>6,222,087</u></u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Revenues			
Property taxes	\$ 2,032,225	\$ -	\$ 2,032,225
Sales tax	1,620,115	-	1,620,115
Grants and donations	12,340	-	12,340
Charges for services	169,329	-	169,329
Miscellaneous income	11,793	-	11,793
Interest income	<u>5,393</u>	<u>398</u>	<u>5,791</u>
Total Revenues	<u>3,851,195</u>	<u>398</u>	<u>3,851,593</u>
Expenditures			
Current:			
General and administrative	270,029	-	270,029
Public safety	2,804,451	-	2,804,451
Capital outlay	49,316	-	49,316
Debt Service:			
Principal retirement	102,076	215,000	317,076
Interest and fees	<u>45,690</u>	<u>156,663</u>	<u>202,353</u>
Total Expenditures	<u>3,271,562</u>	<u>371,663</u>	<u>3,643,225</u>
Excess (Deficiency) of Revenues Over Expenditures	579,633	(371,265)	208,368
Other Financing Sources (Uses)			
Transfers In	-	379,991	379,991
Transfers Out	<u>(379,991)</u>	<u>-</u>	<u>(379,991)</u>
Total Other Financing Sources (Uses)	<u>(379,991)</u>	<u>379,991</u>	<u>-</u>
Net Change in Fund Balance	199,642	8,726	208,368
Fund Balance, beginning of year	<u>3,020,259</u>	<u>45,258</u>	<u>3,065,517</u>
Fund Balance, end of year	<u>\$ 3,219,901</u>	<u>\$ 53,984</u>	<u>\$ 3,273,885</u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	208,368
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlay 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 expense for the period in excess of capital outlay.</p>	(222,832)	
<p>Governmental funds report bond issuance as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which bond issuance was reduced by amortization expense in the current period.</p>	(4,642)	
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of principal repayments on long-term debt in the current period.</p>	317,075	
<p>Some revenues in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds.</p>	7,897	
<p>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 funds.</p>	<u>(13,532)</u>	
Change in Net Assets of Governmental Activities	\$	<u><u>292,334</u></u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District currently reports under the financial reporting requirements of GASB Statement Nos. 34 and 37, subsequent with other statements applicable to the reporting period. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

Prior to October 1, 1992, the District operated as a rural fire prevention district (Travis County Rural Fire Prevention District No. 6) under Article III, Section 48-d of the Texas Constitution. On January 18, 1992, the voters of the District approved the formation of an emergency services district under Article III, Section 48-e of the Texas Constitution. On January 18, 1992, the County Commissioners Court of Travis County, State of Texas approved the order to form the Travis County Emergency Services District No. 3. The District was formed on October 1, 1992, and operates under a Board of Directors appointed by the Commissioners Court of Travis County. The District is exempt from federal income taxes, state sales tax and state franchise tax.

Discretely Presented Component Unit

Oak Hill Regional Emergency Response Training Foundation (the Foundation) is a discretely presented component unit of the District. The Foundation is a non-profit corporation dedicated to providing emergency service training. The Foundation is a legally separate entity determined to be a non-major discretely presented component unit of the District due to the District's voting majority in the governing body, financial support and the ability to impose its will on the Foundation. The Foundation is reported on the accrual basis of accounting, following accounting principles generally accepted in the United States of America, and is only reported in the Statement of Net Assets and Statement of Activities located on page 11 and 12. Complete information and financial statements can be obtained from the Foundation's office, which is located at 4111 Barton Creek Blvd., Austin, Texas 78735.

Mission Statement

The mission of the District is "To Preserve Life and Property."

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole, except for fiduciary activities. Governmental activities generally are supported by taxes, intergovernmental and non-exchange revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District currently does not have any business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated to functions based on reasonableness. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- B. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to accumulate resources for the payment of general long term debt principal, interest, and related costs (other than those payable from enterprise funds and special assessment funds).

Pension Trust Fund, a fiduciary fund type, is used to track the defined contribution plan's assets that are held by a third party administrator in the District's name for the sole benefit of the plan's participants.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus. This approach differs for the manner in which governmental fund financial statements are prepared, as discussed below. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

The financial transactions of the District are recorded in individual funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

GASB Statement No. 34 eliminates the presentation of Accounts Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 34 also requires, as supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified general fund budget with actual results.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgeting

The District annually formally adopts a budget on a basis consistent with generally accepted accounting principles. Budgeted amounts in the financial statements have been revised for amendments authorized during the year.

Assets, Liabilities, and Equity

Cash

The District maintains pooled cash, which are separately held and maintained in their respective funds or component units as "cash and cash equivalents".

Cash deposits and investments are reported at the carrying amount, which reasonably estimates fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (continued)

Capital Assets (continued)

The District currently maintains a policy of capitalizing all items that meet or exceed \$5,000 individually. Those items that do not meet the capitalization requirements are expensed accordingly.

The range of estimated useful lives by type of asset is as follows:

Fire Trucks and Vehicles	5-20 Years
Building and Improvements	20-40 Years

In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Accruals for vacation and sick pay are reflected in the government-wide statements for unpaid amounts of vacation and sick pay earned by employees. It is the policy of the Department to provide vacation leave to every full-time shift and full-time regular (administrative) employee who work 30 hours or more per week. This benefit is an investment by the Department in the health and well being of each employee; consequently, every employee is encouraged to use at least two-thirds of his/her annual accumulation of vacation leave during the year. Vacation leave has a 240 hour cap in terms of accumulation at the end of the calendar year. In case of termination or layoff, any vacation leave accrued balances, after applicable adjustments for usage or bought/sold vacation leave, will be paid to the employee during the next payroll cycle.

The District also provides sick leave to the full-time employees as mentioned above. Sick leave has a 480 hour cap in terms of accumulation at the end of the calendar year. Upon separation, an employee shall be compensated for accrued sick leave at their final salary rate with a maximum of one-half of the accrued sick leave but not to exceed 240 hours (that is one-half of 480 accrued hours). Employees who leave the department before their probationary period has ended or because of sick leave abuse shall forfeit any accrued sick leave and shall not be compensated.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of capital leases, notes payable, and bonds payable.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Source of Funds

Ad valorem taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Property taxes accounted for approximately 53% of the District's revenue for the year ended September 30, 2011.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in two components:

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

As of September 30, 2011, the District implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District has \$53,984 restricted for debt service.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through approval by the Board. At year-end, the District had committed \$32,865 for the purchase of equipment.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (continued)

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. At year-end, the District had assigned \$1,129,361 for special use and emergencies in order to sustain service levels in the event of conditions which would have a significant impact on its revenues or expenses. The annual reservation is calculated based on prior year operating results per the reserves policy. The use of the reserves must be authorized by a vote of the Board.

Unassigned - all other spendable amounts.

Revenue, Expenditures and Expenses

Property Taxes

Property taxes are collected by Nelda Wells Spears, Travis County Tax Assessor Collector, and are forwarded to the District through bank transfer. The tax rate held by the District during 2011 was \$0.10/\$100. Property tax revenues are considered available when they become due or past due and are considered receivable within the current period, including those property taxes expected to be collected during a sixty-day period after the close of the District's fiscal year. Property taxes are billed on October 1 of each year, a lien is placed on the property on January 1, and the taxes become due on January 31. The assessed value for the roll of at December 31, 2010 was \$2,022,133,803. Property taxes receivable for 2011 are \$52,355 net of allowance for doubtful accounts of \$11,335.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)
Non-Current
Capital Outlay

Other

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE B - CASH AND CASH EQUIVALENTS

Deposit and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy allows it to invest in the following types of investments, which are authorized for the investment of funds of local government under the Public Funds Investment Act.

1. Obligations of, or Guaranteed by, The United States
2. Certificates of Deposit
3. TexPool Investments Pools

The District is authorized to invest in the following types of investments to the extent authorized by Chapter 2256, Government Code, only upon the board's adoption of a separate resolution authorizing an investment: obligations of, or guaranteed by, government entities other than the United States or one of its agencies or instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, and mutual funds.

It is the District's policy for deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance. The District's deposits are categorized to give an indication of the level of risk assumed by the District at the fiscal year-end.

The categories are described below:

Category 1 - Insured or collateralized by securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

At September 30, 2011, the District's carrying amount of cash deposits was \$1,0568,484, and the bank balance was \$1,116,210. All cash deposits were categorized as Category 1 as of September 30, 2011.

The district has investments in the Texas Local Government Investment Pool (TexPool). TexPool is a public funds investment pool created by the Treasurer of the State of Texas pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated authority to hold legal title to TexPool as custodian and to make investment purchases with the

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE B - CASH AND CASH EQUIVALENTS (continued)

Deposit and Investments (continued)

District's funds. The District owns specific, identifiable investment securities of the pool; consequently, no disclosure of categories of credit risk is made.

The market value is determined by the number of pool shares owned on that day. Each share is valued at \$1.00. The market value of the TexPool investments at September 30, 2011, was \$2,240,213.

Types of investments:	Fair Value	Cost	Average Credit Rating (1)	Weighted Average Days to Maturity (2)
<u>Non-Pooled Investments (Government-wide):</u>				
<i>Governmental Activities</i>				
Major Funds:				
General Fund – TexPool	\$ 2,240,213	\$ 2,240,213	AAAm	82
Total Investments	<u>\$ 2,240,213</u>	<u>\$ 2,240,213</u>		

- (1) Ratings are provided where applicable to indicate associated credit risk.
 (2) Uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the investment.

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets during the year ended September 30, 2011 is as follows:

	Balance 9/30/2010	Additions	Disposals	Balance 9/30/2011
<i>Governmental Activities</i>				
Depreciable Assets:				
Building & Improvements	\$ 5,707,801	\$ -	\$ -	\$ 5,707,801
Equipment	302,544	6,500	-	309,044
Fire Trucks & Vehicles	2,217,800	43,467	(16,000)	2,245,267
Total Depreciable Assets	<u>8,228,145</u>	<u>49,967</u>	<u>(16,000)</u>	<u>8,262,112</u>
Nondepreciable Assets:				
Land (non-depreciable)	1,350,661	-	-	1,350,661
Total Nondepreciable Assets	<u>1,350,661</u>	<u>-</u>	<u>-</u>	<u>1,350,661</u>
Less: Accumulated Depreciation	<u>(1,901,249)</u>	<u>(272,148)</u>	<u>16,000</u>	<u>(2,157,397)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$ 7,677,557</u>	<u>\$ (222,181)</u>	<u>\$ -</u>	<u>\$ 7,455,376</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ <u>272,148</u>
Total Depreciation Expense	\$ <u>272,148</u>

NOTE D - INTANGIBLE ASSETS

Intangible assets for the year ended September 30, 2011 are as follows:

	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Bond Issuance Costs	\$ 92,840	\$ -	\$ -	\$ 92,840
Total Intangible Assets	92,840	-	-	92,840
Less: Accumulated Amortization	(27,853)	(4,642)	-	(32,495)
Total Capital Assets, net of Accumulated Depreciation	\$ 64,987	\$ (4,642)	\$ -	\$ 60,345

Amortization was charged to governmental functions as follows:

General Government	\$ <u>4,642</u>
Total Amortization Expense	\$ <u>4,462</u>

NOTE E - CAPITAL LEASE OBLIGATIONS

The district maintains a capital lease collateralized by a Pierce Quantum Ladder Truck and a Quantum CAFS Pumper. The terms of the lease are as follows:

Loan Amount:	\$714,643
Maturity Date:	March 2, 2016
Interest Rate:	4.65% per annum
Payment Terms:	Payments are due and payable in annual installments of \$90,983 beginning March 2, 2007 and ending March 2, 2016. The loan is collateralized with the ladder truck and CAFS pumper. The balance at the beginning of the year was \$467,016, with principal payments during the year of \$69,267. The total outstanding balance at September 30, 2011 was \$397,749.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE E - CAPITAL LEASE OBLIGATIONS (continued)

The district maintains a capital lease collateralized by two Sharp copiers. The terms of the lease are as follows:

Loan Amount: \$14,938
 Maturity Date: April 26, 2014
 Interest Rate: 6.1% per annum
 Payment Terms: Payments are due and payable in monthly installments of \$360 beginning April 26, 2010 and ending April 26, 2014. The loan is collateralized with the copiers. The balance at the beginning of the year was \$13,578, with principal payments during the year of \$3,439. The total outstanding balance at September 30, 2011 was \$10,139.

The future debt service for capital leases payable is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 76,187	\$ 19,116
2013	79,838	15,465
2014	81,845	11,658
2015	83,077	7,906
2016	<u>86,941</u>	<u>4,043</u>
Totals	<u>\$ 407,888</u>	<u>\$ 58,368</u>

NOTE F - NOTES PAYABLE

The District maintains a loan agreement used for the construction of an emergency services training facility. The note is secured by a ground lease agreement which began July 17, 2007 and runs through July 17, 2037. Per the agreement, the District receives \$1 per year on the date of commencement for the use and occupancy of the property. The terms of the note are as follows:

Loan Amount: \$500,000
 Maturity Date: July 17, 2007
 Interest Rate: 5.1% per annum
 Payment Terms: Payments are due and payable in annual installments of \$40,462 beginning July 17, 2008 and ending July 17, 2027. The balance at the beginning of the year was \$452,785, with principal payments during the year of \$17,370. The total outstanding balance at September 30, 2011 was \$435,415.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE F - NOTES PAYABLE (continued)

The future debt service for the note is as follows:

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 18,256	\$ 22,206
2013	19,187	21,275
2014	20,166	20,297
2015	21,194	19,268
2016	22,275	18,187
Thereafter	<u>334,337</u>	<u>110,747</u>
Totals	<u>\$ 435,415</u>	<u>\$ 211,980</u>

The District received an overpayment of sales tax revenue from the Texas State Comptroller's office. In order to reimburse the Comptroller's office, the District makes payments of \$1,000 per month until the amount has been repaid in full. There is no interest involved in the repayment plan. The balance at the beginning of the year was \$30,000, with payments during the year of \$12,000, leaving a balance of \$18,000 at September 30, 2011.

The future payments for the repayment of sales tax are as follows:

Year Ending <u>September 30,</u>	<u>Principal</u>
2012	\$ 12,000
2013	<u>6,000</u>
Totals	<u>\$ 18,000</u>

NOTE G - LIMITED TAX BONDS

The District has two series of bonds outstanding. The bonds were issued for the purpose of acquiring land and constructing, and equipping fire stations and fire training facilities. For each, interest is paid twice per year and principal once per year.

The beginning principal balance of the Limited Tax Bond, Series 2003 was \$2,545,000, with a principal payment made during the year of \$155,000, leaving a principal balance of \$2,390,000 at September 30, 2011.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE G - LIMITED TAX BONDS (Continued)

Future payments for the Limited Tax Bond, Series 2003 are as follows:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 160,000	\$ 99,712	\$ 259,712
2013	165,000	94,032	259,032
2014	170,000	88,010	258,010
2015	180,000	81,720	261,720
2016	185,000	74,790	259,790
2017	190,000	67,390	257,390
2018	200,000	59,505	259,505
2019	210,000	51,005	261,005
2020	220,000	41,870	261,870
2021	225,000	32,080	257,080
2022	235,000	22,067	257,067
2023	250,000	11,375	261,375
Total	<u>\$ 2,390,000</u>	<u>\$ 723,556</u>	<u>\$ 3,113,556</u>

The beginning principal balance of the Limited Tax Bond, Series 2005 was \$1,225,000, with a principal payment made during the year of \$60,000, leaving a principal balance of \$1,165,000 at September 30, 2011.

Future payments for the Limited Tax Bond, Series 2005 are as follows:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 65,000	\$ 45,047	\$ 110,047
2013	65,000	46,448	111,448
2014	70,000	43,848	113,848
2015	70,000	41,047	111,047
2016	75,000	38,248	113,248
2017	75,000	35,060	110,060
2018	80,000	31,873	111,873
2019	85,000	28,472	113,472
2020	85,000	24,860	109,860
2021	90,000	21,248	111,248
2022	95,000	17,422	112,422
2023	100,000	13,385	113,385
2024	105,000	9,135	114,135
2025	105,000	4,561	109,561
Total	<u>\$ 1,165,000</u>	<u>\$ 400,654</u>	<u>\$ 1,565,654</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE H - PENSION PLANS

The District offers its employees a two Pension Plans (the Plans) consistent with Internal Revenue Code Section 457(a) and 401(a). After the required minimum level of service requirements have been met, all eligible employees can join the Plans. The employees are immediately vested in personally contributed amounts. The Plans' funds are available to the employee at termination, retirement, death, loan or unforeseeable emergency as allowed by the Plans' documents. The District currently matches up to 9.5% of employee contributions. Employees are fully vested in employer contributions to the Plans on their behalf after a predetermined number of years of service. The specific requirements of each plan are as defined in the District's Plan documents. Employee and employer contributions to the plans as of September 30, 2011 were \$142,447 and \$138,000, respectively. At September 30, 2011, the Plans each had 30 active participants. The Plans are reported in the accompanying unaudited fiduciary financial statements.

NOTE I - RISK MANAGEMENT

The District has insurable risks in various areas, including property, casualty, automobile, comprehensive liability and workmen's compensation. The District has obtained insurance against risks through commercial carriers. There were no related settlements in excess of insurance coverage during the year. All other insurance against risk is through the Texas Municipal League (TML) intergovernmental Risk Pool, as discussed below. Management believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur.

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The District participates in the TML Intergovernmental Risk Pool for various risk areas, wherein member entities pool risks and funds and share in the costs of losses. Claims against the District in each respective are expected to be paid by that public entity risk pool. However, in the event the public entity risk pool became insolvent, or otherwise is unable to pay claims, the District may have to pay the claims.

NOTE J - COMMITMENTS AND CONTINGENCIES

The District is committed under various leases for office equipment. These leases are considered for accounting purposes to be replaced in the ordinary course of business with similar leases. Future aggregate annual commitments are not material to the District's financial statements.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition through the date of the *Independent Auditors' Report*, which is the date the financial statements were available to be issued.

Required Supplementary Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property taxes	\$ 1,962,640	\$ 2,032,073	\$ 2,032,225	\$ 152
Sales tax	1,447,446	1,620,115	1,620,115	-
Grants and donations	3,000	6,490	12,340	5,850
Charges for services	183,975	193,158	169,329	(23,829)
Miscellaneous income	16,210	11,597	11,793	196
Interest income	<u>10,000</u>	<u>5,500</u>	<u>5,393</u>	<u>(107)</u>
Total Revenues	<u>3,623,271</u>	<u>3,868,933</u>	<u>3,851,195</u>	<u>(17,738)</u>
Expenditures				
Cost of revenue acquisition	76,502	78,853	66,853	12,000
Emergency response	257,647	216,382	223,183	(6,801)
Continued education	232,935	143,789	109,634	34,155
Human resources	2,283,486	2,397,278	2,402,550	(5,272)
Administration	271,875	265,107	270,029	(4,922)
Prevention/public education	3,425	2,231	2,231	-
Capital outlay	49,316	49,316	49,316	-
Debt service:				
Principal	102,076	102,076	102,076	-
Interest	<u>45,690</u>	<u>45,690</u>	<u>45,690</u>	<u>-</u>
Total Expenditures	<u>3,322,952</u>	<u>3,300,722</u>	<u>3,271,562</u>	<u>29,160</u>
Excess of Revenues Over Expenditures	<u>300,319</u>	<u>568,211</u>	<u>579,633</u>	<u>11,422</u>
Other Financing Sources (Uses)				
Transfers out	<u>(371,663)</u>	<u>(371,663)</u>	<u>(379,991)</u>	<u>(8,328)</u>
Total Other Financing Sources (Uses)	<u>(371,663)</u>	<u>(371,663)</u>	<u>(379,991)</u>	<u>(8,328)</u>
Net Change in Fund Balance	(71,344)	196,548	199,642	<u>\$ 3,094</u>
Fund Balance, beginning of year	<u>3,020,259</u>	<u>3,020,259</u>	<u>3,020,259</u>	
Fund Balance, end of year	<u>\$ 2,948,915</u>	<u>\$ 3,216,807</u>	<u>\$ 3,219,901</u>	

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
TAX COLLECTION HISTORY
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)

Tax Year	Taxable Assessed Valuation	Tax Rate (a)	Amount Levied	Current	Current & Prior	As of September 30,
2004	\$ 1,331,905,930.00	\$ 0.1000	\$ 1,331,905.93	98.80%	100.56%	2005
2005	1,382,643,672.00	\$ 0.0994	1,374,347.81	99.19%	100.57%	2006
2006	1,589,841,210.00	\$ 0.1000	1,589,841.00	99.31%	100.88%	2007
2007	1,810,474,670.00	\$ 0.1000	1,809,776.95	99.13%	99.97%	2008
2008	2,008,727,530.00	\$ 0.1000	2,008,727.53	95.55%	100.88%	2009
2009	2,093,040,980.00	\$ 0.1000	2,093,040.98	98.99%	100.14%	2010
2010	2,022,133,830.00	\$ 0.1000	2,022,133.83	99.04%	100.46%	2011

(a) Per \$100 of taxable assessed value

Source: Travis County Tax Assessor/Collector

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 STATEMENTS OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2011
 (UNAUDITED)

	401(A) Pension Trust Fund	457 Pension Trust Fund
ASSETS		
Cash, Cash Equivalents and Investments	\$ <u>128,714</u>	\$ <u>299,332</u>
Total Assets	\$ <u><u>128,714</u></u>	\$ <u><u>299,332</u></u>
NET ASSETS		
Held in Trust for Pension Benefits	\$ <u>128,714</u>	\$ <u>299,332</u>
Total Net Assets	\$ <u><u>128,714</u></u>	\$ <u><u>299,332</u></u>

The District is the administrator of the above pension plans for the benefit of the employees. These funds are held by an outside Trustee.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011
 (UNAUDITED)

	<u>401(A) Pension Trust Fund</u>	<u>457 Pension Trust Fund</u>
ADDITIONS:		
Employer Contributions	\$ 138,000	\$ -
Participant Contributions	-	142,447
Participant Rollovers	5,517	190,224
Net Decrease in Fair Value of Investments	<u>(13,190)</u>	<u>(31,102)</u>
 Total Additions	 <u>130,327</u>	 <u>301,569</u>
DEDUCTIONS:		
Administrative Fees	1,613	-
Benefits Paid or Withdrawals	<u>-</u>	<u>2,237</u>
 Total Deductions	 <u>1,613</u>	 <u>2,237</u>
 CHANGE IN NET ASSETS	 128,714	 299,332
 NET ASSETS, BEGINNING OF THE YEAR	 <u>-</u>	 <u>-</u>
 NET ASSETS, END OF THE YEAR	 <u>\$ 128,714</u>	 <u>\$ 299,332</u>

The District is the administrator of the above pension plans for the benefit of the participants. These funds are held by an outside Trustee.



**TRAVIS COUNTY
EMERGENCY SERVICES
DISTRICT NO. 8**

**Financial Statements for the
Year Ended September 30, 2011 and
Independent Auditors' Report**

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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

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Austin, Texas
Round Rock, Texas

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Travis County Emergency Services District No. 8:

We have audited the accompanying financial statements of the governmental activities and the major fund of Travis County Emergency Services District No. 8 (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the major fund of the District as of September 30, 2011, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 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.

Maxwell Locke & Ritter LLP

March 16, 2012

Travis County Emergency Services District No. 8 Management's Discussion & Analysis September 30, 2011

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 8 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2011. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Assets and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Assets and Governmental Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

The *Statement of Net Assets and Governmental Fund Balance Sheet* includes a column (titled "General Fund") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net assets will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Assets and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

The District as a Whole

The District's combined net assets for the years ending September 30, 2011 and 2010 are shown in the table below. Our analysis below focuses on the net assets and changes in the net assets of the District's governmental activities as reported in the accrual basis of accounting.

STATEMENT OF NET ASSETS

	<u>9/30/2011</u>	<u>9/30/2010</u>
Assets:		
Current	\$ 912,061	\$ 839,620
Capital assets (net of accumulated depreciation)	2,376,921	2,484,500
TOTAL ASSETS	<u>\$ 3,288,982</u>	<u>\$ 3,324,120</u>
Liabilities:		
Current liabilities	166,194	161,048
Long-term liabilities	1,834,447	1,993,294
TOTAL LIABILITIES	<u>2,000,641</u>	<u>2,154,342</u>
Net Assets:		
Invested in capital assets, net of related debt	383,627	338,738
Unrestricted	904,714	831,040
TOTAL NET ASSETS	<u>\$ 1,288,341</u>	<u>\$ 1,169,778</u>

The District's total assets were approximately \$3,289,000 as of September 30, 2011. Of this amount, approximately \$2,377,000 is accounted for by capital assets. The District had outstanding liabilities of approximately \$2,001,000 of which approximately \$1,993,000 represents notes payable obligations.

The changes in net assets for the respective periods are also shown in the table below.

STATEMENT OF ACTIVITIES

	<u>9/30/2011</u>	<u>9/30/2010</u>
Expenses:		
Service operations and capital outlay	\$ 1,372,698	\$ 1,139,263
Depreciation	107,579	113,335
Debt service	87,100	93,803
TOTAL EXPENSES	<u>1,567,377</u>	<u>1,346,401</u>
Revenues-		
General revenues	1,685,940	1,607,062
TOTAL REVENUES	<u>1,685,940</u>	<u>1,607,062</u>
CHANGE IN NET ASSETS	<u>\$ 118,563</u>	<u>\$ 260,661</u>

General revenues increased by approximately \$79,000 to approximately \$1,686,000 for the fiscal year ended September 30, 2011 due to an increase in property and sales tax collections. Property taxes generated approximately \$1,444,000 in revenues. Total expenses increased by approximately \$221,000 to approximately \$1,567,000 for the fiscal year ended September 30, 2011. Net assets increased approximately \$119,000 for the fiscal year ended September 30, 2011 compared to an increase of approximately \$261,000 for the fiscal year ended September 30, 2010.

The District Governmental Fund

At the end of the fiscal year September 30, 2011, the District's governmental fund reported a fund balance of approximately \$873,000, which is an increase of approximately \$66,000 from last year, the majority of which is due to increased revenue related to the District's property and sales taxes.

For the year ended September 30, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board of Commissioners.

Assigned - For the General Fund, amounts that are appropriated by the Board of Commissioners, or their designee, that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

General Fund Budgetary Highlights

The actual expenditures in the General Fund were \$2,857 more than the budgeted amounts primarily due to higher miscellaneous expenditures incurred during the fiscal year. The actual revenues in the General Fund were \$142,681 more than budgeted amounts primarily due to higher than expected property and sales tax revenue.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2011 and 2010, the District had the following capital assets in operation:

CAPITAL ASSETS AT YEAR END

	<u>9/30/2011</u>	<u>9/30/2010</u>
Buildings	\$ 2,158,094	\$ 2,158,094
Vehicles and equipment	829,128	829,128
TOTAL CAPITAL ASSETS	<u>2,987,222</u>	<u>2,987,222</u>
Accumulated depreciation	(610,301)	(502,722)
TOTAL NET CAPITAL ASSETS	<u>\$ 2,376,921</u>	<u>\$ 2,484,500</u>

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Notes Payable

In 2005, the District entered into two notes payable agreements from a bank to finance the acquisition of the Pedernales Emergency Services' fire apparatus. The District made principal payments of \$81,823 during the year ended September 30, 2011 related to these notes payable agreements. In 2008, the District entered into a note payable agreement from a bank to fund the construction of the District's new fire station. The District made principal payments of \$70,645 during the year ended September 30, 2011 related to this note payable agreement. More detailed information about the District's notes payable is presented in the *Notes to Basic Financial Statements*.

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the ad valorem tax rate that will be charged for the governmental activities. Considerations included the economy of the area within the District boundaries. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at Travis County Emergency Services District No. 8, Attn: Treasurer, 801 Bee Creek Rd., Briarcliff, TX 78669.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET SEPTEMBER 30, 2011

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET ASSETS
ASSETS:			
Cash and cash equivalents	\$ 357,594	-	357,594
Investments	468,970	-	468,970
Receivables:			
Property taxes	43,666	-	43,666
Sales taxes	41,831	-	41,831
Capital assets (net of accumulated depreciation):			
Vehicles and equipment	-	332,440	332,440
Buildings	-	2,044,481	2,044,481
Total assets	<u>\$ 912,061</u>	<u>2,376,921</u>	<u>3,288,982</u>
LIABILITIES:			
Deferred revenue	\$ 39,406	(39,406)	-
Interest payable	-	7,347	7,347
Long-term liabilities:			
Due within one year	-	158,847	158,847
Due after one year	-	1,834,447	1,834,447
Total liabilities	<u>39,406</u>	<u>1,961,235</u>	<u>2,000,641</u>
FUND BALANCE/ NET ASSETS:			
Fund balance:			
Assigned for-			
Debt service	176,419	(176,419)	-
Unassigned	696,236	(696,236)	-
Total fund balance	<u>872,655</u>	<u>(872,655)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 912,061</u>		
Net assets:			
Invested in capital assets, net of related debt		383,627	383,627
Unrestricted		904,714	904,714
Total net assets		<u>\$ 1,288,341</u>	<u>\$ 1,288,341</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE YEAR ENDED SEPTEMBER 30, 2011

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Service operations:			
Pedernales Fire			
Department funding	\$ 1,339,142	-	1,339,142
Professional fees	11,050	-	11,050
Appraisal district fees	5,850	-	5,850
Meetings/seminars	390	-	390
Other	16,266	-	16,266
Depreciation	-	107,579	107,579
Debt service:			
Principal payments	152,468	(152,468)	-
Interest payments	88,333	(1,233)	87,100
Total expenditures/expenses	<u>1,613,499</u>	<u>(46,122)</u>	<u>1,567,377</u>
REVENUES:			
General revenues:			
Property taxes	1,437,334	6,545	1,443,879
Penalties and interest on taxes	12,852	-	12,852
Sales taxes	227,570	-	227,570
Interest	1,608	-	1,608
Miscellaneous	31	-	31
Total revenues	<u>1,679,395</u>	<u>6,545</u>	<u>1,685,940</u>
EXCESS OF REVENUES OVER EXPENDITURES	65,896	(65,896)	-
Change in net assets		118,563	118,563
FUND BALANCE/ NET ASSETS:			
Beginning of year	<u>806,759</u>	<u>363,019</u>	<u>1,169,778</u>
End of year	<u>\$ 872,655</u>	<u>415,686</u>	<u>1,288,341</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL AND FINAL	ACTUAL	VARIANCE
REVENUES:			
Property taxes	\$ 1,380,214	1,437,334	57,120
Penalties and interest on taxes	12,000	12,852	852
Sales taxes	140,000	227,570	87,570
Interest	1,500	1,608	108
Miscellaneous	3,000	31	(2,969)
Total revenues	<u>1,536,714</u>	<u>1,679,395</u>	<u>142,681</u>
EXPENDITURES:			
Service operations:			
Pedernales Fire Department funding	1,339,142	1,339,142	-
Professional fees	10,000	11,050	(1,050)
Appraisal district fees	7,500	5,850	1,650
Meetings/seminars	2,500	390	2,110
Other	10,000	16,266	(6,266)
Debt service:			
Principal payments	153,000	152,468	532
Interest payments	88,500	88,333	167
Total expenditures	<u>1,610,642</u>	<u>1,613,499</u>	<u>(2,857)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(73,928)	65,896	139,824
FUND BALANCE:			
Beginning of year	<u>806,759</u>	<u>806,759</u>	-
End of year	<u>\$ 732,831</u>	<u>872,655</u>	<u>139,824</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis County Emergency Services District No. 8 (the "District") was approved by voters of the District in a general election on November 5, 1985 as Travis County Fire Control District No. 12. Pursuant to Texas Health and Safety Code 794.100, the District was legally converted to a district operating under the Texas Health and Safety Code, Chapter 775, by an election of the voters of the District held on November 2, 1999. As a result, the name of the District changed to Travis County Emergency Services District No. 8, effective December 2, 1999, and the District automatically assumed all rights and obligations of the former entity. The District provides fire suppression, emergency medical and rescue first response, hazardous materials incident response, and other emergency incident response that may arise within its boundaries.

The reporting entity of the District encompasses those activities and functions over which the District's appointed officials exercise significant oversight or control. The District is usually governed by a five member Board of Commissioners (the "Board") which is appointed by the Travis County Commissioners' Court. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements - For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net assets and the statement of activities.

The government-wide financial statements report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income and sales tax. An accrual for property taxes collected within sixty days of year-end has been made; delinquent property taxes at period end are reported as deferred revenue.

The District reports the following major governmental fund:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board formally adopts the budget through a formal action. The District may amend the budget throughout the year, approving such additional expenditures as may be required. All annual appropriations for the General Fund lapse at the fiscal year-end.

Assets, Liabilities, and Net Assets or Equity

Cash and cash equivalents - The District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments - The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the District's investment policy and the Public Funds Investment Act. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include buildings and vehicles and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	39.5
Vehicles	10-15
Equipment	5

Ad Valorem Property Taxes - Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Fund Equity - The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 8 for additional information on those fund balance classifications.

Included in fund balance assigned for debt service are funds collected from the sales tax imposed within the District. The Board has assigned all sales tax revenue received by the District to be used to meet debt service requirements.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental fund total fund balance	\$ 872,655
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets, net of accumulated depreciation	2,376,921
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	39,406
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds: Notes payable	(1,993,294)
Interest payable	(7,347)
Total net assets	<u>\$ 1,288,341</u>

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

Excess of revenues over expenditures	\$ 65,896
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. Depreciation expense	(107,579)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred tax revenue	6,545
Repayment of notes payable obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Repayment of notes payable obligations	152,468
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 governmental funds. Change in interest payable	<u>1,233</u>
Change in net assets	<u>\$ 118,563</u>

3. CASH AND TEMPORARY INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2011, such deposits were entirely covered by Federal Deposit Insurance Corporation insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District had investments of \$468,970 in an external local governmental investment pool, Texas Local Governmental Investment Pool (“TexPool”), at September 30, 2011. The investments in TexPool had a weighted average maturity of one day and a Standard and Poor’s rating of AAAM.

TexPool is an external investment pool offered to local governments. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy; this board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of the TexPool shares. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2011, investments were included in a local governmental investment pool with a rating from Standard and Poor’s in compliance with the District’s investment policy.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investments in a single issuer. At September 30, 2011, all of the District’s investments were with TexPool.

Interest Rate Risk - The District considers the holdings in the local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011 was as follows:

	Balance September 30, 2010	Additions	Retirements and Transfers	Balance September 30, 2011
Capital assets being depreciated:				
Vehicles and equipment	829,128	-	-	829,128
Buildings	2,158,094	-	-	2,158,094
Total capital assets being depreciated	<u>2,987,222</u>	<u>-</u>	<u>-</u>	<u>2,987,222</u>
Less accumulated depreciation for:				
Vehicles and equipment	(443,744)	(52,944)	-	(496,688)
Buildings	(58,978)	(54,635)	-	(113,613)
Total accumulated depreciation	<u>(502,722)</u>	<u>(107,579)</u>	<u>-</u>	<u>(610,301)</u>
Total capital assets being depreciated, net	<u>2,484,500</u>	<u>(107,579)</u>	<u>-</u>	<u>2,376,921</u>
Capital assets, net	<u>\$ 2,484,500</u>	<u>(107,579)</u>	<u>-</u>	<u>2,376,921</u>

5. LONG-TERM LIABILITIES

Long-term liabilities transactions for the year ended September 30, 2011 are summarized as follows:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011	Due Within One Year
Notes payable	\$ 2,145,762	-	(152,468)	1,993,294	158,847
Total governmental activities	<u>\$ 2,145,762</u>	<u>-</u>	<u>(152,468)</u>	<u>1,993,294</u>	<u>158,847</u>

Notes payable consisted of the following at September 30, 2011:

Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 9-30-11	Due Within One Year
10-20-2005	\$ 335,615	2013	4.00%	\$ 105,478	\$ 45,689
10-20-2005	289,812	2013	4.00%	91,083	39,454
8-28-2008	2,000,000	2028	4.26%	1,796,733	73,704
	<u>\$ 2,625,427</u>			<u>\$ 1,993,294</u>	<u>\$ 158,847</u>

The notes payable agreements in 2005 are from Security State Bank and Trust of Fredericksburg to finance the acquisition of the Pedernales Emergency Services' fire apparatus. The note payable agreement in 2008 is from Bank of America to finance the construction of the new fire station.

Debt requirements to maturity for the District's notes payable are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2012	\$ 158,847	81,970	240,817
2013	165,495	75,322	240,817
2014	103,041	69,023	172,064
2015	83,695	65,383	149,078
2016	87,318	61,760	149,078
2017-2021	496,665	248,725	745,390
2022-2026	613,874	131,516	745,390
2027-2028	284,359	13,796	298,155
Total	<u>\$ 1,993,294</u>	<u>747,495</u>	<u>2,740,789</u>

6. DEFERRED REVENUE

Deferred revenue at September 30, 2011 as reported in the General Fund consisted of net tax revenue of \$39,406.

7. PROPERTY TAXES

The District is authorized to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2010, the District levied a tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The total 2010 tax levy was \$1,434,262 based on a taxable valuation of \$1,432,871,211.

8. FUND BALANCE

For the year ended September 30, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 6.

Fund balance of the District may be committed for a specific purpose by formal action of the Board; the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the District's Chief or Assistant Chief.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

9. CONTRACTED SERVICES

The District entered into an agreement with Pedernales Emergency Services ("PES") that was effective October 1, 2007 for a period of one year. This agreement has been extended annually since October 1, 2008. The District agreed to fund the operations of the PES quarterly, as funds are available, based on a budget for the PES that is approved by the District. In exchange for the funding provided by the District, the PES agreed to provide emergency services including fire fighting and first responder assistance in the geographic area served by the District. Expenditures of \$1,339,142 were incurred by the District related to this agreement during the year ended September 30, 2011.

10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District, through the Pedernales Fire Department, purchases its insurance from regular commercial companies. As of September 30, 2011, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having been filed within the last three years.

Travis County Emergency
Services District No. Nine
Financial Statements
September 30, 2011

Travis County Emergency Services District No. Nine
For the year ending September 30, 2011

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MEMBERS
American Institute of
Certified Public Accountants
Texas Society of
Certified Public Accountants

Independent Auditor's Report

Board of Commissioners
Travis County Emergency Services District No. Nine
P.O. Box 162170
Austin, TX 78716-2170

We have audited the accompanying financial statements of the governmental activities of Travis County Emergency Services District No. Nine as of and for the year ended September 30, 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Travis County Emergency Services District No. Nine as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 10 and page 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Medack & Oltmann, LLP

Medack & Oltmann, LLP
January 31, 2012



WESTLAKE FIRE DEPARTMENT

Travis County Emergency Service District #9
248 Addie Roy Rd, Suite B-103
Austin, TX 78746

Headquarters 512-327-9405
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This section of the Travis County ESD # 9 (Westlake Fire Department) annual financial report presents our discussion and analysis of the Department's overall financial performance during the twelve-month period ended September 30, 2011. Please read this overview in conjunction with the Department's financial statements, which follow this section.

Financial Highlights

- Assets of the Department exceeded its liabilities at the close of the most recent period by \$5,031,261 (net assets).
- The District maintained its tax rate at \$0.085 per \$100 of assessed valuation.
- The District paid Debt Service in the amount of \$138,943.
- During the year, the General Funds Total Expenses were \$668,926 less than the \$4,818,799 generated in revenues from taxes, contract revenues, and fees.
- The District continued to maintain a management service agreement with Travis County ESD #3 during the fiscal year; however, Travis County ESD#3 has since ended the management agreement.
- The District continued to offer employees the option of Copay or Health Savings Account (H S A) Medical Insurance Plans.

Using This Annual Report:

This annual report consists of a series of financial statements. GASB Statement No. 34 provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the governmental funds in the first two columns and a total in the third column. The next column is an adjustments column, reconciling the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements. For governmental activities, this last column tells how these services were financed in the short term as well as what remains for future spending. Fund financial statements 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 Department as a Whole

One of the questions that can be asked about the Department's finances is, "Is the Department better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities present information about the Department as a whole and its activities in a way that helps answer this question. These statements (as reported in the last column of each of the statements) include all of the Department's assets and liabilities, utilizing 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 columns report the Department's net assets and changes in them. The difference between assets and liabilities, net assets, are one way to measure the Department's financial health. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. However, other non-financial factors such as changes in the Department's property tax base and the condition of the Department's equipment and facilities must also be considered in an assessment of the overall financial health of the Department.

The statement of activities presents information showing how the Department's net assets changed during the most recent twelve-month period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by grants and government revenues. The government activities of the Department include Fire Suppression, Rescue Activities, Emergency Medical Services, Code Enforcement, and Public Education. The Department currently has no business-type activities.

Reporting the District's Governmental Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare that information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Reporting the Department's Most Significant Funds.

The columns reporting the fund activity (as explained in more detail in the first section of this report) provide detailed information about the most significant funds, not the Department as a whole. Some funds are required to be established by State law and by bond covenants, however, the Department establishes many other funds to help in control and manage money for particular purposes or to show that it is meeting its legal responsibilities for using certain taxes, grants, and other money.

Most of the Department'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 be readily converted to cash. The governmental fund statements provide a detailed short term view of the Department's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the adjustments column of the financial statements and in Note 15 to the financial statements.

The District as a Whole

Governmental activities increased the Department's net assets by \$407,437. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the Department's governmental activities:

**Table 1
Governmental Activities
Net Assets**

Assets	<u>9/30/10</u>	<u>9/30/11</u>
Current Assets	\$ 3,627,317	\$ 4,307,943
Other Assets	72,567	67,257
Capital Assets	<u>2,627,319</u>	<u>2,375,502</u>
Total Assets	<u>\$ 6,327,203</u>	<u>\$ 6,750,702</u>
 Liabilities		
Current Liabilities	\$ 54,433	\$ 196,873
Long-Term Liabilities	<u>1,648,946</u>	<u>1,522,568</u>
Total Liabilities	<u>1,703,379</u>	<u>\$ 1,719,441</u>
 Net Assets:		
Invested in Capital Assets, net of related debt	1,202,319	\$ 1,025,502
Restricted	-	-
Unrestricted	<u>3,421,505</u>	<u>4,005,759</u>
Total Net Assets	<u>\$ 4,623,824</u>	<u>\$ 5,031,261</u>

Table 2
Changes in Net Assets

	<u>9/30/10</u>	<u>9/30/11</u>
Revenues:		
Ad Valorem Taxes	\$ 4,504,384	\$ 4,368,833
Penalties & Interest on Taxes	25,074	19,304
Interest	6,722	5,575
Contract Revenues	398,685	345,552
Miscellaneous Income	<u>44,248</u>	<u>167,500</u>
Total revenues	4,979,113	4,906,764
Expenses:		
Board of Commissioner Expenditures	174,147	161,917
Personnel Costs	2,953,644	3,450,880
Station Facilities & Fixtures	78,170	79,951
Vehicles	84,344	107,675
Support Equipment	66,620	42,210
Training & Travel	48,310	50,651
Clothing	29,467	49,979
Recruiting & Retention	11,921	18,907
Administrative Expenditures	82,894	89,997
Communications	43,688	42,519
Programs	7,048	5,797
Bad Debt	-0-	12,135
Dues & Subscriptions	5,131	5,204
Capital Outlay	3,150	-0-
Depreciation Expense	315,422	307,241
Debt Service Interest	66,933	63,746
Amortization of Bond Issue Cost	<u>5,243</u>	<u>5,243</u>
Total expenses	<u>3,976,132</u>	<u>4,494,052</u>
Gain/(Loss) on sale/ disposal of asset	<u>83,041</u>	<u>(5,275)</u>
Change in Net Assets:		
Change in Net Assets	1,086,022	407,437
Net Assets – Beginning	<u>3,537,802</u>	<u>4,623,824</u>
Net Assets – Ending	<u>\$ 4,623,824</u>	<u>\$ 5,031,261</u>

Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the year ending September 30, 2011, the District's total combined fund balance was \$4,095,358, which reflects a net combined fund balance increase of \$613,027.

The General Fund (which is used to report the District's overall operations) reported an increase of \$668,926. The increase can be attributed to the increase of the tax valuation, the Board's effort to increase the annual expense reserves through a Reserves Equity Policy and sound financial management of the District's expenditures during the fiscal year.

89% of all Department funds come from Ad Valorem taxes. The remaining minor revenues come from sources such as interest on deposited funds and a service contract to provide first-in engine response to areas for the City of Austin.

Budgetary Highlights

The Department's annual budget includes estimated revenues and expenditures. The annual budget is a nine-page, line-item document that allows the Board of Commissioners a high degree of control over Department expenditures. The budget is prepared over a several-month period in which the capital and personnel recommendations of the Officers are blended with estimates of "fixed" operating expenses such as utilities to form a recommendation to the Board of Commissioners for their beginning "first draft" of the budget. The Board of Commissioners meets with the Chief Officers as often as necessary in the month of August to complete the budget planning process.

Estimates of taxable value for the forthcoming year are provided by the Travis County Tax Appraiser's office. That estimate, combined with an estimate of historical tax collection rates for the Department is used with the proposed tax rate to estimate the revenue required to support the Department's operations.

In each budget process, the projected expenses and revenues for the Department are projected out for a five-year period. Critical to this estimate is the growth in assessed valuation that can be expected from the Department's service area. The Board of Commissioners, constituted by business leaders in the community, are critical to this estimate of future growth in the taxable value. Their estimates of the growth of the area have been extremely accurate over the years and have prevented the Department from over-estimating potential revenues based on historic trends.

Personnel costs represent 79.8% of overall expenditures and constitute the single greatest management challenge to the Department considering the legislative cap on the tax rate an Emergency Services District can levy (\$0.10/\$100). Any need for

expanded service or desire to pay competitive wages must be tempered by the tax cap in the current year and out through the five-year budget planning period.

In the fiscal year ending September 30, 2011 the Net Taxable (Assessed) Valuation of the District decreased by 3.03%. In the three years immediately prior, the AV increased 0.56%, 10.19% and 10.98% respectively. The Board of Commissioners, looking at the economic indicators of the area, predicted that growth would be flat and directed the staff to plan the moderate AV increase in the Department revenue projections. Their direction resulted in a conservative estimate of revenues for the year.

Over the course of the year, the Board of Commissioners reviewed semi-annual audits from the Financial Consultant and the Balance and Expense Reports were reviewed monthly. The Board made three adjustments to the budget during the year.

The Board continued plans from the previous year to implement a Reserve Equity Policy that designated funds for to meet legal and board designated obligations and increasing the District's operating expenses reserves from three months to six months over a three-year period.

Capital Asset and Debt Administration

Capital Assets:

At the end of the fiscal year September 30, 2011, capital assets are as follows:

Table 3
Capital Assets at Year-end

	<u>9/30/10</u>	<u>9/30/11</u>
Land	\$ 4,200	\$ 4,200
Vehicles	1,879,235	1,901,403
Equipment	445,174	442,955
Buildings	<u>1,750,685</u>	<u>1,782,673</u>
Total capital assets	\$ 4,079,294	4,131,231

This year's major additions included:

- An All Terrain Vehicle (ATV) to fight numerous wildfires in the central Texas area for \$27,373.
- The District replaced the fire station vehicle exhaust extractors for \$18,900.
- More detailed information about the District's Capital Assets is presented in Note 5 of the financial statements.

Debt:

At September 30, 2011, bonds payable consisted of the following:

\$1,350,000 in 2004 Limited Tax Improvement and Refunding Bonds outstanding, dated June 1, 2004, due annually September 1, 2005, through September 1, 2024, having approximate yields of 2% to 4.85 % paid March 1 and September 1 commencing March 1, 2005.

No additional bonds were sold during the fiscal year ending September 30, 2011.

Economic Factors and Next Year's Budgets and Rates

The projected assessed valuation (AV) for the area served by the Department is expected to increase slightly by .31% for the Fiscal Year 2011-2012, according to the estimate provided by the Travis County Central Appraisal District. Historically, the assessed valuation of the District averages out to be 7.92% per year over the last eighteen years.

The Board of Commissioners adopted a total tax rate for the forthcoming fiscal year tax rate of \$0.085 per \$100 of Assessed Valuation. During the FY 03-04 fiscal year, bonds were sold to refinance existing debt. The bond sale required a dedicated rate to retire the bonds of \$0.0016 per \$100 A.V. During Fiscal year 2009/10 the District was paid \$76,293 from the city of Austin for Bond Debt Obligation which had to be used to pay bond principal only as per Tex. Health & Safety Code Sec. 775.022(c) and this amount reduced the tax debt rate to \$0.0016 for one year. The Board of Commissioners adopted an Operations and Maintenance budget tax rate of \$0.0834/\$100 A.V. (\$0.085 - \$0.0016).

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mike Elliott, Acting Fire Chief
Travis County ESD # 9
P.O. Box 162170
Austin, TX 78716-2170
512-539-3400

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET ASSETS
YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Total	Adjustments (Note 15)	Statement of Net Assets
ASSETS					
Cash	\$ 18,798	\$ 935	\$ 19,733	\$	\$ 19,733
Investments - Texpool	3,819,071	32,453	3,851,524		3,851,524
Taxes Receivable	99,215	1,531	100,746		100,746
Accounts Receivable	306,166		306,166		306,166
Prepaid Expenses	29,774		29,774		29,774
Due from Other Funds	-	81	81	(81)	-
Unamortized Bond Issue Costs			-	66,406	66,406
Unamortized Bond Discount				851	851
Capital Assets (net of accumulated depreciation)			-	2,375,502	2,375,502
TOTAL ASSETS	\$ 4,273,024	\$ 35,000	\$ 4,308,024	\$ 2,442,678	\$ 6,750,702
LIABILITIES					
Payroll Liabilities Payable	\$ 56,856	\$	\$ 56,856	\$	\$ 56,856
Accounts Payable	54,983		54,983		54,983
Due to Other Funds	81	-	81	(81)	-
Accrued Interest Payable				5,034	5,034
Deposits	-		-		-
Deferred Revenues	99,215	1,531	100,746	(100,746)	-
Long-term liabilities					-
Due within one year				80,000	80,000
Due after one year	-	-	-	1,522,568	1,522,568
TOTAL LIABILITIES	211,135	1,531	212,666	1,506,775	1,719,441
FUND BALANCES/NET ASSETS					
Fund balances:					
Nonspendable	29,774		29,774	(29,774)	
Restricted		33,469	33,469	(33,469)	
Committed	3,982,115		3,982,115	(3,982,115)	
Assigned	50,000		50,000	(50,000)	
Total	<u>4,061,889</u>	<u>33,469</u>	<u>4,095,358</u>	<u>(4,095,358)</u>	<u>-</u>
Total fund balances	<u>4,061,889</u>	<u>33,469</u>	<u>4,095,358</u>	<u>(4,095,358)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,273,024</u>	<u>\$ 35,000</u>	<u>\$ 4,308,024</u>		
Net assets:					
Invested in capital assets, net of related debt				1,025,502	1,025,502
Restricted				-	-
Unrestricted				4,005,759	4,005,759
Total net assets				<u>\$ 5,031,261</u>	<u>\$ 5,031,261</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Total	Adjustments (Note 15)	Statement of Activities
EXPENDITURES/EXPENSES					
Board of Commissioners Expenditures:					
Insurance	\$ 33,075	\$ -	\$ 33,075	\$ -	\$ 33,075
Financial consultant	21,214	-	21,214	-	21,214
Legal fees	6,225	-	6,225	-	6,225
Appraisal/assessor costs	38,284	-	38,284	-	38,284
Audit	7,800	-	7,800	-	7,800
Leases	45,768	-	45,768	-	45,768
Miscellaneous	9,525	26	9,551	-	9,551
Service Agreement	-	-	-	-	-
Personnel Costs	3,422,258	-	3,422,258	28,622	3,450,880
Station facilities and fixtures	79,951	-	79,951	-	79,951
Vehicles	107,675	-	107,675	-	107,675
Support equipment	42,210	-	42,210	-	42,210
Training and travel	50,651	-	50,651	-	50,651
Clothing	49,979	-	49,979	-	49,979
Recruiting and retention	18,907	-	18,907	-	18,907
Administrative expenditures	89,997	-	89,997	-	89,997
Communications	42,519	-	42,519	-	42,519
Programs	5,797	-	5,797	-	5,797
Bad Debt	12,135	-	12,135	-	12,135
Dues and subscriptions	5,204	-	5,204	-	5,204
Capital Outlay	60,699	-	60,699	(60,699)	-
Depreciation Expense	-	-	-	307,241	307,241
Debt Service:	-	-	-	-	-
Principal	-	75,000	75,000	(75,000)	-
Interest	-	63,943	63,943	(197)	63,746
Amortization of Bond Issue Costs	-	-	-	5,243	5,243
Total expenditures/expenses	<u>4,149,873</u>	<u>138,969</u>	<u>4,288,842</u>	<u>205,210</u>	<u>4,494,052</u>
GENERAL REVENUES					
Ad valorem taxes	4,281,452	82,486	4,363,938	4,895	4,368,833
Penalties & Interest on Taxes	18,861	443	19,304	-	19,304
Interest	5,434	141	5,575	-	5,575
Contract Revenues	345,552	-	345,552	-	345,552
Miscellaneous Income	167,500	-	167,500	-	167,500
Loss on Disposal of Assets	-	-	-	(5,275)	(5,275)
Total general revenues	<u>4,818,799</u>	<u>83,070</u>	<u>4,901,869</u>	<u>4,895</u>	<u>4,901,489</u>
OTHER FINANCING SOURCES (USES):					
Transfer In/(out)	-	-	-	-	-
Total Other Financing Sources(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	668,926	(55,899)	613,027	(613,027)	-
Change in Net Assets	-	-	-	407,437	407,437
Fund Balance/Net Assets	-	-	-	-	-
Beginning of the year	<u>3,392,963</u>	<u>89,368</u>	<u>3,482,331</u>	<u>1,141,493</u>	<u>4,623,824</u>
End of the year	<u>\$ 4,061,889</u>	<u>\$ 33,469</u>	<u>\$ 4,095,358</u>	<u>\$ 935,903</u>	<u>\$ 5,031,261</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

REPORTING ENTITY

Travis County Rural Fire Prevention District No. 1 (the District) was created by an election of the District's voters on November 25, 1961, as provided by the laws of the State of Texas, and was authorized by the Travis County Commissioners on April 1, 1962. On September 9, 1995, the District held an election to convert from a rural fire prevention district operating under Texas Health and Safety Code Chapter 794 to an emergency services district operating under Texas Health and Safety Code Chapter 775. The District changed its name to Travis County Emergency Services District No. 9 effective October 12, 1995. The District is exempt from federal income taxes.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

BASIS OF PRESENTATION

Basic Financial Statements

GASB set forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. There is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporated long-term assets and receivables as well as long-term debt and obligations. The District does not have any business-type activities.

The Government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the governmental funds in the first three columns and a total in the fourth column. The next column is an adjustments column, reconciling the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Fund Accounting

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

Since the District maintains only two funds, all are considered major and reported in separate columns in the fund financial statements. These governmental funds are described below:

General Fund

The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the District.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 to be used to pay liabilities of the current period. The District considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

BUDGETS

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of an ordinance.
3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year end.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expenses as incurred. The capitalization policy, i.e. the dollar value above which asset acquisitions are added to the capital accounts, is \$ 2,500.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The range of estimated useful lives by type of asset is as follows:

Buildings and Structures	10-26 years
Vehicles	03-16 years
Other Equipment	04-27 years
Infrastructure	20 years

The Department does not own any infrastructure assets.

Fund Financial Statements

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – 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.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other government; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

INTERFUND TRANSACTIONS

Interfund transfers are used by the District to record transactions between the various governmental funds. These asset and liability balances on the fund statements are generally cleared within one

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

year. These transactions generally relate to the collections of ad valorem at year end by the General Fund which had not yet been remitted to the Debt Service Fund.

Interfund balances are eliminated as part of the conversion from fund statements to government-wide statements.

COMPENSATED ABSENCES

The District's policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The District's policy manual details the accrual and "buy-back" procedures for compensated leave time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2011, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Operating results in the future could vary from the amounts derived from management's estimates.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2: CASH

Deposits did not exceed FDIC coverage at the end of the fiscal year. However, during the year there were occasions when deposits did exceed FDIC coverage. Therefore, in accordance with the depository contract, the bank has pledged additional collateral. This collateral consisted of U.S. Government Securities, having a market value of \$357,534 (Category 1). At September 30, 2011, the carrying amount of the District's deposits was \$19,733 and the bank balance was \$101,695.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- Category 1- Insured by FDIC or collateralized with securities held by the District or by its agent in its name.
- Category 2- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3- Uncollateralized.

NOTE 3: INVESTMENTS

Travis County Emergency Services District Nine currently invests excess funds with the Texas Local Government Investment Pool, also known as TexPool. The District's policy on investments satisfies local statutes, as well as the Texas Public Funds Investment Act (PFIA) of the Texas Government Code. This policy allows the District to invest in Certificates of Deposits, government securities (maturity cannot exceed 2 years), and investment pools (TexPool), and have a rating of AAA or AAAM. Pools created to function as a money market mutual fund must maintain a stable net asset value of \$1/share.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

The District's investments as of September 30, 2011, are:

Investment	Fair Value	Effective Duration (in years)	Credit Risk
Local Government Investment Pool	\$3,851,524	0.0	AAA-m

The District's investment in TexPool represents 100% of its investment portfolio.

Interest Rate Risk – In compliance with the District's investment policy, the District manages its exposure to decline in the fair value of its investment by limiting the average maturity of investments to less than 2 years (for TexPool that investment has a weighted maturity average of 44 days).

Credit Risk – In compliance with the District's investment policy, the District minimizes its credit risk by limiting its investment to the safest type of security and by requiring a rating of AAA or AAA-m.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable totaled \$306,166 at September 30, 2011, consisting of:

City of Austin Mutual Aid Contract	\$ 218,095
Receivables from deployments	72,439
Receivables from other services	15,346
Receivables from employees for dependent insurance coverage	241
Receivables from AFLAC	<u>45</u>
 Total Accounts Receivable	 \$ 306,166

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Balance</u> <u>10/1/2010</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>9/30/2011</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,200	\$ -	\$ -	\$ 4,200
Total capital assets not being depreciated	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Capital assets, being depreciated				
Vehicles	1,874,029	27,373	-	1,901,402
Equipment	431,891	19,826	(8,762)	442,955
Buildings	1,769,174	13,500	-	1,782,674
Total capital assets being depreciated	<u>4,075,094</u>	<u>60,699</u>	<u>(8,762)</u>	<u>4,127,031</u>
Less accumulated depreciation for:				
Vehicles	(597,837)	(180,713)	-	(778,550)
Equipment	(224,433)	(42,072)	3,488	(263,017)
Buildings	(629,706)	(84,456)	-	(714,162)
Total accumulated depreciation	<u>(1,451,976)</u>	<u>(307,241)</u>	<u>3,488</u>	<u>(1,755,729)</u>
Total capital assets, being depreciated, net	<u>2,623,118</u>	<u>(246,542)</u>	<u>(5,274)</u>	<u>2,371,302</u>
Governmental activities capital assets, net	<u>2,627,318</u>	<u>(246,542)</u>	<u>(5,274)</u>	<u>2,375,502</u>

Depreciation was charged to the general fund of \$307,241.

NOTE 6: LONG-TERM DEBT

At September 30, 2011, bonds payable consisted of the following:

2004, Limited Tax Improvement and Refunding Bonds, dated June 1, 2004, due annually September 1, 2005, through September 1, 2024, having approximate yields of 2% to 4.85 % paid March 1 and September 1 commencing March 1, 2005.

<u>Balance</u> <u>October 1, 2010</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>September 30, 2011</u>
\$1,425,000	-0-	\$ 75,000	\$1,350,000

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

The annual aggregate maturities for the bonds for the years subsequent to September 30, 2011, are as follows:

Limited Tax Improvement and Refunding Bonds, Series 2004

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	80,000	60,755	140,755
2013	85,000	57,355	142,355
2014	85,000	53,743	138,743
2015	90,000	50,130	140,130
2016	95,000	46,305	141,305
Thereafter	<u>915,000</u>	<u>203,105</u>	<u>1,118,105</u>
Total	<u>\$1,350,000</u>	<u>\$ 471,393</u>	<u>\$ 1,821,393</u>

Changes in Outstanding Debt

Transactions for the year ended September 30, 2011, are summarized as follows:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30</u>	<u>Due within one year</u>
<u>Governmental Activities:</u>					
Tax Revenue Bonds	\$ 1,425,000	\$ -	\$ 75,000	\$1,350,000	\$ 80,000
Compensated Absences	223,946	28,622	-	252,568	-
Total Governmental Activities	\$ 1,648,946	\$ 28,622	\$ 75,000	\$1,602,568	\$ 80,000

Limited Tax Improvement and Refunding Bonds –

On May 3, 2003, the voters of Travis County Emergency Services District No. 9 voted to authorize the issuance of \$5,000,000 in limited tax bonds. Of the \$5,000,000 of bonds authorized, \$1,800,000 were sold in June 2004.

Bonds are payable from and secured by the proceeds of a continuing, direct annual ad valorem tax levied, within the legal limitation of \$0.10 per \$100 of taxable assessed valuation, on all taxable property within the Travis County Emergency Services District No. 9. Proceeds from the sale of the bonds were used for the purposes of refunding certain outstanding debt obligation; the acquisition,

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

construction, renovation, and equipment of fire station and training facilities in the District and the purchase of necessary sites therefore, and the acquisition of emergency service vehicles; and paying the costs of issuance relating to the bonds.

Compensated Absences –

Compensated absences represent the estimate liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund.

NOTE 7: PROPERTY TAXES

The District has contracted with the Travis County Tax Assessor Collector to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the roll as of January 1, 2010, upon which the 2010 levy was based, was \$5,143,096,554 as certified by the Travis Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. On February 1 of each year, a tax lien attaches to the property. The total 2010 levy was \$ 4,371,632 and the tax rate was \$ 0.085 per \$100 assessed valuation. Tax collections for the year ended September 30, 2011, were 99.8% of the 2010 tax levy.

NOTE 8: RETIREMENT PLAN

The District offers its full time employees a deferred compensation plan, named the "Travis County Emergency Services District No. Nine 457 plan", which permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, or death. Contributions to the plan are administered by a private corporation under a contract with the District. In compliance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plans' participants and beneficiaries.

An additional feature of this plan is that the employer will match 100% of employee contributions up to 12% of that employee's compensation. Employer contributions are fully vested immediately to the employees' accounts. For the year ending September 30, 2011, contributions totaled \$522,440 for both the employer and employees, and there are no unfunded obligations.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9: LEASES

Operating Leases

The District leases a half-acre site for one of its fire stations from Eanes Independent School District under the terms of a 50-year operating lease at a cost of \$1.00 per year.

The District entered into a property lease on June 15, 1994, with the Travis County Water Control and Improvement District No. 10 for the purpose of housing a portable building under the terms of a ten year operating lease at a cost of \$10.00.

The District relocated its administrative offices and signed a new 38-month lease for this space in 2010. The monthly rents are:

October 1, 2010 – July 31, 2011	\$ 3,745
August 1, 2011 – July 31, 2012	\$ 3,855
August 1, 2013 – July 31, 2013	\$ 3,966

NOTE 10: COMMITMENTS

The District has an agreement with the City of Austin to provide dispatch services in exchange for first responder service to certain areas under the City of Austin's jurisdiction. The fair market value of the dispatching services is valued at \$37,925. This amount is not included in these financial statements. The City of Austin terminated this agreement effective January 12, 2012.

The District has a separate agreement with the City of Austin where the district provides first responder services to certain areas under the City of Austin's jurisdiction. The City of Austin pays the District's assessed valuation tax rate (\$0.085 per \$100) for each of these areas. For the fiscal year ending September 30, 2011, this amount was \$ 218,095.

The District entered into a management service agreement with ESD #3, a neighboring department in December of 2006. ESD #9 provides Emergency Prevention, Operations and Administrative Management in exchange for shared emergency resources. ESD #3 terminated this agreement effective February 4, 2012. The total amount received from ESD#3 for the year ending September 30, 2011, was \$54,751.

NOTE 11: EMPLOYEE BENEFITS

The District provides its employees with a variety of benefits including a health insurance plan. The District provides 100% of the employees' and 50% of the family's medical & dental insurance premium. In order to decrease the monthly premium for this policy, the District increased the annual deductible and reimburses the employees for a specified amount of their deductible, as well

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

as any family members on the plan. The cost of these reimbursements is included in personnel costs and totaled \$10,278 for the fiscal year ending in 2011.

To further contain insurance costs, the District offered employees a choice between traditional medical insurance and a high deductible plan partnered with a Health Savings Account (HSA). The District contributed \$31,000 to the employees' HSAs in 2011.

In 2007, the District established a Section 125 Plan for insurance and HSA deductions that gives the employees the opportunity to pay for these benefits on a pretax basis. Pretax benefits lower payroll-related taxes for both the employer and employees.

NOTE 12: ANNEXATION OF DISTRICT LAND BY THE CITY OF AUSTIN

For the fiscal year ending September 30, 2011 there were no annexations by the City of Austin.

NOTE 13: SUBSEQUENT EVENT

As part of a severance package for one of the District's former employees, the District paid \$64,118 in January 2012.

NOTE 14: FUND BALANCE

Fund Balance:

<u>Nonspendable</u>	
Prepaid Expenses	\$ 29,774
<u>Restricted</u>	
Debt Service	33,469
<u>Committed</u>	
Emergency Disaster	100,000
Severance	300,000
Operations	2,200,000
Vehicle Replacement	1,382,115
<u>Assigned</u>	
	<u>50,000</u>
<i>Total Fund Balance:</i>	<u>4,095,358</u>

The Health & Safety Code has established that the Board of Commissioners as being the highest official body authorized to assign fund balance amount for specific purposes. This authorization or removal of such authorization is generally achieved by a resolution of the Board.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 15: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND
 AND GOVERNMENT-WIDE STATEMENTS

Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets:

The differences (as reflected in the adjustments column) primarily result from the long-term Economic resources focus of the statement of net assets versus the current financial resources Focus of the governmental fund balance sheet.

Bond issue costs and bond discounts are amortized over the life of the bonds.

Unamortized bond issue costs	\$ 66,406
Unamortized bond discount	\$ 851

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 4,131,231
Accumulated Depreciation	(1,755,729)

Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the funds.

\$ 5,034

Taxes receivable are offset by deferred revenues in the governmental funds and thus are not Included in fund balance.

Deferred revenue	\$ (100,746)
------------------	--------------

Long-term liabilities applicable to the district's governmental activities are not due and payable in the Current period and accordingly are not reported as fund liabilities. All liabilities – both current and Long-term—are reported in the statement of net assets.

Due within one year	\$ 80,000
Due after one year	\$ 1,522,568

Differences between the Governmental Fund Operating Statement and the Statement of Net Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

Some expenses reporting the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Adjustment for compensated Leave	\$ 28,622
----------------------------------	-----------

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

Some expenses reporting the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Adjustment for compensated Leave	\$ 28,622
----------------------------------	-----------

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ (60,699)
Depreciation Expense	\$ 307,241

Repayment of notes payable is reported as an expenditure in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Payment of Bond Principal	\$ (75,000)
---------------------------	-------------

Interest expense and bond discounts are recognized as expenditures in the governmental funds. The statement of activities includes only the interest expense for the current period and the amortized portion of bond discounts.

Change in Accrued Interest Payable	\$ (264)
Amortized portion of bond discount	\$ <u>67</u>
Total adjustment	\$ (197)

Bond issue costs are recognized as expenditures in the governmental funds. The statement of activities includes only the amortized portion of bond issue costs

\$ 5,243

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$ 4,895
--	----------

In the statement of activities, only the net gain/(loss) on the sale of equipment is reported, whereas in the governmental funds, only the gross proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

Loss from disposal of equipment	\$ (5,275)
---------------------------------	------------

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET vs ACTUAL GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL	FINAL	
REVENUES:			
Ad valorem taxes	\$ 4,220,659	\$ 4,220,659	\$ 4,281,452
Penalties & Interest on Taxes	5,065	5,065	18,861
Interest	18,993	18,993	5,434
Contract Revenues	375,392	375,392	345,552
Miscellaneous Income	14,200	14,200	167,500
	-	-	-
TOTAL REVENUES	\$ 4,634,309	\$ 4,634,309	\$ 4,818,799
EXPENDITURES:			
Board of Commissioners Expenditures:			
Insurance	\$ 37,013	\$ 37,013	\$ 33,075
Financial consultant	22,510	22,510	21,214
Legal fees	10,000	10,000	6,225
Appraisal/assessor costs	36,300	36,300	38,284
Audit	7,800	7,800	7,800
Leases	46,000	46,000	45,768
Service Agreements	-	-	-
Miscellaneous	6,400	6,400	9,525
Personnel Costs	3,599,569	3,696,758	3,422,258
Station facilities and fixtures	89,120	89,120	79,951
Vehicles	82,500	82,500	107,675
Support equipment	41,500	43,000	42,210
Training and travel	59,400	70,400	50,651
Clothing	48,200	48,200	49,979
Recruiting and retention	30,500	30,500	18,907
Administrative expenditures	106,700	108,700	89,997
Communications	45,100	44,800	42,519
Programs	8,700	8,700	5,797
Bad Debt Expense	-	-	12,135
Dues and subscriptions	7,300	7,300	5,204
Disaster Funds	-	-	-
Capital Outlay	49,500	67,520	60,699
	-	-	-
TOTAL EXPENDITURES	\$ 4,334,112	\$ 4,463,521	\$ 4,149,873
OTHER SOURCES/(USES)			
Transfers In/(Out)	-	-	-
Sale of assets	-	-	-
Total Other Sources/(Uses)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)	\$ 300,197	\$ 170,788	\$ 668,926
FUND BALANCE:			
Beginning of year			3,392,963
End of year			<u>\$ 4,061,889</u>

See Accompanying Notes to the Financial Statements

**TRAVIS COUNTY
EMERGENCY SERVICES
DISTRICT NO. 14**

**Financial Statements for the
Year Ended September 30, 2011 and
Independent Auditors' Report**

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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

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Round Rock: 303 East Main Street
Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Travis County Emergency Services District No. 14:

We have audited the accompanying financial statements of the governmental activities and the major fund of Travis County Emergency Services District No. 14 (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the major fund of the District as of September 30, 2011, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 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.

Maxwell Locke & Ritter LLP

March 15, 2012

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

Travis County Emergency Services District No. 14

Management's Discussion & Analysis

September 30, 2011

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 14 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2011. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Assets and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Assets and Governmental Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

The *Statement of Net Assets and Governmental Fund Balance Sheet* includes a column (titled "General Fund") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net assets will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Assets and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

The District as a Whole

The District's combined net assets for the years ending September 30, 2011 and 2010 are shown in the table below. Our analysis below focuses on the net assets and changes in the net assets of the District's governmental activities as reported in the accrual basis of accounting.

STATEMENT OF NET ASSETS

	<u>9/30/2011</u>	<u>9/30/2010</u>
Assets:		
Current	\$ 610,219	\$ 666,744
Capital assets (net of accumulated depreciation)	729,735	742,031
TOTAL ASSETS	<u>\$ 1,339,954</u>	<u>\$ 1,408,775</u>
Liabilities-		
Current liabilities	\$ 88,388	\$ 179,255
TOTAL LIABILITIES	<u>88,388</u>	<u>179,255</u>
Net Assets:		
Invested in capital assets	729,735	742,031
Unrestricted	521,831	487,489
TOTAL NET ASSETS	<u>\$ 1,251,566</u>	<u>\$ 1,229,520</u>

The District's total assets were approximately \$1,340,000 as of September 30, 2011. Of this amount, approximately \$730,000 is accounted for by capital assets. The District had outstanding liabilities of approximately \$88,000 as of September 30, 2011 which represents current liabilities.

The changes in net assets for the respective periods are also shown in the table below.

STATEMENT OF ACTIVITIES

	<u>9/30/2011</u>	<u>9/30/2010</u>
Expenses:		
Service operations	\$ 927,464	\$ 871,294
Depreciation	53,349	51,282
Debt service	-	1,831
TOTAL EXPENSES	<u>980,813</u>	<u>924,407</u>
Revenues:		
General revenues	993,016	1,009,120
Gain on impairment	9,843	-
TOTAL REVENUES	<u>1,002,859</u>	<u>1,009,120</u>
CHANGE IN NET ASSETS	<u>\$ 22,046</u>	<u>\$ 84,713</u>

General revenues decreased by approximately \$16,000 to approximately \$993,000 for the fiscal year ended September 30, 2011 due to a decrease in property tax revenue. Property taxes generated approximately \$992,000 in revenues. Total expenses increased by approximately \$56,000 to approximately \$981,000 for the fiscal year ended September 30, 2011. Net assets increased approximately \$22,000 for the fiscal year ended September 30, 2011 compared to an increase of approximately \$85,000 for the fiscal year ended September 30, 2010.

The District Governmental Fund

At the end of the fiscal year September 30, 2011, the District's governmental fund reported a fund balance of approximately \$499,000, which is an increase of approximately \$35,000 from last year, the majority of which is due to insurance proceeds received on an impaired capital asset.

For the year ended September 30, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board of Commissioners.

Assigned - For the General Fund, amounts that are appropriated by the Board of Commissioners, or their designee, that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised its General Fund budget. These budget amendments include supplemental appropriations throughout the fiscal year to prevent budget line item overruns. Total budgeted expenditures in the final amended General Fund budget increased as compared to the original budget to cover additional costs related to the Volente Volunteer Fire Department station planning project.

With these budget adjustments, the actual expenditures in the General Fund were approximately \$145,000 below the final budget amounts. Resources available for appropriation were approximately \$24,000 above the final budgeted amount. The reason for the increase was due to the property tax collections being more than budgeted.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2011, the District had the following capital assets in operation:

CAPITAL ASSETS AT YEAR END

	<u>9/30/2011</u>	<u>9/30/2010</u>
Land	\$ 252,997	\$ 252,997
Vehicles	654,994	649,634
Equipment	85,978	54,768
Buildings	<u>43,049</u>	<u>43,049</u>
TOTAL CAPITAL ASSETS	<u>1,037,018</u>	<u>1,000,448</u>
Accumulated depreciation	<u>(307,283)</u>	<u>(258,417)</u>
TOTAL NET CAPITAL ASSETS	<u>\$ 729,735</u>	<u>\$ 742,031</u>

For the year ended September 30, 2011, the District's capital outlay totaled approximately \$68,000, consisting of purchases of equipment and a vehicle. More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the fiscal year budget and the ad valorem tax rate that will be charged for the governmental activities. Considerations included the economy of the area within the District boundaries. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap. The adopted budget for fiscal year 2012 for the District's governmental fund projects a fund balance increase of approximately \$100,000.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at Travis County Emergency Services District No. 14, Attn: Treasurer, 15406 FM 2769, Volente, Texas 78641.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2011**

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS (NOTE 2)</u>	<u>STATEMENT OF NET ASSETS</u>
ASSETS:			
Cash and cash equivalents	\$ 584,639	-	584,639
Taxes receivable	25,580	-	25,580
Capital assets (net of accumulated depreciation):			
Land	-	252,997	252,997
Vehicles	-	379,555	379,555
Equipment	-	61,942	61,942
Buildings	-	35,241	35,241
TOTAL ASSETS	<u>\$ 610,219</u>	<u>729,735</u>	<u>1,339,954</u>
LIABILITIES:			
Accounts payable	\$ 88,388	-	88,388
Deferred revenue	22,693	(22,693)	-
Total liabilities	<u>111,081</u>	<u>(22,693)</u>	<u>88,388</u>
FUND BALANCE/NET ASSETS-			
Fund balance-			
Unassigned	499,138	(499,138)	-
Total fund balance	<u>499,138</u>	<u>(499,138)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 610,219</u>		
Net assets:			
Invested in capital assets		729,735	729,735
Unrestricted		521,831	521,831
TOTAL NET ASSETS		<u>\$ 1,251,566</u>	<u>\$ 1,251,566</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2011**

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Service operations:			
Volente Volunteer Fire Department funding	\$ 613,663	-	613,663
City of Cedar Park contract	261,432	-	261,432
Legal fees	12,760	-	12,760
Station planning	11,000	-	11,000
Special election	9,189	-	9,189
Tax appraisal/collection fees	9,102	-	9,102
Membership dues	1,000	-	1,000
Audit fees	8,000	-	8,000
Training and travel	660	-	660
Bank fees	150	-	150
Office supplies	398	-	398
Other expenses	110	-	110
Capital outlay	68,210	(68,210)	-
Depreciation	-	53,349	53,349
Total expenditures/expenses	<u>995,674</u>	<u>(14,861)</u>	<u>980,813</u>
REVENUES:			
General revenues:			
Property taxes, including penalties and interest	992,109	(490)	991,619
Interest	939	-	939
Other	458	-	458
Total revenues	<u>993,506</u>	<u>(490)</u>	<u>993,016</u>
OTHER FINANCING SOURCES -			
Insurance proceeds/ Gain on impairment	<u>37,000</u>	<u>(27,157)</u>	<u>9,843</u>
Total revenues and other financing sources	<u>1,030,506</u>	<u>(27,647)</u>	<u>1,002,859</u>
Excess of revenues and other sources over expenditures	34,832	(34,832)	-
Change in net assets	-	22,046	22,046
FUND BALANCE/NET ASSETS:			
Beginning of year	<u>464,306</u>	<u>765,214</u>	<u>1,229,520</u>
End of year	<u>\$ 499,138</u>	<u>752,428</u>	<u>1,251,566</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2011**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES:				
General revenues:				
Property taxes, including penalties and interest	\$ 968,313	968,313	992,109	23,796
Interest	1,000	1,000	939	(61)
Other	-	-	458	458
Total revenues	<u>969,313</u>	<u>969,313</u>	<u>993,506</u>	<u>24,193</u>
EXPENDITURES:				
Service operations:				
Volente Volunteer				
Fire Department funding	655,450	715,450	613,663	101,787
City of Cedar Park contract	390,000	330,000	261,432	68,568
Legal fees	10,000	10,000	12,760	(2,760)
Station planning	-	50,000	11,000	39,000
Special election	10,000	10,000	9,189	811
Tax appraisal/collection fees	9,659	9,629	9,102	527
Membership dues	1,100	1,100	1,000	100
Audit fees	7,250	8,000	8,000	-
Training and travel	1,600	1,600	660	940
Bank fees	500	500	150	350
Office supplies	500	500	398	102
Other expenses	3,450	3,450	110	3,340
Capital outlay	-	-	68,210	(68,210)
Total expenditures	<u>1,089,509</u>	<u>1,140,229</u>	<u>995,674</u>	<u>144,555</u>
OTHER FINANCING SOURCES -				
Insurance proceeds	-	-	37,000	37,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES				
	(120,196)	(170,916)	34,832	205,748
FUND BALANCE:				
Beginning of year	<u>464,306</u>	<u>464,306</u>	<u>464,306</u>	<u>-</u>
End of year	<u>\$ 344,110</u>	<u>293,390</u>	<u>499,138</u>	<u>205,748</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis County Emergency Services District No. 14 (the "District") was approved by voters of the District in a general election on November 5, 1985 as Travis County Fire Control District No. 11. Pursuant to Texas Health and Safety Code 794.100, the District was legally converted to a district operating under the Texas Health and Safety Code, Chapter 775, by an election of the voters of the District held on November 2, 1999. As a result, the name of the District changed effective December 2, 1999, and the District automatically assumed all rights and obligations of the former entity. The District provides fire suppression, emergency medical and rescue first response, hazardous materials incident response, and other emergency incident response that may arise within its boundaries.

The reporting entity of the District encompasses those activities and functions over which the District's appointed officials exercise significant oversight or control. The District is governed by a five member Board of Commissioners (the "Board") which has been appointed by the Travis County Commissioners' Court, in accordance with state law. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements - For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net assets and the statement of activities.

The government-wide financial statements report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income. An accrual for property taxes collected within sixty days of year-end has been made; delinquent property taxes at period end are reported as deferred revenue.

The District reports the following major governmental fund:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board formally adopts the budget through passage of an ordinance. The District may amend the budget throughout the year, approving such additional expenditures as may be required. All annual appropriations for the General Fund lapse at the fiscal year-end.

Assets, Liabilities, and Net Assets or Equity

Cash and cash equivalents - The District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments - The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the District's investment policy and the Public Funds Investment Act. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings, vehicles and equipment are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets (other than land) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	39.5
Vehicles	10-20
Equipment	10

Ad Valorem Property Taxes - Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Fund Equity - The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 7 for additional information on those fund balance classifications.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental fund total fund balance	\$ 499,138
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	729,735
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	<u>22,693</u>
Total net assets	<u>\$ 1,251,566</u>

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

Excess of revenues and other sources over expenditures	\$ 34,832
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.	
Capital outlay	68,210
Depreciation expense	(53,349)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(490)
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 governmental funds.	
Impairment loss	<u>(27,157)</u>
Change in net assets	<u>\$ 22,046</u>

3. CASH AND TEMPORARY INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2011, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2011 was as follows:

	Balance September 30, 2010	Additions	Retirements and Transfers	Balance September 30, 2011
Capital assets not being depreciated-				
Land	\$ 252,997	-	-	252,997
Total capital assets not being depreciated	252,997	-	-	252,997
Capital assets being depreciated:				
Vehicles	649,634	37,000	(31,640)	654,994
Equipment	54,768	31,210	-	85,978
Buildings	43,049	-	-	43,049
Total capital assets being depreciated	747,451	68,210	(31,640)	784,021
Less accumulated depreciation for:				
Vehicles	(234,570)	(45,352)	4,483	(275,439)
Equipment	(17,129)	(6,907)	-	(24,036)
Buildings	(6,718)	(1,090)	-	(7,808)
Total accumulated depreciation	(258,417)	(53,349)	4,483	(307,283)
Total capital assets being depreciated, net	489,034	14,861	(27,157)	476,738
Capital assets, net	<u>\$ 742,031</u>	<u>14,861</u>	<u>(27,157)</u>	<u>729,735</u>

Impairment loss - An impairment loss of \$27,157 was incurred during the current year due to an accident in which a District vehicle was totaled, resulting in a full impairment of the carrying value of the capital asset. The total impairment loss incurred was netted with current year insurance proceeds of \$37,000, resulting in an overall gain on impairment of \$9,843 during the current year, which is reflected as another financing source in the government-wide financial statements.

5. DEFERRED REVENUE

Deferred revenue at September 30, 2011 as reported in the General Fund consisted of net tax revenue of \$22,693.

6. PROPERTY TAXES

The District is authorized to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2010, the District levied a tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures. The total 2010 tax levy was \$987,255 based on a taxable valuation of \$987,255,055.

7. FUND BALANCE

For the year ended September 30, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 6.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board maintains the authority to assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

8. CONTRACTED SERVICES

The District entered into an agreement with the Volente Volunteer Fire Department (“VVFD”) that was effective January 1, 2007 for a period of one year. This agreement has been extended annually since January 1, 2008. The District agreed to fund the operations of the VVFD monthly, as funds are available, based on a budget for the VVFD that is approved by the District. In exchange for the funding provided by the District, the VVFD agreed to provide emergency services including fire fighting and first responder assistance in the geographic area served by the District. Expenditures of \$681,873 (which includes \$68,210 of capital outlay) as presented in the statement of activities and governmental fund revenues, expenditures, and changes in fund balance were incurred by the District related to this agreement during the year ended September 30, 2011.

In fiscal year 2004, the District entered into an agreement with the City of Cedar Park, Texas for fire protection and limited emergency medical services. This agreement was extended annually since December 31, 2005. The District paid the City of Cedar Park, Texas quarterly based on a service rate for each water meter within the boundaries of the service area. In June 2010, the District provided the City of Cedar Park with a twelve month notice of termination for the agreement. In June 2011, the contract was terminated. Expenditures of \$261,432 were incurred by the District related to this agreement during the year ended September 30, 2011.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District, through the VVFD, purchases its insurance from regular commercial companies. As of September 30, 2011, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having been filed within the last three years.

10. SUBSEQUENT EVENT

On December 28, 2011, the City of Cedar Park, Texas annexed a portion of the District’s territory. An order is required to be approved by the Board to remove the territory from the District. The annexation will result in a decrease in the appraised property value of the District and thus decrease the District’s future property tax revenue.