



# Travis County Commissioners Court Agenda Request

Item 26

**Meeting Date:** June 26, 2012, 9:00AM Voting Session

**Prepared By/Phone Number:** Janice Rosemond, Auditor's Office, 854-8824

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

**Commissioners Court Sponsor:** Commissioner Davis and Commissioner Huber

**AGENDA LANGUAGE:** Receive Fiscal Year 2011 financial audit reports for Emergency Services Districts #1, #4, #6, #12 and #13

## **BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:**

See attachments

## **STAFF RECOMMENDATIONS:**

Please approve

## **ISSUES AND OPPORTUNITIES:**

None

## **FISCAL IMPACT AND SOURCE OF FUNDING:**

None

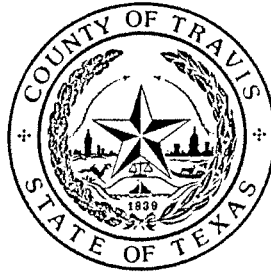
## **REQUIRED AUTHORIZATIONS:**

Auditor's Office	Nicki Riley 854-9125
Auditor's Office	Susan Spataro 854-9125
Commissioner Pct 1 Office	Ron Davis 854-9111
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](mailto: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  
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To: Commissioners Court

From: Nicki Riley, Chief Assistant County Auditor

Date: June 15, 2012

A handwritten signature in black ink, appearing to read "NR", is written over the date.

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. 13	1	2011
No. 12	1	2011
No. 6	3	2011
No. 4	1 & 3	2011
No. 1	3	2011

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

TRAVIS COUNTY EMERGENCY SERVICES  
DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2011

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1

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# Bounds Chatelain & Pharr

A Professional Corporation  
Certified Public Accountants

A U S T I N ★ T E X A S

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Travis County Emergency Services District No. 1  
North Lake Travis Fire and Rescue

We have audited the accompanying statement of net assets of the Travis County Emergency Services District No. 1, North Lake Travis Fire and Rescue as of September 30, 2011 and the related statement of activities for the period October 1, 2010 to September 30, 2011. These financial statements are the responsibility of the management of Travis County Emergency Services District No. 1, North Lake Travis Fire and Rescue. 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 principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 financial position of the Travis County Emergency Services District No. 1, North Lake Travis Fire and Rescue as of September 30, 2011, and the results of its operations and changes in net assets for the period October 1, 2010 to September 30, 2011, in conformity with accounting principals generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and page 19, 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.

*Bounds Chatelain & Pharr, PC*

Austin, Texas  
February 7, 2012



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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

As the Board of Commissioners of Travis County Emergency Services District No. 1 (the District), we present the following narrative overview and analysis of the financial activities of the District for the period October 1, 2010 to September 30, 2011.

**Financial Highlights**

Significant current year transactions include the following:

General revenues from property taxes accounted for 95.8 percent of total revenues.

The Board approved paying off the capital lease arrangement with Wells Fargo Brokerage Services, L.L.C. for radio equipment a year early.

The Board initiated capital outlay projects totaling \$113,169. These outlays were used for the following purchases: bunker gear, communication equipment, mobile data units and new firefighting equipment and tools.

During the year, the District's total expenses were \$80,135 less than the \$2,257,847 generated in tax revenues, fees and other income.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements show how the emergency services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify any material deviations from the financial plan, and (4) identify changes in the District's financial position.

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in the year ended September 30, 2004. The District's basic financial statements now include adjustments to the statement of net assets and the statement of activities. The economic focus of these statements is similar to a private-sector business.

Government-Wide Financial Statements

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. The statement of activities shows all changes in net assets as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO.1  
NORTH LAKE TRAVIS FIRE AND RESCUE

MANAGEMENT DISCUSSION AND ANALYSIS  
(continued)

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. Due to the size of the District, the fund financial statements are presented on the face of the statement with adjustments to the respective government-wide statement.

Governmental Funds: The District's services are reported in the 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 the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds provide a detail short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's emergency services program. We describe the relationship between governmental activities and governmental funds in a the column titled "Adjustments" with narratives provided at Notes 12 and 13.

Notes to the financial statements: The note disclosures provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

Supplementary information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information which can be found on page 18.

**The District as a Whole**

The District's total net assets changed from September 30, 2010, increasing from \$405,801 to \$540,613. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Table 1 - Net Assets

	September 30, 2010	September 30, 2011
Current and other assets	\$ 821,056	\$ 864,587
Capital assets - net	2,162,683	1,959,902
Total assets	<u>2,983,739</u>	<u>2,824,489</u>
Long-term obligations	2,311,539	2,054,081
Other liabilities	266,399	229,795
Total liabilities	<u>2,577,938</u>	<u>2,283,876</u>
Net assets		
Invested in capital assets, net of related debt	(148,856)	(94,179)
Restricted	4,158	8,542
Unrestricted	550,499	626,250
Total net assets	<u>\$ 405,801</u>	<u>\$ 540,613</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

MANAGEMENT DISCUSSION AND ANALYSIS  
(continued)

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

**The District as a Whole (continued)**

Net assets of the District's activities increased by \$134,812. Unrestricted net assets, the part of net assets that is used to finance day-to-day operations increased by \$75,751.

Table 2 - Change in Net Assets

	September 30, 2010	September 30, 2011
Revenues		
Property tax collections	\$ 2,160,488	\$ 2,162,542
Other revenue	71,899	95,305
Total revenues	2,232,387	2,257,847
Expenses		
Current fire service expenses	1,747,892	1,690,020
Depreciation	347,058	315,950
Interest	125,687	117,065
Total expenses	2,220,637	2,123,035
Increase (decrease) in net assets	\$ 11,750	\$ 134,812

**The District's Funds**

Table 3 presents the fund balances of the individual funds and an analysis of significant changes in fund balances.

Table 3 - Changes in Year End Fund Balances

	September 30, 2010	September 30, 2011	Net Change
General fund	\$ 550,499	\$ 626,250	\$ 75,751
Debt service fund	4,158	8,542	4,384
Total governmental fund balances	\$ 554,657	\$ 634,792	\$ 80,135

Table 4 presents the variances of the operating budget compared to the actual numbers for the year ended September 30, 2011. These variances were immaterial for the period ended September 30, 2011.



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

MANAGEMENT DISCUSSION AND ANALYSIS  
(continued)

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

Table 4 - Comparison of Budget to Actual Amounts  
For the period October 1, 2010 to September 30, 2011

	Budget Amounts	Actual Amounts	Variance Over/(Under)
<b>Revenues/Resources:</b>			
Property tax collections	\$ 1,859,520	\$ 1,933,313	\$ 73,793
Grants	-	63,315	63,315
Donations - cash	2,500	6,185	3,685
Proceeds from sale of equipment	-	10,000	10,000
Insurance proceeds	-	3,314	3,314
Other income	2,000	11,161	9,161
Interest income	3,000	1,283	(1,717)
Total revenues/resources	<u>1,867,020</u>	<u>2,028,571</u>	<u>161,551</u>
<b>Expenditures/expenses:</b>			
Current fire service costs	1,627,675	1,690,020	62,345
Capital outlay	113,169	113,169	-
<b>Debt service:</b>			
Interest	21,402	21,402	-
Principal	132,458	132,458	-
Total expenditures/expenses	<u>1,894,704</u>	<u>1,957,049</u>	<u>62,345</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (27,684)</u>	71,522	<u>\$ 99,206</u>
Transfers in (out)		4,229	
<b>Fund balances/net assets:</b>			
Beginning of the year		550,499	
End of the year		<u>\$ 626,250</u>	

**Capital Assets and Debt Administration**

Capital assets

As of September 30, 2011, the District held capital assets with a historical cost of \$5,401,007. The net value of the capital assets at the end of the year was \$1,959,902. See Note 4 for information on the capital assets.

Debt administration

At year end, the District had \$1,765,000 in general obligation bonds payable and \$289,081 in capital lease commitments. See Note 5 for information on the general obligation bonds and Note 6 for the terms of the capital lease commitments.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

MANAGEMENT DISCUSSION AND ANALYSIS  
(continued)

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for 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 the Travis County Emergency Services District No. 1, Board of Commissioners, 18300 Park Drive, Jonestown, Texas 78645.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Totals	Adjustments (Note 9)	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 696,038	\$ 8,542	\$ 704,580	\$ -	\$ 704,580
Property tax receivable (Note 3)	143,187	16,820	160,007	-	160,007
Capital assets, net of accumulated depreciation (Notes 1 and 4)	-	-	-	1,959,902	1,959,902
Total assets	<u>\$ 839,225</u>	<u>\$ 25,362</u>	<u>\$ 864,587</u>	<u>\$ 1,959,902</u>	<u>\$ 2,824,489</u>
<b>LIABILITIES</b>					
Deferred revenue (Notes 1 and 3)	\$ 143,187	\$ 16,820	\$ 160,007	\$ -	\$ 160,007
Payroll liabilities	6,133	-	6,133	-	6,133
Accrued compensated absences (Note 9)	55,874	-	55,874	-	55,874
Deferred safety bonuses (Note 10)	7,781	-	7,781	-	7,781
Long-term liabilities					
Capital lease commitments (Note 6)					
Current	-	-	-	70,452	70,452
Long-term	-	-	-	218,629	218,629
General obligation bonds payable (Note 5)					
Current	-	-	-	135,000	135,000
Long-term	-	-	-	1,630,000	1,630,000
Total liabilities	<u>212,975</u>	<u>16,820</u>	<u>229,795</u>	<u>2,054,081</u>	<u>2,283,876</u>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances					
Unreserved	626,250	-	626,250	(626,250)	-
Reserved	-	8,542	8,542	(8,542)	-
Total fund balances	<u>626,250</u>	<u>8,542</u>	<u>634,792</u>	<u>(634,792)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 839,225</u>	<u>\$ 25,362</u>	<u>\$ 864,587</u>		
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt				(94,179)	(94,179)
Restricted for debt service				8,542	8,542
Unrestricted				626,250	626,250
Total net assets				<u>\$ 540,613</u>	<u>\$ 540,613</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Totals	Adjustments (Note 10)	Statement of Activities
Revenues/other sources					
Property tax collections (Note 3)	\$ 1,933,313	\$ 229,229	\$ 2,162,542	\$ -	\$ 2,162,542
Grants	63,315	-	63,315	-	63,315
Donations - cash	6,185	-	6,185	-	6,185
Proceeds from sale of equipment	10,000	-	10,000	-	10,000
Insurance proceeds	3,314	-	3,314	-	3,314
Other income	11,161	-	11,161	-	11,161
Interest income	1,283	47	1,330	-	1,330
Total revenues/other sources	2,028,571	229,276	2,257,847	-	2,257,847
Expenditures/expenses					
Current					
Fire stations	36,046	-	36,046	-	36,046
Apparatus and equipment	177,091	-	177,091	-	177,091
Insurance	46,882	-	46,882	-	46,882
Training	10,016	-	10,016	-	10,016
Paid personnel	1,305,293	-	1,305,293	-	1,305,293
General and administrative	114,692	-	114,692	-	114,692
Depreciation	-	-	-	315,950	315,950
Capital outlay	113,169	-	113,169	(113,169)	-
Debt service					
Interest	21,402	95,663	117,065	-	117,065
Principal	132,458	125,000	257,458	(257,458)	-
Total expenditures/expenses	1,957,049	220,663	2,177,712	(54,677)	2,123,035

(continued)

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
(continued)

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Totals	Adjustments (Note 10)	Statement of Activities
Excess (deficiency) of revenues over expenditures	\$ 71,522	\$ 8,613	\$ 80,135	\$ 54,677	
Other financing sources and (uses)					
Transfers in (out)	<u>4,229</u>	<u>(4,229)</u>	<u>-</u>	<u>-</u>	
Excess (deficiency) of revenues over expenditures	75,751	4,384	80,135	(80,135)	-
Change in net assets	-	-	-	134,812	134,812
Fund balances/net assets					
Beginning of the year	550,499	4,158	554,657	(148,856)	405,801
End of the year	<u>\$ 626,250</u>	<u>\$ 8,542</u>	<u>\$ 634,792</u>	<u>\$ (94,179)</u>	<u>\$ 540,613</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

I. SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the Travis County Emergency Services District No. 1, North Lake Travis Fire and Rescue (The District) conform to generally accepted accounting principals applicable to governments promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The following is a summary of significant policies:

Reporting Entity

Prior to May 9, 1989, the District operated as a rural fire prevention district (Travis County Rural Fire Prevention District No. 2) under Article III, Section 48-d of the Constitution of Texas. On May 6, 1989, the voters of the District approved the formation of an emergency services district under Article III, Section 48-e of the Texas Constitution. On May 9, 1989, the County Commissioners Court of Travis County, State of Texas approved the order to form the Travis County Emergency Services District No. 1. As of September 30, 1989, the District also changed its fiscal year-end to September 30. On November 8, 2005, as the result of a general election, Travis County Emergency Services District No. 1 combined with Travis County Emergency Services District No. 7 to form one entity (Travis County Emergency Services District No. 1, North Lake Travis Fire and Rescue). The new District began operations on November 18, 2005. The District operates under a Board of Commissioners appointed by the Commissioners Court of Travis County.

The accompanying financial statements comply with the provisions of GASB No. 14, "The Financial Reporting Entity", in that the financial statements include all organizations, activities and functions that comprise the District.

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and statement of activities) report information on all the activities of the District.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS  
(continued)

SEPTEMBER 30, 2011

I. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement presentation - (continued)

Grants and entitlements and interest associated with the current fiscal period are reported on the accrual basis of accounting and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives the cash.

*Fund Accounting*

The accounting system is organized and operated on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its fund equity, revenues and expenditures.

*Governmental Funds*

Governmental funds are those through which most government functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following governmental funds:

General fund - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District.

Debt service fund - The debt service fund accounts for the servicing of general long-term debt.

Capital assets

Capital assets are recorded at historical cost or estimated historical cost and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,000. Capital assets are depreciated on the straight-line method of depreciation over the useful life of the asset. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset's life are expensed as incurred.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS  
(continued)

SEPTEMBER 30, 2011

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred revenue

The District reports unearned deferred revenue in the governmental fund balance sheet. Under the modified accrual basis of accounting, receivables may be measurable but not available, meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues are those revenues where asset recognition criteria have been met but not revenue recognition criteria.

Net assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations.

2. CASH AND CASH EQUIVALENTS

The District considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

The District's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the District at September 30, 2011. The categories are described as follows:

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

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

Category 3 - Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name.



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS  
(continued)

SEPTEMBER 30, 2011

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits categorized by level of risk are:

	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Pooled deposits	\$ 533,700	\$ -	\$ -	\$ 533,700	\$ 533,700
Non-pooled deposits	170,880	170,880	-	-	170,880
Total deposits	<u>\$ 704,580</u>	<u>\$ 170,880</u>	<u>\$ -</u>	<u>\$ 533,700</u>	<u>\$ 704,580</u>

3. PROPERTY TAXES

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 taxable personal property located in the District. The assessed value for the tax rolls as of January 1, 2010, upon which the 2010 levy was based, was \$2,104,790,472.

Taxes are due by January 31 following the October 1 levy date. The total levy on October 1, 2010, net of adjustments, was \$2,105,263 and the tax rate was \$.10 per \$100 assessed valuation. As an Emergency Services District, the District is allowed to levy up to a maximum of \$.10 per \$100 assessed valuation. As of September 30, 2011, \$2,128,110 has been collected for the year ended September 30, 2011 and the remaining \$34,432 has been collected for prior years.

Property taxes not collected in the current period are not expected to be collected in time to pay liabilities of the current year. Such taxes are considered not to be available, and as such, are not accrued as revenue in the current year. The uncollected property taxes are offset by an equal amount of deferred revenue. As of September 30, 2011, property tax receivable and deferred revenue totaled \$160,007.

4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Non-depreciable assets				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Depreciable assets				
Buildings	1,602,652	-	-	1,602,652
Equipment and vehicles	3,650,186	113,169	-	3,763,355
Totals at historical cost	<u>5,287,838</u>	<u>113,169</u>	<u>-</u>	<u>5,401,007</u>
Less: accumulated depreciation for				
Buildings	369,399	39,550	-	408,949
Equipment and vehicles	2,755,756	276,400	-	3,032,156
Total accumulated depreciation	<u>3,125,155</u>	<u>315,950</u>	<u>-</u>	<u>3,441,105</u>
Governmental activities capital assets, net	<u>\$ 2,162,683</u>	<u>\$ (202,781)</u>	<u>\$ -</u>	<u>\$ 1,959,902</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS  
(continued)

SEPTEMBER 30, 2011

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

General administration		\$ 39,550	
Emergency services		276,400	
	Total	<u>\$ 315,950</u>	

5. LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions of the District for the period October 1, 2010 to September 30, 2011:

		General Obligation Bonds	
Balance at September 30, 2010		<u>\$ 1,890,000</u>	
Retirements of debt		(125,000)	
Balance at September 30, 2011		<u>\$ 1,765,000</u>	

On November 6, 2001, the District was authorized to issue general obligation bonds of \$5,000,000. As of September 30, 2011, \$2,600,000 has been issued. The original bond issue of \$2,000,000 in February 2002 is due serially through 2022 with principal and interest due annually each March. The interest rate on these bonds is a floating rate between 4.75% and 5.625%. The second bond issue of \$600,000 in February 2004 is due serially through 2022 with principal and interest due annually each March. The interest rate on these bonds is 4.75%.

The annual requirements to amortize the bonds outstanding as of September 30, 2011 are as follows:

Year Ending September 30,	Principal	Interest	Totals
2012	\$ 135,000	\$ 89,301	\$ 224,301
2013	135,000	82,651	217,651
2014	150,000	75,589	225,589
2015	160,000	67,804	227,804
2016	170,000	59,402	229,402
2017	180,000	50,384	230,384
2018	185,000	40,856	225,856
2019	200,000	30,653	230,653
2020	140,000	21,375	161,375
2021	150,000	13,219	163,219
2022	160,000	4,500	164,500
Totals	<u>\$ 1,765,000</u>	<u>\$ 535,734</u>	<u>\$ 2,300,734</u>

The total amount of interest expense for the bonds for the period ended September 30, 2011 was \$95,663.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS  
(continued)

SEPTEMBER 30, 2011

6. CAPITAL LEASE COMMITMENTS

On February 23, 2006, the District entered into a capital lease arrangement with Wells Fargo Brokerage Services, L.L.C. to lease a 2006 Pierce Custom Contender fire truck for total consideration of \$217,566, payable over 7 years, at 4.54% per annum. The District has the option to purchase the fire engine at the end of the lease term for \$1.00.

Annual requirements on this lease obligation are as follows:

Year Ending September 30	Principal	Interest	Totals
2012	\$ 33,833	\$ 3,142	\$ 36,975
2013	35,370	1,606	36,976
Totals	<u>\$ 69,203</u>	<u>\$ 4,748</u>	<u>\$ 73,951</u>

On February 23, 2007, the District entered into a capital lease arrangement with Wells Fargo Brokerage Services, L.L.C. to lease a 2007 Pierce fire truck for total consideration of \$262,450, payable over 10 years, at 4.725% per annum.

Annual requirements on this lease obligations are as follows:

Year Ending September 30,	Principal	Interest	Totals
2012	\$ 25,422	\$ 8,114	\$ 33,536
2013	26,623	6,913	33,536
2014	27,881	5,655	33,536
2015	29,199	4,337	33,536
2016	30,578	2,958	33,536
2017	32,023	1,513	33,536
Totals	<u>\$ 171,726</u>	<u>\$ 29,490</u>	<u>\$ 201,216</u>

On March 25, 2005, the District entered into a capital lease arrangement with Kansas State Bank of Manhattan to lease a 2005 Rosenbauer 1250 GPM Pumper for total consideration of \$105,257, payable over 10 years, at 4.85% per annum. The District will own the vehicle at the end of the lease term.

Annual requirements on this lease obligations are as follows:

Year Ending September 30,	Principal	Interest	Totals
2012	\$ 11,197	\$ 2,335	\$ 13,532
2013	11,740	1,792	13,532
2014	12,309	1,223	13,532
2015	12,906	626	13,532
Totals	<u>\$ 48,152</u>	<u>\$ 5,976</u>	<u>\$ 54,128</u>

The total amount of interest expense for the leases for the year ended September 30, 2011 was \$21,402.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS  
(continued)

SEPTEMBER 30, 2011

7. OPERATING LEASES

The District has a fire station in the Point Venture Subdivision which is leased for 99 years at \$1 per year. Under this lease, the premises may be used only for storage and housing of fire fighting equipment and personnel.

8. QUALIFIED RETIREMENT PLAN

On November 15, 2004 the District approved participation in the Texas County and District Retirement System (TCDRS) which is a qualified retirement plan under Section 401(a) of the Internal Revenue Code. The effective date of the plan is January 1, 2005. All persons who are employees of the District on the effective date are eligible to participate. Any new employee of the District subsequent to the effective date will become eligible on the date of employment. A participant will have the right to retire and receive a service retirement annuity when the years of service equals or exceeds twenty (20). Each payroll period the participant shall make a mandatory contribution to TCERS equal to four percent (4%) of compensation for which the participant is immediately vested. The District makes employer contributions actuarially determined by TCERS. Allocated prior service credits granted to any participant by the District will be computed at ten percent (10%) of the maximum prior service credit each participant affected. The contribution amount for the year ended September 30, 2010 is \$45,013 and is included in the paid personnel expense on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities.

9. COMPENSATED ABSENCES

In December 2005 the Board of Commissioners unanimously approved paying terminated employees for up to 288 hours per employee of accrued vacation time. The balance for this compensated absences liability as of September 30, 2011 is \$55,874.

10. DEFERRED LIABILITIES

Beginning in the fiscal year ended September 30, 2009, The District has received worker's compensation insurance refunds totaling \$11,439. The Board of Commissioners approved designating these funds to be used in the implementation of a safety program rewards system. As of fiscal year ended December 31, 2011, the total safety awards that have been awarded totals \$3,658.

11. SUBSEQUENT EVENTS

The District did not have any subsequent events through February 7, 2012, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended September 30, 2011.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
NORTH LAKE TRAVIS FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS  
(continued)

SEPTEMBER 30, 2011

12. RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Fund balances - total governmental funds		\$ 634,792
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 5,401,007	
Less: accumulated depreciation	<u>(3,441,105)</u>	1,959,902

Long-term liabilities that are not reported in the governmental funds.

General obligation bonds		(1,765,000)
Capital lease commitments		<u>(289,081)</u>

Net assets of governmental activities		<u>\$ 540,613</u>
---------------------------------------	--	-------------------

13. RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds		\$ 80,135
--	--	-----------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	113,169	
Less: current year depreciation	<u>(315,950)</u>	(202,781)

Repayment of principal on long-term liabilities is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets.

Transfers out		-
Repayment of principal		<u>257,458</u>

Change in net assets of governmental activities		<u>\$ 134,812</u>
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SUPPLEMENTAL INFORMATION

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1  
 NORTH LAKE TRAVIS FIRE AND RESCUE

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

	Budget Amounts	Actual Amounts	Variance Over/(Under)
Revenues/resources:			
Property tax collections	\$ 1,859,520	\$ 1,933,313	\$ 73,793
Grants	-	63,315	63,315
Donations - cash	2,500	6,185	3,685
Proceeds from sale of equipment	-	10,000	10,000
Insurance proceeds	-	3,314	3,314
Other income	2,000	11,161	9,161
Interest income	3,000	1,283	(1,717)
Total revenues	<u>1,867,020</u>	<u>2,028,571</u>	<u>161,551</u>
Expenditures/expenses:			
Current			
Fire stations	44,000	36,046	(7,954)
Apparatus and equipment	103,831	177,091	73,260
Insurance	48,100	46,882	(1,218)
Training	11,000	10,016	(984)
Paid personnel	1,299,532	1,305,293	5,761
General and administrative	121,212	114,692	(6,520)
Capital outlay	113,169	113,169	-
Debt service:			
Interest	21,402	21,402	-
Principal	132,458	132,458	-
Total expenditures/expenses	<u>1,894,704</u>	<u>1,957,049</u>	<u>62,345</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (27,684)</u>	71,522	<u>\$ 99,206</u>
Other financing sources:			
Transfers in (out)		4,229	
Fund balance beginning of the year		550,499	
Fund balance end of the year		<u>\$ 626,250</u>	

Travis County Emergency  
Services District No. 4  
Financial Statements  
September 30, 2011



Travis County Emergency Services District No. 4  
For the Nine Months 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. 4

Austin, TX 78716-2170

We have audited the accompanying financial statements of the governmental activities of Travis County Emergency Services District No. 4 as of and for the nine months 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. 4 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 12 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 16, 2012

# Travis County Emergency Services District #4

## *Management's Discussion and Analysis (MD&A)*

For the Nine Months Ending September 30, 2011

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the financial activities of Travis County Emergency Services District #4 (the "District") for the nine months ending September 30, 2011. The analysis is based on currently know facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

## Financial Highlights

As of September 30, 2011

- Effective with the fiscal year beginning January 1, 2011, the District changed from a calendar year end of December 31 to a fiscal year of October 1, to September 30. This change required a transition period of January to September, (a nine month period).
- Total Net Assets equaled \$4,892,542
  - Invested in Capital Assets, net of related debt \$1,187,688
  - Unrestricted Net Assets \$ 3,704,854
- Total Expenditures were \$1,991,233 while Revenue was \$796,335 resulting in a (Deficiency) of Revenue over Expenditures of \$1,194,898. Of course, this is primarily due to the shortened year of only nine months.
- The District is currently funding major construction and remodeling of Station #1. The anticipated cost for the site work and remodel is \$635,112 to be funded from existing funds.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of 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.**

## Travis County ESD 4 Management's Discussion and Analysis

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### Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities, reported using the full accrual basis of accounting. The statement of activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's general fund. Travis County ESD 4 has only one fund, the general fund.

### Using this Annual Report

As mentioned previously, this annual report consists of a series of financial statements. GASB Statement No. 34 provides that for governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined.

The District presents the governmental funds in the first column. The next column is an adjustment column which reconciles the amounts reported in the first column to indicate how each line item 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 us how these services were financed in the short term as well as what remains for future spending.

### Reporting the District as a Whole

The District and a simple financial question, "is the District better off or worse off as a result of the year's activities"?

The 1) Statement of Net Assets and 2) Statement of Activities present information about the District as a whole and its activities in a way that helps to answer this question. These statements (as reported in the last column of each of the statements) include all of the District's assets and liabilities, utilizing the accrual basis of accounting.

The two Combined Fund and Government-wide statements report the District's net assets and how they have changed. Net assets; the difference between the District's assets and liabilities, is one way to measure the financial health of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, one needs to consider other non-financial factors such as changes in the District's property tax base, sales tax base and condition of facilities and equipment.

The statement of activities presents information showing how the District's net assets changed during the most recent twelve-month period. All changes in net assets are reported as soon as 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.

## **Travis County ESD 4 Management's Discussion and Analysis**

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Both of these reports identify functions of the District that are principally supported by grants and government revenues. The principal government activities of Travis County ESD 4 are:

- ❖ Fire Suppression and Rescue activities
- ❖ Emergency Medical Services
- ❖ Code Enforcement and Public Education
- ❖ Fire Academy – Training and Certification of future first responders

The District 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 District (ESD #4), like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District only has one fund, the general fund.

### **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 spend-able 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.

All of the District's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called Modified Accrual Accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District'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 12 of the 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. The notes can be found after the financial statements within this report.

**Travis County ESD 4  
Management's Discussion and Analysis**

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**The District as a Whole**

Governmental activities decreased the District's net assets by \$ 1,261,417. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the District's governmental activities:

**Table 1  
Governmental Activities  
Net Assets**

<b>Assets</b>	<b>12/31/2010</b>	<b>9/30/2011</b>
Current Assets	5,255,948	3,818,933
Other Assets	250	250
Capital Assets	1,123,807	1,187,688
<b>Total Assets</b>	<b>6,380,005</b>	<b>5,006,871</b>
 <b>Liabilities</b>		
Current Liabilities	93,764	114,329
Long-Term Liabilities	132,282	-
<b>Total Liabilities</b>	<b>\$ 226,046</b>	<b>\$ 114,329</b>
 <b>Net Assets</b>		
Invested in capital assets, net of related debt	1,081,812	1,187,688
Restricted		
Unrestricted	5,072,147	3,704,854
<b>Total Net Assets</b>	<b>\$ 6,153,959</b>	<b>\$ 4,892,542</b>

**Overall this represents a year to year decrease of 20.49% in Net Assets.**

**Travis County ESD 4  
Management's Discussion and Analysis**

**Table 2  
Changes in Net Assets**

<b>Expenditures</b>	<b>12/30/2011</b>	<b>9/30/11</b>
Apparatus	99,886	59,581
Equipment	83,728	42,902
Communications	43,803	45,263
EMS	18,311	22,311
Insurance	177,731	101,887
Training	41,712	19,666
Stations	136,655	71,228
District Office	37,620	12,647
Personnel	1,785,387	1,309,953
Administrative	99,075	71,240
Awards Banquet	-	-
Miscellaneous	1,745	649
Capital Outlay	-	-
Depreciation Expense	104,614	80,844
Debt Service:	-	-
Principle	-	-
Interest	2,915	870
<b>Total Expenditures</b>	<b>\$ 2,633,182</b>	<b>\$ 1,839,041</b>
<b>Program Revenues</b>		
Fire Academy	129,000	50,607
<b>Sub Total</b>	<b>\$ 129,000</b>	<b>\$ 50,607</b>
<b>Net Program expense (Income)</b>	<b>\$ 2,504,182</b>	<b>\$ 1,788,434</b>
<b>General Revenues</b>		
Property Taxes	1,394,407	5,608
Sales Taxes	581,845	481,900
Interest	25,271	14,594
Miscellaneous Income	47,066	10,858
FEMA Grant/Matching Funds	17,000	14,057
Proceeds from Sale of Assets	-	-
Gain/Loss on sale of assets	32,133	-
<b>Total General Revenues</b>	<b>\$ 2,097,722</b>	<b>\$ 527,017</b>
<b>Change in Net Assets</b>	<b>\$ (406,460)</b>	<b>\$ (1,261,417)</b>
<b>Fund Balance/Net Assets Beginning of year</b>	<b>6,705,895</b>	<b>6,153,959</b>
<b>Fund Balance/Net Assets End of year</b>	<b>6,560,419</b>	<b>4,892,542</b>
		<b>Change in %</b>
<b>Expenses Year to Year</b>		<b>-30.15%</b>
<b>Program Revenue Year to Year</b>		<b>-60.76%</b>
<b>General Revenue Year to Year</b>		<b>-74.87%</b>

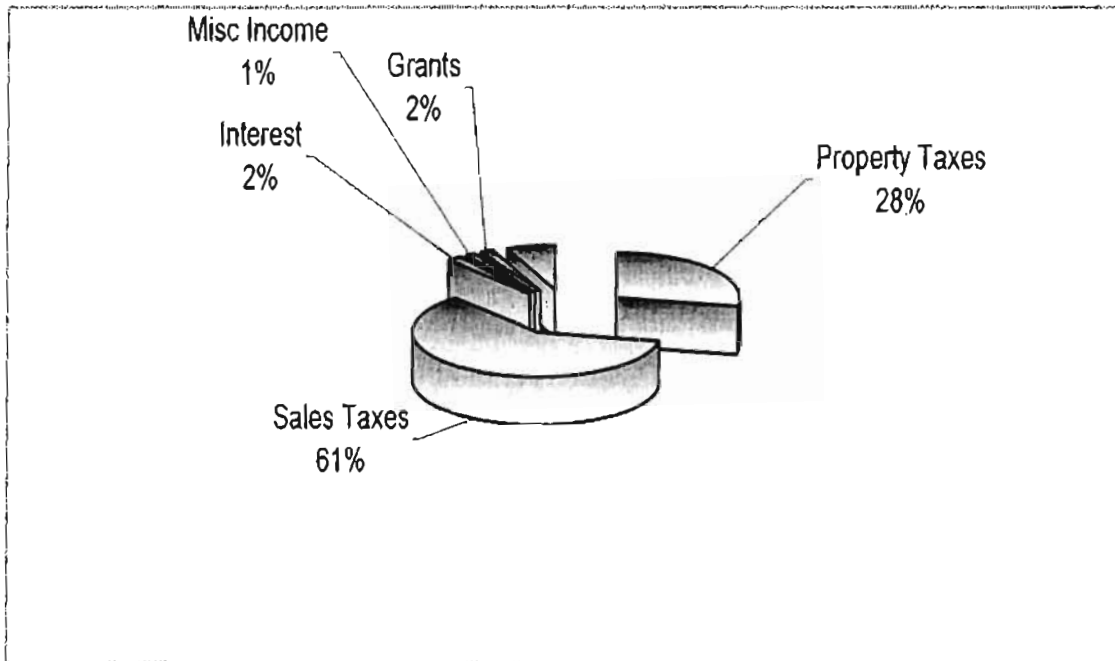
**Travis County ESD 4  
Management's Discussion and Analysis**

**Financial Analysis of the Government's Funds**

As noted earlier the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the nine months ending 09/30/2011, the District's total combined fund balance was \$ 3,678,448 which reflects a net combined decrease of (\$1,194,898) as compared to the beginning of the year.

As the graph illustrates, approximately 92% of the District's FY 2010 income is derived from ad valorem property taxes and sales taxes, while the remainder is primarily grants from Travis County, the City of Austin and Others for the Fire Academy. Interest rates and Sales Tax revenue were down year to year.

Actual Revenue	9/30/11	% of Rev	+/- Yr-Yr	2010
Property Taxes	224,319	28%	(1,009,820)	1,234,139
Sales Taxes	481,900	61%	(99,945)	581,845
Interest	14,594	2%	(10,677)	25,271
Misc Income	10,858	1.4%	(118,142)	47,066
Grants	14,057	1.8%	(2,943)	129,000
Fire Academy	50,607	6.4%		17,000
Sale of Apparatus		0%		111,500
<b>Total</b>	<b>\$ 796,335</b>	<b>100</b>	<b>\$ (1,241,527)</b>	<b>\$ 2,145,821</b>





## Travis County ESD 4 Management's Discussion and Analysis

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### Budgetary Highlights

The District's annual budget process includes a very thorough estimate of projected annual revenues (income) and expenditures (expenses). The Board of Commissioners, Fire Chief and Officers of the District conduct meetings in the month of August, to prepare the annual budget. The following items are reviewed and published only after very careful consideration of the estimated projections:

- ❖ Estimates of Ad Valorem tax (property taxes) income are provided by the Travis County Tax Appraiser's office. That estimate, combined with an estimate of historical collection rates for the District is used with the proposed tax rate to estimate the amount of revenue that can be realistically collected and used for the District's operations.
- ❖ Estimates of Sales Tax income are provided by the State of Texas Comptrollers office. That estimate combined with a historical collection rate for the District is used to realistically determine an amount that can be collected and fund the District's operations.
- ❖ Grant income is provided by Travis County to fund the Travis County ESD 4 Fire Academy and is based on proposed commitments by this donor and are planned accordingly.
- ❖ Interest income from available unrestricted cash reserves are estimated based on input from banking representatives from Merrill Lynch on the amount of interest that can be reasonably expected through the District's investment policy.
- ❖ The liquidation (sale) of used assets such as vehicles or other higher value assets may or may not be noted as part of the annual income. This depends in large part on the value of the asset and the amount of income that can be reasonably expected based on the market value of the asset at the time of sale. Historically, the District has not relied on this item as a reliable source of income for budgetary planning.

In each budget process, the District's proposed expenses and revenues are projected by line item. Critical to this estimate is the growth or loss in assessed valuation of the District's service area, and the resulting growth or loss of revenue from Ad Valorem property and Sales Tax. The estimates of the growth or loss of revenue producing property in the District's service area has historically been very accurate due to the hard work and diligence of the District's Fire Chief and the Board of Commissioners.

Personnel costs (wages, taxes and insurance) represent approximately 70% of overall expenditures and constitute the single greatest management challenge to the District considering the legislative cap on the tax rate an Emergency Services District can levy (10 cents on the \$100 dollar valuation). The need for expanded services, equipment or desire to pay competitive wages must be tempered by the tax cap in the current and future budget planning periods.

Throughout the year the District's Board of Commissioners vote on and approve minor changes to the planned budget through budget amendments. Historically, the District's board does not make numerous line item changes to the planned budget, instead they monitor the expenditures very closely and make budgetary amendment decisions based on overall impact to the budget plan and amend only as necessary. Overall, this approach results in a more stable annual budget to actual expenditures picture. Budget to actual expenditures, both income and expense are reviewed monthly in planned public meetings.

#### **The District's 2010 Planned Budget (including amendments as recorded)**

The District's FY 9/30/2011 budget resulted in actual revenue of \$796,335

The District's FY 9/30/2011 budget resulted in actual expenditures of \$1,991,233

Total District Excess (Deficiency) of Revenues over Expenditures was (\$1,194,898)

**Travis County ESD 4  
Management's Discussion and Analysis**

**Capital Asset and Debt Administration**

**Capital Assets:**

At the end of the fiscal year FY 09/30/2011, capital assets are as follows:

**Table 3  
Capital Assets Year to Year Comparison**

	<u>12/31/2010</u>	<u>09/30/2011</u>
<b>Capital Assets - Please see Note 5</b>		
Governmental Activities:		
Capital assets not being depreciated:		
Land	\$ 134,064	\$ 134,064
Total capital assets not being depreciated:	<u>134,064</u>	<u>134,064</u>
Capital assets being depreciated:		
Vehicles	936,747	1,017,620
Equipment	184,018	189,973
Buildings and Structures	749,054	806,951
Total Capital Assets being depreciated:	<u>1,869,819</u>	<u>2,014,544</u>
Less accumulated depreciation for:		
Vehicles	565,903	624,860
Equipment	108,794	116,166
Buildings and Structures	205,379	219,894
Total accumulated depreciation	<u>880,076</u>	<u>960,920</u>
Total capital assets, being depreciated, net	<u>989,743</u>	<u>1,053,624</u>
Government activities capital assets, net	<u>1,123,807</u>	<u>1,187,688</u>
 <b>Depreciation was charged to the general fund</b>	 \$ 104,614	 \$ 80,844
 <b>Long-Term Debt - Please see Note 6</b>	 <b>2010</b>	 <b>09/30/2011</b>
Governmental Activities	Due within 1 yr	Due within 1 yr
Capital Lease Obligations	\$ 41,995	\$ -
Compensated Absences (restated)	\$ 90,287	\$ 45,189
Total Governmental Activities	<u>\$ 132,282</u>	<u>\$ 45,189</u>
 <b>Capital Lease Obligations</b>		
Minimum Lease Payments Years = 2010 to 2011	\$ 44,082	\$ -
Less amount representing Interest	(2,087)	-
Present value of net minimum Capital lease pmnts	<u>\$ 41,995</u>	<u>\$ -</u>

**Travis County Emergency Services District 4  
MD&A**

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**Organization**

Travis County ESD 4 (TCESD 4) is a combination fire department with 29 firefighters, 1 field medical officer, and 2 part-time office administrators. Furthermore, TCESD 4 maintains a volunteer force of 24 cadets in its Fire/EMT academy. TCESD 4 is responsible for providing emergency services to approximately 22,054 citizens in our communities from three fire stations. During 2011, the TCESD 4 fire department responded to over 1500 emergency incidents.

Furthermore, TCESD 4 implements a strategy which includes a proactive approach to improving community safety through services such as: the Central Texas Wildfire Heat program, the CPR Anytime program, and Safety Education in Schools program. TCESD 4 also implements an emergency response plan to manage and mitigate all medical, hazardous materials, vehicle rescue, Swiftwater rescue, wilderness rescue, and fire suppression emergencies.

**Financial**

Fiscally, the TCESD 4 organization operates on ad valorem and sales tax revenues. This revenue stream supports the implementation of the fiscal year maintenance and operations budget. Additionally, the TCESD 4 Board of Commissioners apply a lasting policy of not appropriating long-term encumbrances; i.e., bonds, loans or leases, in order to maintain, zero debt. The TCESD 4 Board of Commissioners also employ a fiscal strategy of investing wisely and appropriating spending conservatively to retain revenues and minimize negative impacts on annual budgets, due to economic downturns. Projected ad valorem tax revenues in 2011 were sustained as defined in the annual budget, while sales tax revenues began to increase above projections.

**Capital Expense**

In 2011, TCESD 4 began the renovation and expansion of Fire Station 401 located at 14312 Hunters Bend Rd. This station was built during the 1980's to staff an all-volunteer force responding into small rural subdivisions. Today, the station is situated in a fast growing suburban community with an ever-increasing population which drives increased emergency response needs. The renovation and expansion expense will be encumbered from capital expense revenues, without incurring any debt. The station is projected to be completed during May 2012.

**Grants**

The TCESD 4 fire department received a grant of \$95,000 from Travis County Social Services to conduct a Firefighter and EMT-B Academy. 2011 marked the 11<sup>th</sup> year of the successful completion of the academy program. This unique program recruits a diverse group of young adults from throughout Travis County and provides them an opportunity to become state certified and enter into the fire service profession. Additionally, TCESD 4 received a grant for \$5950 from the Texas Forest Service in support of the TCESD 4 Academy. TCESD 4 submitted documentation to the Fire Management Assistance Grant (FMAG) program through Travis County Homeland Security for 75% reimbursement of approximately \$18,000 in costs incurred to support mitigation of the Labor Day Wildfires in western Travis County.

**Annexations**

There are no projected annexations of TCESD 4 territory forecasted in the City of Austin municipal annexation plan which would have a negative impact on revenues and affect the districts' ability to continue providing effective emergency services.

**Conclusion**

The TCESD 4 organization will continue seeking partnerships with the City of Austin Fire Department and adjoining ESD's to positively affect the combined emergency response standard of coverage capabilities through automatic aid agreements, and which also provide an opportunity to garner and implement fiscal efficiencies. Congruently, the TCESD 4 Board of Commissioners is resolute in monitoring available revenues and expenditures, and will continue to seek alternate sources of funding to offset encumbrances on the annual budget.

**Travis County ESD 4  
Management's Discussion and Analysis**

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**Requests for Information**

This financial report is designed to provide a general overview of the District'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:

**Travis County Emergency Services District # 4  
Attn: Fire Chief – Florencio Soliz**

**11800 N. Lamar Blvd. – Suite #4B  
Austin, TX 78753**

**Phone: ESD #4 District Office 512-836-7566**

**E-mail: ESD #4 District Office [tcfcesd4@austinrr.com](mailto:tcfcesd4@austinrr.com)**

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

	General Fund	Adjustments (Note 12)	Statement of Net Assets
<b>ASSETS</b>			
Cash	\$ 2,932,964	\$ -	\$ 2,932,964
Investments	734,844	-	734,844
Property Taxes Receivable	71,595	-	71,595
Accounts Receivable-ICP	8,844	-	8,844
Due from Other Governments	59,829	-	59,829
Prepaid Expenses	10,857	-	10,857
Security Deposits	250	-	250
Capital Assets (net of accumulated depreciation)	-	1,187,688	1,187,688
<b>TOTAL ASSETS</b>	<b>\$ 3,819,183</b>	<b>\$ 1,187,688</b>	<b>\$ 5,006,871</b>
<b>LIABILITIES</b>			
Payroll Liabilities Payable	\$ 29,252	\$ -	\$ 29,252
Accounts Payable	39,888	-	39,888
Deferred Revenues	71,595	(71,595)	-
Long-term liabilities			-
Due within one year	-	45,189	45,189
Due after one year	-	-	-
<b>TOTAL LIABILITIES</b>	<b>140,735</b>	<b>(26,406)</b>	<b>114,329</b>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balances:			
Nonspendable - Prepaid Expenses	10,857	(10,857)	-
Unassigned	3,667,591	(3,667,591)	-
Total fund balances	3,678,448	(3,678,448)	-
Total liabilities and fund balances	<b>\$ 3,819,183</b>		
Net assets:			
Invested in capital assets, net of related debt		1,187,688	1,187,688
Restricted		-	-
Unrestricted		3,704,854	3,704,854
Total net assets		<b>4,892,542</b>	<b>\$ 4,892,542</b>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES  
 FOR THE NINE MONTHS ENDING SEPTEMBER 30, 2011

	General Fund	Adjustments (Note 12)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Apparatus	\$ 59,581	\$ -	\$ 59,581
Equipment	42,902	-	42,902
Communications	45,263	-	45,263
EMS	22,311	-	22,311
Insurance	101,887	-	101,887
Training	19,666	-	19,666
Stations	71,228	-	71,228
District Office	12,647	-	12,647
Personnel	1,355,051	(45,098)	1,309,953
Administrative	71,240	-	71,240
Miscellaneous	649	-	649
Capital Outlay	144,725	(144,725)	-
Depreciation Expense	-	80,844	80,844
Debt Service:			
Principal	41,995	(41,995)	-
Interest	2,088	(1,218)	870
Total expenditures/expenses	<u>1,991,233</u>	<u>(152,192)</u>	<u>1,839,041</u>
<b>PROGRAM REVENUES</b>			
Charges for services:			
Fire Academy	50,607	-	50,607
Net program expense (income)			<u>1,788,434</u>
<b>GENERAL REVENUES</b>			
Property Taxes	224,319	(218,711)	5,608
Sales Taxes	481,900	-	481,900
Interest	14,594	-	14,594
Miscellaneous Income	10,858	-	10,858
Grants	14,057	-	14,057
Total general revenues	<u>745,728</u>	<u>(218,711)</u>	<u>527,017</u>
Excess (Deficiency) of revenues over expenditures	(1,194,898)	1,194,898	-
Change in net assets	-	(1,261,417)	(1,261,417)
Fund Balance/Net Assets			
Beginning of the year	<u>4,873,346</u>	<u>1,071,872</u>	<u>6,153,959</u>
End of the year	<u>\$ 3,678,448</u>	<u>\$ 1,005,353</u>	<u>\$ 4,892,542</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
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

The Travis County Emergency Services District No. 4 (the District) was created by Article III, Section 48-d of the Constitution of Texas to protect life and property from fire and to conserve natural and human resources.

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.

BASIS OF PRESENTATION

*Basic Financial Statements*

Basic Financial Statements and Management Discussion and Analysis for State and Local Governments 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. As a part of this Statement, 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.



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

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 fund financial statements are similar to the financial statements presented in the previous accounting model.

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 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 general fund in the first column. The next column is an adjustments column. It reconciles 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 FOUR  
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.

## 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.

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

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. During the current year, it was noted that some funds had expenditures in excess of revenues. These differences were compensated for with an accumulation of prior years' surpluses.
5. 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 expensed as incurred. The capitalization policy, i.e. the dollar value above which asset acquisitions are added to the capital accounts, is \$ 5,000.

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	40 years
Vehicles	7-20 years
Other Equipment	10-20 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 acquisitions.

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

## 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.

## COMPENSATED ABSENCES

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. As of the year end, the liability for accrued vacation reflects that time earned by the employees in the current year. However, all of this time must be taken by the end of the subsequent year or it will be lost.

## 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.

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

PROGRAM REVENUES

The District considers program revenues as revenues that (1) originate from the program or from parties other than the government's taxpayers or citizens as a whole and (2) reduce the expenses of the function that has to be financed by general revenues. Revenues of this type can originate from a governmental source, but the proceeds are a charge for services or products produced by a government agency, where that agency is considered a vendor within the market place. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit. The District reports revenues from its fire academy as program revenues.

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.

NOTE 2: DEPOSITS AND INVESTMENTS

**Deposits**

Deposits for the District are being held by Wells Fargo Bank in interest-bearing accounts. As of year end, deposits with Wells Fargo exceeded FDIC coverage by \$2,698,803 this excess was fully secured by pledged securities consisting of US Government securities of \$2,883,569 (Category 2). At September 30, 2011, the carrying amount of the District's deposits was \$2,932,964, and the bank balance was \$2,948,802.

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 or collateralized with securities held by the District or its agent in the District's name.
- Category 2 -Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 -Uncollateralized, including any bank balance that is collateralized or by its trust department or agent but not in the District's name.

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

**Investments**

The District is authorized to purchase, sell, and invest its funds and funds under its control in accordance with the Texas Public Funds Investment Act, Government Code Chapter 2256 and its subsequent amendments. The District's policy allows for investments in federal and state government obligations, certificate of deposits, and cash money funds.

During the year, the District's investments consisted of a Working Capital Management Account with Merrill Lynch, including certificates of deposits and a government money fund. The carrying amount of investments as of September 30, 2011, is displayed on the balance sheet as "investments".

As of September 30, 2011, the District had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	686,000	N/A
Government Money Fund	48,844	1.08
Total fair value	<u>734,844</u>	

*Interest Rate Risk.* Interest Rate Risk is the risk that the value of a debt security may fall when interest rates rise. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two years or less.

*Credit Risk.* Credit Risk is the risk that the issuer of a security will be unable to pay the interest or repay the principal when due. In accordance with State Law, the District's Investment Policy requires that certificates of deposit be either federally insured or collateralized, and investments have a credit rating of no less than "A".

Investment	Standard & Poor's Rating
Certificates of Deposit	N/A
Government Money Fund	AAA

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

*Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. The government money fund invests in a diversified portfolio of short term securities with maturities of not more than 13 months. These securities consist primarily of short term U.S. Government securities, including U.S. Treasury Obligations, and U.S. Government agency securities. The District's policy states that diversification is required in order that portfolio losses on individual securities do not exceed the income generated from the remainder of the portfolio. The District has not adopted any limits on its individual portfolio investments.

Investment	% of Portfolio	Portfolio Limit
Certificates of Deposit	93%	N/A
Money Fund	7%	N/A

In accordance with accounting standards information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed, excluding investments issued or explicitly guaranteed by the U.S. government. At September 31, 2011, there were no investments exceeding five percent of the portfolio.

NOTE 3: ACCOUNTS RECEIVABLE

The District has contracted with Revenue Rescue as a collection agency for its billing of medical and emergency services rendered to parties who do not reside within District boundaries. Amounts reported as accounts receivable as of September 30, 2011, consist of:

Governmental Activities:

Revenue Rescue	\$ 8,844
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Business-type Activities	\$ -0-
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NOTE 4: DUE FROM OTHER GOVERNMENTS

This consists of sales tax collected but not yet remitted.

State Comptroller – Sales Tax	\$ 59,829
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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
 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:

	Balance 1/1/2011	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	134,064	-	-	134,064
Total capital assets not being depreciated	134,064	-	-	134,064
Capital assets, being depreciated				
Vehicles	936,747	80,873	-	1,017,620
Equipment	184,018	5,955	-	189,973
Buildings and Structures	749,054	57,897	-	806,951
Total capital assets being depreciated	1,869,819	144,725	-	2,014,544
Less accumulated depreciation for:				
Vehicles	565,903	58,957	-	624,860
Equipment	108,794	7,372	-	116,166
Buildings and Structures	205,379	14,515	-	219,894
Total accumulated depreciation	880,076	80,844	-	960,920
Total capital assets, being depreciated, net	989,743	63,881	-	1,053,624
Governmental activities capital assets, net	1,123,807	63,881	-	1,187,688

Depreciation was charged to the governmental activities of \$ 80,844.



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

NOTE 6: LONG-TERM DEBT

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

<u>Governmental Activities</u>	Balance January 1	Additions	Reductions	Balance September 30	Due within one year
Capital Lease Obligations	\$ 41,995	\$ -0-	\$ 41,995	\$ -0-	\$ -0-
Compensated Absences (restated)	90,287	-0-	45,098	45,189	45,189
Total Governmental Activities	\$ 132,282	\$ -0-	\$ 87,093	\$ 45,189	\$ 45,189

Capital Lease Obligations –

The District paid off lease agreement to finance the acquisition of a fire engine.

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 \$1,421,879,770 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 \$ 1,421,880 and the tax rate was \$ 0.10 per \$100 assessed valuation.

NOTE 8: OPERATING LEASES

In addition to the capital lease, the District also has entered into certain operating lease agreements. Such lease agreements are for administrative offices and a fire station. These leases are generally fixed and are not subject to increase without renegotiating agreements. The amount expended for these leases for the nine months ending September 30, 2011, was \$ 30,989.

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

NOTE 9: COMMITMENTS

The District has entered into an agreement with the City of Austin for its dispatching services with the fee structure based upon projected calls. For the nine months ending September 30, 2011, the District's fee for these services was \$ 12,720.

The District has also entered into a contract with Travis County to train and improve fire response by increasing the number of trained volunteers. It is also designed to create a career path opportunity for individuals, particularly low income and minorities. Terms of these contracts are:

Travis County	October 1, 2011 through September 30, 2012	\$ 96,000
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The District has entered into agreements with 2 construction companies for site work and construction/remodeling of its fire station on Hunters Bend Road. The anticipated cost for these projects is \$120,125 (site work) and \$ 514,987 for the construction/remodel. The work is expected to be completed in the fiscal year 2012. The District plans to fund these projects from existing funds on hand.

NOTE 10: FUND BALANCE CLASSIFICATION

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.

As of September 30, 2011, the District has not adopted a minimum fund balance policy.

NOTE 11: ANNEXATION OF DISTRICT LAND BY THE CITY OF AUSTIN

The City of Austin has the right to annex property within the District which could in the future result in a reduction of the total value of property within the district and therefore a reduction in the total tax revenue to be collected. For the nine months ending September 30, 2011, there were no plans by the City to annex property.

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

NOTE 12: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
 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.

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	\$ 2,148,594
Accumulated Depreciation	<u>( 960,920)</u>
	<u>\$ 1,187,688</u>

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

Deferred revenue	\$ (71,595)
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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	\$ 45,189
Due after one year	-0-

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

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 in 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	\$ (45,098)
----------------------------------	-------------

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	\$ ( 144,725)
Depreciation Expense	80,844

Repayment of capital lease obligations 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 Principal	\$ (41,995)
----------------------	-------------

Interest expense in the statement of activities differs from the amount reported in governmental funds because additional accrued interest was calculated for capital lease obligations.

Change in Accrued Interest	\$ (1,218)
----------------------------	------------

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

Adjustment for property taxes collected after year-end	\$ (218,711)
--	--------------

**NOTE 13: CHANGE IN FISCAL YEAR REPORTING**

Effective with the fiscal year beginning January 1, 2011, the District changed from a calendar year end of December 31 to a fiscal year of September 30. A nine-month fiscal transition period from January 1, 2011, through September 30, 2011, precedes the start of the new fiscal year cycle. These financial statements report this transition period of nine months.

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

NOTE 14: CONTRACTUAL AGREEMENTS

The District has entered into an agreement with an adjoining ESD for Fire Chief and administrative services. The District will receive payment for these services totaling \$2,500 per month effective January 1, 2012.

NOTE 15: EMPLOYEE BENEFITS

The District, due to increasing health care costs, has established a Health Reimbursement Arrangement for its employees. Under this plan an employee is eligible who works at least 30 hours per week, for more than one day and is eligible to participate and is enrolled in the District's group health insurance plan. The plan allows the employee to be reimbursed for medical costs that exceed their deductible of \$1,500 for each member or family member covered by the District's health plan up to a maximum of \$1,500 for single coverage and \$4,500 for family coverage. Amounts not used by year end lapse there is no carryover of unused benefits.

As of September 30, 2011, the District has not reimbursed any of its employees.

NOTE 16: SUBSEQUENT EVENTS

The District is anticipating a reimbursement in the upcoming fiscal year from CAPCOG of \$15,474 for costs incurred installing dispatch location systems which allows for a more rapid response time.

NOTE 17: CONTINGENCY

The District is undergoing an EEOC lawsuit filed by a former employee. The District's insurance will cover all costs related to this lawsuit.

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE NINE MONTHS ENDING SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
<b>REVENUES:</b>				
Property Taxes	\$ 1,421,879	\$ 1,421,879	\$ 224,319	(1,197,560)
Sales Taxes	600,000	600,000	481,900	(118,100)
Interest	22,000	22,000	14,594	(7,406)
Miscellaneous Income	59,800	59,800	10,858	(48,942)
Fire Academy	129,000	115,000	50,607	(64,393)
Grants	-	14,000	14,057	57
<b>TOTAL REVENUES</b>	<b>\$ 2,232,679</b>	<b>\$ 2,232,679</b>	<b>\$ 796,335</b>	<b>(1,436,344)</b>
<b>EXPENDITURES:</b>				
Apparatus	\$ 80,000	\$ 80,000	\$ 59,581	20,419
Equipment	42,050	42,050	42,902	(852)
Communications	52,280	52,280	45,263	7,017
EMS	28,640	28,640	22,311	6,329
Insurance	198,200	198,200	101,887	96,313
Training	28,500	28,500	19,666	8,834
Stations	87,000	100,200	71,228	28,972
District Office	21,800	8,600	12,647	(4,047)
Personnel	1,701,196	1,701,196	1,355,051	346,145
Administrative	81,194	81,194	71,240	9,954
Miscellaneous	-	-	649	(649)
Capital Outlay	593,916	674,787	144,725	530,062
Debt Service:				-
Principal	41,995	41,995	41,995	-
Interest	2,088	2,088	2,088	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,958,859</b>	<b>\$ 3,039,730</b>	<b>\$ 1,991,233</b>	<b>1,048,497</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (726,180)</b>	<b>\$ (807,051)</b>	<b>\$ (1,194,898)</b>	<b>(387,847)</b>
<b>FUND BALANCE:</b>				
Beginning of year			<u>4,873,346</u>	
End of year			<u>\$ 3,678,448</u>	

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

The annual operating budgets of the funds are prepared and presented for twelve months (January through December 2011). The actual amounts are reported on the modified accrual basis of accounting for only nine months.



**TRAVIS COUNTY  
EMERGENCY SERVICES  
DISTRICT NO. 6**

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners of  
Travis County Emergency Services District No. 6:

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Emergency Services District No. 6 (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 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 each 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 3 through 10 and the schedule of funding progress for the District firefighters' relief and retirement fund on page 26 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maxwell Socha + Ritter LLP*

March 15, 2012

# **Travis County Emergency Services District No. 6**

## **Management's Discussion & Analysis**

### **September 30, 2011**

Travis County Emergency Services District No. 6 (the "District") is a political subdivision of the State of Texas, created under the Texas Health and Safety Code, Chapter 775. This code provides the District with the authority to levy ad valorem tax not to exceed 10 cents per \$100 assessed valuation and to provide emergency services to the geographical area within the District. Currently the District provides the following emergency services:

- Fire Response
- Emergency Medical Service First Response
- Rescue Response
- Hazardous Material Response
- Marine Incident Response
- Wildland Urban Interface
- Fire Code Service
- Fire Investigation
- Fire Prevention and Public Education Services

#### **History**

The District was originally created in August 1985 as Travis County Rural Fire Prevention District No. 5. A Board of Commissioners operated the Rural Fire Prevention District and provided emergency services through an interlocal agreement with the Hudson Bend Volunteer Fire Department.

In August 1995, the Rural Fire Prevention District No. 5 was converted to Travis County Emergency Services District No. 6 which is governed by a Board of five Commissioners. Beginning in September 1995, paid career firefighters were hired to begin working at two of the fire stations. The volunteers met the apparatus at the scene during the day and staffed the fire stations after the career staff finished their shifts during the week and entirely on weekends. By the end of December 1995, the number of paid career firefighters had grown enough to begin 24-hour shift rotations at two fire stations.

By February 1996, the District had grown to 8 paid career firefighters and 35 volunteer personnel providing emergency services coverage for 135 square miles with an estimated population of 19,000.

In 1997, the District established staffing for four fire stations with two personnel per fire station. During this period, part-time personnel were utilized to work Fire Stations #3 and #4, with the full-time staff operating Fire Stations #1 and #2. This allowed the District some flexibility to purchase new apparatus and still maintain coverage. During this same period, the District purchased two new engines, a used ladder truck and additional administrative vehicles. The District also adopted a District Fire Code and established the office of District Fire Marshal.

In September 2002, the voters approved \$10,000,000 of bonded indebtedness, and the District sold its first \$3,500,000 bond package in May 2003. These bond funds provided the District the ability to construct Fire Station #5, to purchase a new Sutphen 110' Aerial/ Platform ladder truck and two new Sutphen 1250 gpm engines. The District Commissioners approved funding to provide for the additional personnel needed to staff Fire Station #5 upon its completion in January 2005. With the annexation of approximately 65 square miles of land from Travis County Emergency Services District No. 8 on January 1, 2005, the District's coverage area increased to approximately 200 square miles.

In May 2006, the District voters approved collective bargaining rights for the firefighters employed by the District, and the District Commissioners accepted Professional Firefighters Local # 4117 as the firefighter's sole bargaining agent.

Also during 2006, the District Commissioners employed an outside consultant, Management Advisory Group, Inc., to conduct a Management and Operational Evaluation of the entire District. The overall purpose of the evaluation was to evaluate the efficiency and effectiveness of the District's administrative and operational functions. As a result, a Financial and Administrative Manager was added to the staff in June of 2006, functioning as the Chief Financial Officer along with a new Fire Chief functioning as the Chief Executive Officer beginning October 1, 2006.

The District has had a long and proud history of providing emergency services to the community. The District has evolved from an all-volunteer organization, the Hudson Bend Volunteer Fire Department in the late 60's, to the present-day Emergency Services District with five fire stations operating 24/7, 365 days a year. The District's current staffing level includes 76 career staff, 10 volunteers and support services personnel. The District's current vehicle fleet includes two ladder trucks, four first line engines, two reserve engines, five brush trucks, one support services unit, two fire boats, three trailers (communications and fire safety house) and eleven administrative vehicles. The District efficiently serves an estimated population of over 73,000 people.

Throughout its history, the District has maintained prudent and conservative financial management, and has been able to set aside financial reserves, which are judged sufficient to meet any unexpected deterioration of economic conditions in the near future. The District Commissioners continue to promote the best possible service and to maintain a balanced budget within the limits of the District's tax revenue.

### **Mission, Core Values and Vision Statements**

- **Mission**
  - To minimize loss of life and property through Emergency Response, Prevention and Community Involvement.
- **Core Values**
  - Our success is built upon the foundation of our commitment to Professionalism, Leadership, Integrity, Respect, Compassion and Safety.
- **Vision**
  - Our organization is recognized by those we serve as exceptional and innovative.

## **Financial Performance**

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for fiscal year ended September 30, 2011. Please read the management's discussion and analysis in conjunction with the District's basic financial statements beginning on page 11.

### **Using this Annual Report**

This annual report consists of a series of financial statements. Government Accounting Standards Board ("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 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. 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 District as a Whole**

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities that include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net assets - the difference between assets and liabilities - is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors should be considered, however, to assess the overall health of the District such as changes in the District's property tax base and the condition of the District's capitalized items.

In the Statement of Net Assets and the Statement of Activities, District activities are considered governmental activities. These activities include fire suppression (structural, grass / wildland urban interface and aircraft), advanced life support Emergency Medical Services ("EMS") care, land and water rescue, hazardous material responses in the District and part of a Travis County response team, fire/medical special event standby services, adopted District and municipal fire code enforcement and prevention, fire and EMS public education and training and general administration. The District and its staff are involved with legislative issues affecting emergency services districts through the State Association of Fire and Emergency Services Districts ("SAFE-D"), Capital Area Fire Chief's Association ("CAFCA"), Counter-Terrorism Task Force, Travis County Combined Clinical Council, Travis County Fire Chief's Liaison Committee and the Precinct Three Commissioners Liaison Committee, to name a few. The District and its staff work closely with the general administrations of the City of Bee Cave, City of Lakeway, Village of the Hills, City of Austin and Travis County. These activities are financed primarily by property taxes.

## **Reporting the District's Governmental Funds**

The columns reporting the fund activity (as explained in more detail in the first section of this report) provide detailed information about the significant funds, not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District's Board of Commissioners may establish other funds to help it control and manage money for particular purposes (for example, the purchase of additional apparatus and the construction of new fire stations) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (i.e. a grant received from the U.S. Department of Homeland Security, Federal Emergency Management Agency, Fire Act Grant).

## **Government Funds**

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

## **The District as a Whole**

The District's combined net assets for the years ending September 30, 2011 and 2010 are shown in Table 1. The changes in net assets for those respective years are also shown in Table 2. Our analysis below focuses on the net assets and changes in the net assets of the District's governmental activities as reported on the accrual basis of accounting.



**Table 1**  
**STATEMENT OF NET ASSETS**

	<u>9/30/2011</u>	<u>9/30/2010</u>
<b>Assets</b>		
Current and other assets	\$ 7,106,622	\$ 8,214,336
Capital assets (net of accumulated depreciation)	<u>10,772,138</u>	<u>9,439,482</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,878,760</u></b>	<b><u>\$ 17,653,818</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 1,051,436	\$ 1,083,889
Long-term liabilities	<u>6,220,834</u>	<u>6,610,556</u>
<b>TOTAL LIABILITIES</b>	<b><u>7,272,270</u></b>	<b><u>7,694,445</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	4,348,425	4,744,423
Restricted	19,766	11,033
Unrestricted	<u>6,238,299</u>	<u>5,203,917</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 10,606,490</u></b>	<b><u>\$ 9,959,373</u></b>

**Table 2**  
**STATEMENT OF ACTIVITIES**

	<u>9/30/2011</u>	<u>9/30/2010</u>
<b>Expenses</b>		
Service operations and capital outlay	\$ 8,390,225	\$ 7,738,306
Depreciation	593,045	591,592
Debt service	<u>291,412</u>	<u>306,808</u>
<b>TOTAL EXPENSES</b>	<b><u>9,274,682</u></b>	<b><u>8,636,706</u></b>
<b>Revenues</b>		
Program revenues	128,967	133,210
General revenues	10,291,546	9,862,070
Gain (Loss) on disposal of capital assets	(498,714)	699
Gain on impairment	<u>-</u>	<u>107,164</u>
<b>TOTAL REVENUES</b>	<b><u>9,921,799</u></b>	<b><u>10,103,143</u></b>
<b>Change in net assets</b>	<b><u>\$ 647,117</u></b>	<b><u>\$ 1,466,437</u></b>

In the fiscal year ended September 30, 2011, the District experienced an increase in general revenues of approximately \$429,000 due to increased sales tax revenue received. The cost for governmental activities this year increased by approximately \$638,000 due to increases in operation and personnel costs.

## **The District Governmental Funds**

At the end of the fiscal year September 30, 2011, the District's governmental funds reported a combined fund balance of \$6,358,633, which is a decrease of \$1,087,045 from last year (15% decrease), the majority of which is due to planned increases in capital outlay and increases in operation and personnel costs.

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 several times. These budget amendments include supplemental appropriations throughout the fiscal year to prevent budget line item overruns.

With these budget adjustments, the actual expenditures in the General Fund were \$219,022 below the final budgeted amounts. Resources available for appropriation were \$769,139 above the final budgeted amount. The primary reason for the increase is due to the collection of property and sales taxes, which were more than originally forecasted.

## Capital Asset and Debt Administration

### Capital Assets

At the end of the fiscal year September 30, 2011, the District had five fire stations in operation.

**Table 3**  
**CAPITAL ASSETS AT YEAR-END**

	<u>9/30/2011</u>	<u>9/30/2010</u>
Land	\$ 1,049,170	\$ 890,134
Construction in progress	343,048	1,070,566
Vehicles	5,626,867	5,647,611
Equipment	1,515,936	1,041,644
Buildings	6,171,876	4,243,976
<b>TOTAL CAPITAL ASSETS</b>	<b>14,706,897</b>	<b>12,893,931</b>
Accumulated depreciation	(3,934,759)	(3,454,449)
<b>TOTAL NET CAPITAL ASSETS</b>	<b><u>\$ 10,772,138</u></b>	<b><u>\$ 9,439,482</u></b>

For the year ended September 30, 2011, the District's capital outlay totaled \$2,481,476, consisting primarily of the completed construction of Station #1, a new fire rescue boat, and air pack equipment. More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

### Tax Revenue Bonds

In 2002, the voters of the District voted to authorize the issuance of \$10,000,000 in limited tax bonds. Of the \$10,000,000 of bonds authorized, \$3,500,000 in tax bonds were sold in May 2003. Proceeds were used to purchase new fire apparatus and the construction of Fire Station # 5. In July 2008, the District issued \$3,740,000 in tax bonds with the proceeds used for capital purchases. More detailed information about the District's long-term liabilities is presented in the *Notes to Basic Financial Statements*.

### Compensated Absences

As of September 30, 2011, the District had \$204,025 of compensated absences outstanding, which represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination.

### Economic Factors, Next Year's Budgets and Rates

The District Commissioners considered various factors when setting the fiscal year budget and the ad valorem tax rate that is charged for governmental activities. Considerations included the economy of the area within the District boundaries.

To a large extent, the District is unable to influence potential future revenue streams. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap, and inspection revenue is dependent on the continued growth of new construction projects within the District.

Besides current economic conditions, the District's anticipated ad valorem tax revenue is dependent upon how various public entities (i.e. Travis County, City of the Bee Cave, the Village of the Hills and the City of Lakeway) respond to requests for new development within their own jurisdictions. A strong pro-growth attitude would directly impact the District with potentially higher increases of revenue in future years, whereas a strong no-growth attitude would have the opposite effect. While growth has slowed from past years, the City of Bee Cave, the City of Lakeway and unincorporated areas within the District are continuing to expand.

In the November 2008 election, the District's voters granted the District authority to begin a one percent sales tax within all areas of the District with the exception of the Cities of Bee Cave and Lakeway. The District began receiving these revenues in June 2009. In the May 2010 election, the District's voters granted the District authority to begin an additional three quarter of a percent sales tax within all areas of the District south of Mansfield Dam with the exception of the Cities of Bee Cave and Lakeway and the Village of the Hills. The District began receiving these revenues in December 2010.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Travis County Emergency Services District No. 6, Chief Financial Officer, 15304 Pheasant Lane Suite 100, Austin, Texas 78734, Office: 512-266-2533, Fax: 512-266-7065.

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6

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

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET ASSETS
<b>ASSETS:</b>						
Cash	\$ 133,707	-	215,802	349,509	-	349,509
Investments	5,927,952	40,074	-	5,968,026	-	5,968,026
Receivables:						
Property taxes	226,536	12,890	-	239,426	-	239,426
Sales taxes	389,120	-	-	389,120	-	389,120
Accounts	4,057	-	-	4,057	-	4,057
Prepaid assets	62,650	-	-	62,650	-	62,650
Due from other funds	43,628	9,762	-	53,390	(53,390)	-
Bond issuance costs, net	-	-	-	-	93,834	93,834
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	1,049,170	1,049,170
Construction in progress	-	-	-	-	343,048	343,048
Vehicles	-	-	-	-	3,006,120	3,006,120
Equipment	-	-	-	-	901,220	901,220
Buildings	-	-	-	-	5,472,580	5,472,580
Total assets	<u>\$ 6,787,650</u>	<u>62,726</u>	<u>215,802</u>	<u>7,066,178</u>	<u>10,812,582</u>	<u>17,878,760</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ 239,176	-	79,165	318,341	-	318,341
Payroll liabilities payable	96,388	-	-	96,388	-	96,388
Deferred revenue	226,536	12,890	-	239,426	(239,426)	-
Due to other funds	9,762	-	43,628	53,390	(53,390)	-
Bond and lease interest payable	-	-	-	-	42,960	42,960
Long-term liabilities:						
Due within one year	-	-	-	-	593,747	593,747
Due after one year	-	-	-	-	6,220,834	6,220,834
Total liabilities	<u>571,862</u>	<u>12,890</u>	<u>122,793</u>	<u>707,545</u>	<u>6,564,725</u>	<u>7,272,270</u>
<b>FUND BALANCE/ NET ASSETS:</b>						
Fund balances:						
Nonspendable-						
Prepaid assets	62,650	-	-	62,650	(62,650)	-
Restricted for:						
Debt service	-	49,836	-	49,836	(49,836)	-
Capital projects	-	-	93,009	93,009	(93,009)	-
Assigned for:						
Capital acquisitions	472,729	-	-	472,729	(472,729)	-
Expenditures from insurance proceeds	318,453	-	-	318,453	(318,453)	-
Unassigned	5,361,956	-	-	5,361,956	(5,361,956)	-
Total fund balances	<u>6,215,788</u>	<u>49,836</u>	<u>93,009</u>	<u>6,358,633</u>	<u>(6,358,633)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 6,787,650</u>	<u>62,726</u>	<u>215,802</u>	<u>7,066,178</u>		
Net assets:						
Invested in capital assets, net of related debt					4,348,425	4,348,425
Restricted for debt service					19,766	19,766
Unrestricted					6,238,299	6,238,299
Total net assets					<u>\$ 10,606,490</u>	<u>\$ 10,606,490</u>

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6

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

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
<b>EXPENDITURES/EXPENSES:</b>						
Service operations:						
Human resources	\$ 6,951,873	-	-	6,951,873	(27,950)	6,923,923
ESD management	440,372	47	196	440,615	-	440,615
Fleet	263,766	-	-	263,766	(5,056)	258,710
Operations	439,607	-	-	439,607	-	439,607
Communication	174,707	-	-	174,707	-	174,707
Technology	30,655	-	-	30,655	-	30,655
Administration	31,905	-	-	31,905	-	31,905
Prevention and education	27,987	-	-	27,987	-	27,987
Capital outlay	386,073	-	2,095,403	2,481,476	(2,419,359)	62,117
Depreciation	-	-	-	-	593,045	593,045
Debt service:						
Principal payments	80,780	290,000	-	370,780	(370,780)	-
Interest payments	43,253	245,778	-	289,031	2,380	291,411
Total expenditures/expenses	<u>8,870,978</u>	<u>535,825</u>	<u>2,095,599</u>	<u>11,502,402</u>	<u>(2,227,720)</u>	<u>9,274,682</u>
<b>REVENUES:</b>						
Program revenues:						
Inspections	113,699	-	-	113,699	-	113,699
Other	15,268	-	-	15,268	-	15,268
Total program revenues	<u>128,967</u>	<u>-</u>	<u>-</u>	<u>128,967</u>	<u>-</u>	<u>128,967</u>
Net program expense						<u>(9,145,715)</u>
General revenues:						
Property taxes	7,982,111	536,684	-	8,518,795	5,156	8,523,951
Penalties and interest on taxes	55,227	3,713	-	58,940	-	58,940
Sales taxes	1,633,472	-	-	1,633,472	-	1,633,472
Interest	9,312	54	1,767	11,133	-	11,133
Rental income	28,048	-	-	28,048	-	28,048
Miscellaneous	17,706	-	-	17,706	-	17,706
Contributions	18,296	-	-	18,296	-	18,296
Total general revenues	<u>9,744,172</u>	<u>540,451</u>	<u>1,767</u>	<u>10,286,390</u>	<u>5,156</u>	<u>10,291,546</u>
Other sources-						
Proceeds from asset sales/ Loss on disposal	-	-	-	-	(498,714)	(498,714)
Total revenues and other sources	<u>9,873,139</u>	<u>540,451</u>	<u>1,767</u>	<u>10,415,357</u>	<u>(493,558)</u>	<u>9,921,799</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	1,002,161	4,626	(2,093,832)	(1,087,045)	1,087,045	-
Change in net assets					647,117	647,117
<b>FUND BALANCES/ NET ASSETS:</b>						
Beginning of year	<u>5,213,627</u>	<u>45,210</u>	<u>2,186,841</u>	<u>7,445,678</u>	<u>2,513,695</u>	<u>9,959,373</u>
End of year	<u>\$ 6,215,788</u>	<u>49,836</u>	<u>93,009</u>	<u>6,358,633</u>	<u>4,247,857</u>	<u>10,606,490</u>

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6

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

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Property taxes	\$ 7,811,000	7,811,000	7,982,111	171,111
Sales taxes	1,050,000	1,050,000	1,633,472	583,472
Penalties and interest on taxes	52,000	52,000	55,227	3,227
Inspections	100,000	100,000	113,699	13,699
Interest	25,000	25,000	9,312	(15,688)
Miscellaneous	-	-	17,706	17,706
Other program revenue	25,000	25,000	15,268	(9,732)
Rental income	36,000	36,000	28,048	(7,952)
Contributions	5,000	5,000	18,296	13,296
Total revenues	<u>9,104,000</u>	<u>9,104,000</u>	<u>9,873,139</u>	<u>769,139</u>
<b>EXPENDITURES:</b>				
Service operations:				
Human resources	6,951,000	6,952,000	6,951,873	127
ESD management	620,000	545,000	440,372	104,628
Fleet	248,000	264,000	263,766	234
Operations	430,000	488,000	439,607	48,393
Communication	215,000	215,000	174,707	40,293
Technology	68,000	68,000	30,655	37,345
Administration	50,000	50,000	31,905	18,095
Prevention and education	29,000	29,000	27,987	1,013
Capital outlay	175,000	354,747	386,073	(31,326)
Debt service:				
Principal payments	220,000	81,000	80,780	220
Interest payments	84,000	43,253	43,253	-
Total expenditures	<u>9,090,000</u>	<u>9,090,000</u>	<u>8,870,978</u>	<u>219,022</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	14,000	14,000	1,002,161	988,161
<b>CHANGE IN FUND BALANCE</b>	14,000	14,000	1,002,161	988,161
<b>FUND BALANCE:</b>				
Beginning of year	<u>5,213,627</u>	<u>5,213,627</u>	<u>5,213,627</u>	<u>-</u>
End of year	<u>\$ 5,227,627</u>	<u>5,227,627</u>	<u>6,215,788</u>	<u>988,161</u>

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis County Emergency Services District No. 6 (the “District”) was created under the Texas Health and Safety Code, Chapter 775. The District provides fire suppression, emergency medical and rescue first response, hazardous materials incident response, marine incident response and other emergency incident response that may arise within its boundaries. The District is also responsible for fire prevention and the enforcement of fire codes.

The reporting entity of the District encompasses those activities and functions over which the District’s elected 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. 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 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 “Total Governmental Funds” 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 effect of interfund activity has been removed from these statements.

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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.



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 inspection fees, interest income, and sales taxes. No accrual for property taxes collected within sixty days of year-end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred revenue.

The District reports the following major governmental funds:

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.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

### **Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device for the General Fund and Debt Service 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 a motion. 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**

Investments - The District is entitled to invest any and all of its funds in obligations of the United States of America or its agencies, direct obligations of the State of Texas, obligations of states, agencies, counties, cities and other political subdivisions of any statement having a rating of not less than A or its equivalent, certificates of deposit, fully collateralized repurchase agreements, and 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, construction in progress, 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 and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	15-40
Vehicles	8-20
Equipment	3-30

Prepaid Assets - Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and fund financial statements.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds 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.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental funds total fund balance	\$ 6,358,633
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	10,772,138
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	239,426
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(5,805,000)
Less: Bond issuance costs	93,834
Capital lease payable	(805,556)
Bond and lease interest payable	(42,960)
Compensated absences	(204,025)
	<hr/>
Total net assets	<u>\$ 10,606,490</u>

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

Deficit of revenues and other sources under expenditures	\$ (1,087,045)
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	2,424,415
Depreciation expense	(593,045)
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	5,156
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Repayment of bond principal	290,000
Repayment of capital lease principal	80,780
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	3,222
Amortization of bond issuance costs	(5,602)
Change in compensated absences	27,950
Loss on disposal of capital assets	(498,714)
	<hr/>
Change in net assets	<u>\$ 647,117</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.

The District had investments of \$5,720,839 in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), and in a certificate of deposit of \$247,187 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. The investment in the certificate of deposit had a maturity of 343 days.

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 and a certificate of deposit.

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 and in a certificate of deposit.

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. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	General	\$ 9,762
General	Capital Projects	43,628
Total		<u>\$ 53,390</u>

#### 5. 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 not being depreciated:				
Land	\$ 890,134	159,036	-	1,049,170
Construction in progress	1,070,566	1,725,057	(2,452,575)	343,048
Total capital assets not being depreciated	1,960,700	1,884,093	(2,452,575)	1,392,218
Capital assets being depreciated:				
Vehicles	5,647,611	96,631	(117,375)	5,626,867
Equipment	1,041,644	501,691	(27,399)	1,515,936
Buildings	4,243,976	-	1,927,900	6,171,876
Total capital assets being depreciated	10,933,231	598,322	1,783,126	13,314,679
Less accumulated depreciation for:				
Vehicles	(2,358,625)	(335,807)	73,685	(2,620,747)
Equipment	(498,865)	(141,559)	25,708	(614,716)
Buildings	(596,959)	(115,679)	13,342	(699,296)
Total accumulated depreciation	(3,454,449)	(593,045)	112,735	(3,934,759)
Total capital assets, being depreciated, net	7,478,782	5,277	1,895,861	9,379,920
Capital assets, net	<u>\$ 9,439,482</u>	<u>1,889,370</u>	<u>(556,714)</u>	<u>10,772,138</u>

In January 2011, the District purchased 2.5 acres of land in Serene Hills from Travis County Water Control Improvement District No. 17 (“WCID No. 17”). As consideration for the land, the District paid a total of \$101,036 to WCID No. 17 as well as transferring the title for two tanker trucks. The tanker trucks had a total purchase price of \$117,375, a net book value at time of transfer of \$43,690 and total estimated fair market value of \$58,000. The gain on disposal of the tanker trucks totaled \$14,310 as of September 30, 2011.

## 6. 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
Tax revenue bonds	\$ 6,095,000	-	(290,000)	5,805,000	305,000
Capital lease	886,336	-	(80,780)	805,556	84,722
Compensated absences	231,975	-	(27,950)	204,025	204,025
Total governmental activities	<u>\$ 7,213,311</u>	<u>-</u>	<u>(398,730)</u>	<u>6,814,581</u>	<u>593,747</u>

Bonded debt consisted of the following at September 30, 2011:

General Obligation Bonds Series	Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 9-30-11	Due Within One Year
2003	5-1-2003	\$ 3,500,000	2023	2.0-4.3%	\$ 2,420,000	\$ 165,000
2008	7-8-2008	3,740,000	2028	4.3%	3,385,000	140,000
		<u>\$ 7,240,000</u>			<u>\$ 5,805,000</u>	<u>\$ 305,000</u>

Bonds payable are payable from and secured by the proceeds of ad valorem taxes within the legal limitation of \$0.10 per \$100 of taxable assessed valuation, on all taxable property within the District. At September 30, 2011, limited tax bonds of \$2,760,000 were authorized by the voters of the District, but unissued.

Debt service requirements to maturity for District's bonds are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2012	\$ 305,000	234,523	539,523
2013	315,000	222,701	537,701
2014	325,000	210,405	535,405
2015	335,000	197,545	532,545
2016	350,000	184,002	534,002
2017-2021	1,990,000	685,758	2,675,758
2022-2026	1,645,000	265,358	1,910,358
2027-2028	540,000	23,434	563,434
Total	<u>\$ 5,805,000</u>	<u>2,023,726</u>	<u>7,828,726</u>

The District financed the purchase of a fire truck through a capital lease agreement with a bank. The purchase price of the fire truck was \$985,912 which equates to the capital lease principal amount. The fire truck had accumulated depreciation of \$136,932 and a net book value of \$848,980 at September 30, 2011. Under the terms of the capital lease agreement, principal and interest payments of \$124,033 are due annually on March 1 beginning on March 1, 2010 through March 1, 2019. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase the fire truck for one dollar. The effective interest rate on the lease is 4.88%. Lease payment requirements are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2012	\$ 84,722	39,311	124,033
2013	88,856	35,177	124,033
2014	93,193	30,840	124,033
2015	97,740	26,293	124,033
2016	102,510	21,523	124,033
2017-2019	338,535	33,564	372,099
Total	\$ 805,556	186,708	992,264

**Compensated Absences** - Compensated absences represent the estimated 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.

## 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 combined tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.0937 and \$0.0063, respectively. The total 2010 tax levy was \$8,408,532 based on a taxable valuation of \$8,408,532,191.

## 8. FUND BALANCES

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 balances is included in the Governmental Funds Balance Sheet on page 11. 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 Chief Financial Officer of the District.

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. PENSION PLAN

### Volunteers

The District makes quarterly contributions, on behalf of the volunteer firefighters of the District, to a retirement system administered by the Fire Fighters Pension Commission. This entity was created by the Texas Legislature and administers contributions made to it from various statewide emergency and fire-fighting organizations (primary volunteer groups) and is considered a multiple-employee pension plan. The pension plan is a combination defined benefit and defined contribution plan. The Fire Chief of the District reviews volunteer's participation in the department to ensure eligibility for receiving pension benefits.

The District makes 100% of all contributions currently at \$84 per volunteer per month. All obligations are fully funded quarterly. Benefits are calculated on a basis of six times contribution and participants are vested as follows:

<u>Years of service</u>	<u>Vesting Percentage</u>
After 5 years	25%
6 to 10 years	Increased 5% each year to 50% in year 10
11 to 15 years	Increased 10% each year to 100% in year 15
15 years	100%

Withdrawal may begin at age 55. Financial statements for the pension plan may be obtained from the Fire Fighter's Pension Commission, P.O. Box 12577, Austin, TX 78701.



## Firefighters' Relief and Retirement Fund

The full-time firefighters of the District created the Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund (the "Fund") on March 1, 2008 to provide retirement, disability, and death benefits to all full-time firefighters who are eligible to participate through a single-employer defined benefit plan. The Travis County Emergency Services District No. 6 Firefighters' Relief and Retirement Fund Board of Trustees is the administrator of the Fund. The Fund is an independent entity for financial reporting purposes. The District is the only contributing employer. The financial reports are available upon written request from the Fund's Board of Trustees.

The plan provisions are established under the authority of the Texas Local Fire Fighter's Retirement Act ("TLFFRA"). Members can retire at age 50 with 20 years of service. Members are vested after 10 years of service, and will be entitled to benefits starting at age 50. Members who terminate employment prior to vesting will be entitled to the return of the excess of their contributions to the fund less the amount of benefits they received from the Fund.

Retirement and termination benefits are calculated using the member's highest average monthly pay. Highest average monthly pay is based on an average of the 60 consecutive months of compensation which produces the highest average. A member who retires under the service retirement provisions of the Fund will receive a monthly benefit amount equal to 1.67% of the member's highest average monthly average pay multiplied by their credited service. Service retirement benefits are payable over the member's lifetime. If that member's death precedes that of their spouse, then two-thirds of the member's benefit will be continued over the life of the spouse. If an active member becomes disabled under the terms of the plan they will receive a monthly benefit payment equal to \$100 per month. If a member dies while in active service, the member's spouse will receive an immediate monthly benefit payment equal to \$100 per month payable for life, but will cease upon remarriage. Each unmarried child of the deceased member will receive a monthly benefit payment of \$20 until the age of 18. In the event a member has no spouse at death or if the surviving spouse subsequently dies, each unmarried child of the member will receive \$40.

Funding Policy - The authority under which the obligation to contribute to the Fund of the plan members and the employer is a plan document executed by the Board of Trustees. The Board of Trustees acts on behalf of Fund members and the District under authority of TLFFRA and Title 8 of the Texas Government Code. The Fund is funded by monthly contributions of 15.2% from employee members and 12% from the District based on the covered payroll of employee members. For the year ending December 31, 2010, the District required contribution rate for the plan is 4.671% of employee members' pay.

Annual Pension Cost - For the District's year ending September 30, 2011, the annual pension cost for the Fund was \$762,003 based on employee member and District contributions.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations, the basis for determining the contributions rates for the valuations noted below. The January 1, 2010 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

Actuarial valuation date	1/1/2008	1/1/2010
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	20 years	9.1 years
Asset valuation method	No method had been selected	Smoothed market value

Actuarial Assumptions:

Investment return	7.0%	7.0%
Projected salary increases	5.5%	5.5%
Inflation	3.25%	3.0%
Cost-of-living adjustments	0.0%	0.0%

Trend information for the Fund for the fire fighters of the District:

Accounting Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	\$ 624,443	100%	-
9/30/2010	762,003	100%	-

The schedule of funding progress, presented as required supplementary information following the *Notes to Basic Financial Statements*, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

## 10. DEFERRED COMPENSATION PLAN

The District offers its full time employees a voluntary deferred compensation plan (the “Deferred Compensation Plan”) that 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 Internal Revenue Code (“IRC”), are not available to employees until termination of employment, retirement, death or an unforeseen emergency. The Deferred Compensation Plan is administered by Security Administrators, Inc. In compliance with the provision of IRC Section 457(b), the Deferred Compensation Plan assets are in custodial accounts for the exclusive benefit of the Deferred Compensation Plan’s participants and beneficiaries.

An additional feature of the Deferred Compensation Plan is that the employer matched 100% of employee contributions up to 10% of an employee’s compensation until the Deferred Compensation Plan was amended effective February 14, 2010. After the amendment, the employer match was increased to 12% of an employee’s compensation for employees participating in the Deferred Compensation Plan that are not in the TLFRA pension plan. However, employer contributions are not fully vested to employees until after six years of service. Any employer contributions forfeited due to employee separation prior to six years of service will be redistributed to remaining active employees of the Deferred Compensation Plan.

On October 28, 2010, the District amended the Deferred Compensation Plan to add an employer matching contribution at a rate of \$1.00 for every \$3.00 contributed by the employee, up to a maximum of 1% of the gross wages for the employees covered under the Collective Bargaining Agreement (“CBA”). For employees covered by the CBA that do not participate in the TLFFRA pension plan, the additional matching contribution of \$1.00 for every \$3.00 contributed by the employee up to a maximum of 1% applies to any amounts above a 12% contribution to their 457(b) account.

Effective January 1, 2011, the District adopted a 401(a) Profit Sharing Plan and designated Scholz, Klein and Friends as the third party administrator to the Deferred Compensation Plan.

For the year ending September 30, 2011, fifty-five employees participated in the Deferred Compensation Plan with contributions totaling \$308,537 for both the employer and employees, and there are no unfunded obligations.

## **11. OPERATING LEASE**

The District has entered into an operating lease agreement with the City of Bee Cave. This lease agreement is for land on which one of its fire stations is located. This lease is fixed and long term and not subject to increase without renegotiating. The amount expended for this lease and the future minimum payments under the lease are minimal.

The District leases office space to third parties under operating leases on a month to month basis. The cost of the leased property was \$511,660 and accumulated depreciation was \$21,319 at September 30, 2011, and is included in buildings.

## **12. 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 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.

## **13. ANNEXATION OF DISTRICT LAND BY THE CITY OF AUSTIN**

The City of Austin has the right to annex property within the District which could in the future result in a reduction of the total value of property within the District and therefore a reduction in the total tax revenue to be collected. During a prior fiscal year, the City of Austin notified the District that it plans to annex River Place in December 2017. The District may also, in the future, enter into agreements for the exchange of particular properties with other emergency services districts.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6**

**SCHEDULE OF FUNDING PROGRESS FOR THE TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6 FIREFIGHTERS' RELIEF AND RETIREMENT FUND  
SEPTEMBER 30, 2011**

---

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
1/1/2008	\$ -	\$2,644,708	\$2,644,708	0.00%	\$3,132,270	84.43%
1/1/2010	1,162,285	4,109,994	2,947,709	28.28%	3,717,196	79.30%

**OTHER SUPPLEMENTAL INFORMATION**

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 6**

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

	<u>BUDGET ORIGINAL AND FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES:</b>			
Property taxes	\$ 519,000	536,684	17,684
Penalties and interest on taxes	3,000	3,713	713
Interest	-	54	54
Total revenues	<u>522,000</u>	<u>540,451</u>	<u>18,451</u>
<b>EXPENDITURES:</b>			
Service operations-			
ESD management	-	47	(47)
Debt service:			
Principal payments	290,000	290,000	-
Interest payments	246,000	245,778	222
Total expenditures	<u>536,000</u>	<u>535,825</u>	<u>175</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(14,000)</u>	<u>4,626</u>	<u>18,626</u>
<b>CHANGE IN FUND BALANCE</b>	(14,000)	4,626	18,626
<b>FUND BALANCES:</b>			
Beginning of year	<u>45,210</u>	<u>45,210</u>	<u>-</u>
End of year	<u><u>\$ 31,210</u></u>	<u><u>49,836</u></u>	<u><u>18,626</u></u>

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



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

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# *Medack & Oltmann, LLP*

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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. Twelve

We have audited the accompanying financial statements of the governmental activities of Travis County Emergency Services District No. Twelve 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. Twelve 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 8 and page 24, 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  
April 26, 2012



# Travis County ESD # 12

405 W. Parsons St.

Manor TX, 78653

512-272-4502

Fax 512-428-5114



Travis County Emergency Services District No. 12's district is approximately 100 square miles, serving citizens within its boundaries. It provides services to this area from one fire station, located in downtown Manor, Texas. It is staffed 24 hours a day, seven days a week.

This section of the Travis County ESD # 12 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 \$798,391 (net assets).
- Financial performance for the ESD improved in FY 10-11 as expenditures were closely examined and budget was adjusted to reflect expected income and district needs.
- Staffing was maintained with three persons per shift, and the employment reflected a mix of both full-time and part-time staff.
- The District responds to over 2,100 emergencies annually.
- Currently, the District is funded solely by property tax at \$0.10 per \$100 value.

## Using This Annual Report:

This annual report consists of a series of financial statements. 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 fund first column. The next column is an adjustments column, reconciling the amounts reported in the governmental fund 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 \$202,740. 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**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current Assets	\$ 417,103	\$ 303,986
Restricted Cash & Cash Equivalents	-0-	782
Capital Assets	<u>1,698,107</u>	<u>\$ 1,861,602</u>
<b>Total Assets</b>	<b>\$ 2,115,210</b>	<b>\$ 2,166,370</b>
<b>Liabilities</b>		
Current Liabilities	\$ 231,690	\$ 309,129
Long Term Liabilities	<u>1,085,129</u>	<u>1,261,590</u>
<b>Total Liabilities</b>	<b>\$ 1,316,819</b>	<b>\$ 1,570,719</b>
<b>Net Assets</b>		
Invested in Capital Assets, net of related debt	\$ 479,295	\$ 435,063
Unrestricted	<u>319,096</u>	<u>160,588</u>
<b>Total Net Assets</b>	<b><u>\$ 798,391</u></b>	<b><u>\$ 595,651</u></b>

**Table 2**  
**Changes in Net Assets**

	<u>9/30/2011</u>	<u>9/30/2010</u>
Revenues:		
Program Revenues	\$ -	\$ 5,273
General Revenues		
Property Taxes	987,592	1,061,529
Interest Income	456	842
Restitution & Other Income	40,443	64,257
Total Revenues	<u>\$ 1,028,491</u>	<u>\$ 1,131,901</u>
Expenses:		
Program Expenses		
General Government	\$ 754,771	\$ 974,950
Interest on Long-Term Debt	70,980	105,835
Total Expenses	<u>\$ 825,751</u>	<u>\$ 1,080,785</u>
Increase(Decrease) in Net Assets	\$ 202,740	\$ 51,116
Net Assets, beginning of the year	595,651	544,535
Net Assets, end of the year	<u><u>\$ 798,391</u></u>	<u><u>\$ 595,651</u></u>

### Financial Analysis of the Government's Funds

As noted earlier, the District 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 \$293,273, which reflects a net combined fund balance increase of \$159,700.

96% of all Department funds come from Ad Valorem taxes. The remaining minor revenues come from sources such as interest on deposited funds and fees for providing first-in engine response to areas of Travis County Emergency Services District No. 13.

### Budgetary Highlights

The Department's annual budget includes estimated revenues and expenditures. The annual budget 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.

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.

**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	\$ 11,789	\$ 11,789
Vehicles	959,944	867,634
Furniture & Equipment	162,706	162,706
Building	<u>1,204,984</u>	<u>1,204,984</u>
Less accumulated depreciation	(477,821)	(549,006)
Total Capital Assets, net	\$ 1,861,602	\$ 1,698,107

There were no additions for the year ending September 30, 2011.

**Debt:**

At year-end, the District had \$1,223,988 in outstanding debt compared to \$1,426,539 last year. Further detailed information can be found in the notes to the financial statements.



## **Economic Factors and Next Year's Budgets and Rates**

Strategic plans for the District include:

- ESD#12 began discussions to enter into a joint management agreement with ESD#4. This will eventually lead to better response and sharing of resources to better serve citizens of both districts.
- The board began exploring additional sources of funding to meet the increasing needs of the district. One proposal is to institute a sales tax in the unincorporated areas of the district. The additional revenues would be used to increase services.
- Increase Firefighters at Station 1201 (Downtown Manor)
- Open Fire Station 1202 near Highway 290 & Voelker Lane with full firefighter staffing.
- Improve ISO Community Public Protection Classification rating
- Open fire station 1203 & Fire Academy near Burleson-Manor Road, with full firefighter staffing.

Future population growth will increase emergency service demands on the District. The number of fire and EMS emergency call in the District has risen 20% over the last five years. With the projected growth and increase in the demands for emergency services, additional personnel and infrastructure to support these increasing needs will become paramount. A key concern will be finding additionally funding sources for the District.

### **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:

Clem Zabalza, Commissioner  
Travis County ESD # 12  
P.O. Box 162170  
Austin, TX 78716-2170  
512-539-3400

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
 GOVERNMENTAL FUNDS BALANCE SHEET AND  
 STATEMENT OF NET ASSETS  
 YEAR ENDED SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Adjustments (Note 14)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash	\$ 325,466	\$	\$ 325,466
Investments - Texpool			-
Taxes Receivable	80,784		80,784
Accounts Receivable	1,381		1,381
Prepaid Expenses	9,472		9,472
Due from Other Funds	-		-
Capital Assets (net of accumulated depreciation)	<u>                    </u>	<u>1,698,107</u>	<u>1,698,107</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>417,103</u></b>	<b>\$ <u>1,698,107</u></b>	<b>\$ <u>2,115,210</u></b>
<b>LIABILITIES</b>			
Payroll Liabilities Payable	\$ 14,407	\$	\$ 14,407
Accounts Payable	34,333		34,333
Accrued Interest Payable		44,091	44,091
Deferred Revenues	75,090	(75,090)	-
Long-term liabilities			-
Due within one year		138,859	138,859
Due after one year	<u>                    </u>	<u>1,085,129</u>	<u>1,085,129</u>
<b>TOTAL LIABILITIES</b>	<b><u>123,830</u></b>	<b><u>1,192,989</u></b>	<b><u>1,316,819</u></b>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balances:			
Nonspendable	9,472	(9,472)	-
Restricted	-		-
Committed	-		-
UnAssigned	<u>283,801</u>	<u>(283,801)</u>	<u>                    </u>
Total fund balances	<u>293,273</u>	<u>(293,273)</u>	<u>                    </u>
Total liabilities and fund balances	<b>\$ <u>417,103</u></b>	<b>\$</b>	
Net assets:			
Invested in capital assets, net of related debt		479,295	479,295
Restricted		-	-
Unrestricted		319,096	319,096
Total net assets		<u>798,391</u>	<u>\$ 798,391</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
AND STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Adjustments (Note 14)</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Apparatus	\$ 38,372	\$	\$ 38,372
Equipment	7,980		7,980
Communications	44,905		44,905
EMS	-		-
Insurance	11,478		11,478
Training & Prevention	1,102		1,102
Stations	9,854		9,854
District Office	3,553		3,553
Administrative Expenditures:			-
Annual Financial Audit	8,890		8,890
Legal Fees	22,109		22,109
Appraisal District/Assessor Fees	18,991		18,991
Miscellaneous Administrative Expenditures	1,768		1,768
Contract Labor	23,678		23,678
Personnel Costs	452,652	5,176	457,828
Depreciation Expense	-	104,263	104,263
Debt Service:			
Principal	207,727	(207,727)	-
Interest	81,797	(10,817)	70,980
Total expenditures/expenses	<u>934,856</u>	<u>(109,105)</u>	<u>825,751</u>
			-
			-
<b>GENERAL REVENUES</b>			
Ad valorem taxes	994,425	(6,833)	987,592
Penalties & Interest on Taxes	14,939		14,939
Interest	456		456
Miscellaneous Income	24,736	-	24,736
Gain from Sale of Asset		768	768
			-
Total general revenues	<u>1,034,556</u>	<u>(6,065)</u>	<u>1,028,491</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from Sale of Asset	<u>60,000</u>	(60,000)	
Total Other Financing Sources(Uses)	60,000		
Net Change in Fund Balances	159,700	(159,700)	-
Change in Net Assets		202,740	202,740
Fund Balance/Net Assets			
Beginning of the year	<u>133,573</u>	<u>462,078</u>	<u>595,651</u>
End of the year	<u>\$ 293,273</u>	<u>\$ 505,118</u>	<u>\$ 798,391</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
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 Emergency Services District No. 12 (the "District") was created by order of the Travis County Commissioners Court following a conversion election, which was held on May 18, 1996. The District operates under Section 48-e, Article III of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code. The District is operated by a five Commissioners who are appointed by the Travis County Commissioners Court. The District provides emergency services to residents of the District.

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 NO. 12  
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 general fund in the first column. The next column is an adjustments column. It reconciles 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 TWELVE  
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.

The District uses only one fund type – the Governmental Fund. The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The General Fund (in the Governmental Fund type) 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 another fund.

*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.

**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.,

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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.

#### 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

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

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 \$ 1,000.

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:

New fire vehicles	20 years
Used Vehicles	10 years
Equipment	5 years
Buildings and Improvements	30 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.



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

COMPENSATED ABSENCES

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. As of the year end, the liability for accrued vacation reflects that time earned by the employees in the current year. 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.

NOTE 2: CASH

The District's deposits (cash and temporary investments) are stated at cost. As of September 30, 2011, the carrying amount of deposits was \$325,466 and the bank balance was \$295,869. All deposits were fully insured by FDIC.

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.

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

NOTE 3: CAPITAL ASSETS

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

	Balance 9/30/2010	Additions	Retirements	Balance 9/30/2011
<b><u>Depreciable Assets</u></b>				
Vehicles	\$ 959,944	\$	\$ (92,310)	\$ 867,634
Buildings & Improvements	1,204,984			1,204,984
Furniture & Equipment	162,706			162,706
Total Depreciable Assets	<u>2,327,634</u>		<u>(92,310)</u>	<u>2,235,324</u>
<b><u>Non-Depreciable Assets</u></b>				
Land	11,789			11,789
Total Non-Depreciable Assets	<u>11,789</u>			<u>11,789</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Vehicles	(340,417)	(51,082)	33,078	(358,421)
Buildings & Improvements	-	(40,166)		(40,166)
Furniture & Equipment	(137,404)	(13,015)		(150,419)
Total Accumulated Depreciation	<u>(477,821)</u>	<u>(104,263)</u>	<u>33,078</u>	<u>(549,006)</u>
Total Capital Assets, Net	<u>\$ 1,861,602</u>	<u>\$ (104,263)</u>	<u>\$ (59,232)</u>	<u>\$ 1,698,107</u>

Depreciation was charged to the general fund of \$104,263.

NOTE 6: LONG-TERM DEBT

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

	Balance 9/30/10	Additions	Reductions	Balance 9/30/11	Due within one year
<b><u>Governmental Activities</u></b>					
Note Payable	\$ 1,426,539	\$ -	\$ 207,727	\$ 1,218,812	\$ 133,683
Compensated Leave Payable	-	5,176		5,176	5,176
Total Governmental Activities	<u>\$ 1,426,539</u>	<u>\$ 5,176</u>	<u>\$ 207,727</u>	<u>\$ 1,223,988</u>	<u>\$ 138,859</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

Note Payable –

The District entered into a capital lease to purchase a Pierce pumper fire truck. The terms are as follows:

Loan amount: \$418,000  
Maturity date: December 15, 2015  
Interest rate: 4.35% annum  
Payment terms: Payments are due and payable in annual installments of \$53,348 beginning in December 15, 2006 and ending December 15, 2015. The loan is collateralized with the fire truck. The outstanding balance at September 30, 2011, was \$235,180.

The District entered into a capital lease to purchase air packs and compressors. The terms are as follows:

Loan amount: \$85,000  
Maturity date: October 15, 2012  
Interest rate: 4.75% per annum  
Payment terms: Payments are due and payable in annual installments of \$14,247 beginning October 15, 2006 and ending October 15, 2012. The loan is collateralized with the air packs and compressors. The outstanding balance at September 30, 2011, was \$13,712.

The District entered into a capital lease to purchase a 2003 Pierce Custom Contender. The terms are as follows:

Loan amount: \$247,846  
Maturity date: February 25, 2013  
Interest rate: 4.79% per annum  
Payment terms: Payments are due and payable in annual installments of \$31,771 beginning February 25, 2003 and ending February 25, 2013. The loan is collateralized with the vehicle. The outstanding balance at September 30, 2011 was \$59,251.

The District obtained a note from a bank to finance the construction of an addition to and the remodel of an existing fire station. The terms are as follows:

Loan amount: \$1,000,000  
Maturity date: February 15, 2024  
Interest rate: 6.10% annum  
Payment terms: Payments are due and payable in annual installments of \$103,471 beginning February 15, 2010 and ending February 15, 2024. The loan is collateralized by property tax revenues. The outstanding balance at September 30, 2011 was \$910,669.

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

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

Year Ending	Principal	Interest	Total
2012	133,683	69,154	202,837
2013	126,155	62,435	188,590
2014	100,896	55,924	156,820
2015	106,229	50,591	156,820
Thereafter	751,849	232,737	984,586
Totals	<u>\$ 1,218,812</u>	<u>\$ 470,841</u>	<u>\$ 1,689,653</u>

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 \$990,241,692 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 \$ 990,303 and the tax rate was \$ 0.10 per \$100 assessed valuation. Tax collections for the year ended September 30, 2011, were 99.9% of the 2010 tax levy.

**NOTE 8: RETIREMENT PLAN**

The District offers its full time employees a deferred compensation plan, which permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan 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, and 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 contributions up to 2% of that employee's compensation, with employees contributing 5% of their compensation. Employer contributions are fully vested immediately to the employees' accounts. For the year ending September 30, 2011, contributions totaled \$11,750 for both the employer and employees, and there are no unfunded obligations.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

NOTE 9: COMMITMENTS

The District has an interlocal agreement with the City of Austin to provide dispatch services. The fee is based on the number of calls dispatched as of September 30, 2011. During the fiscal year, the District paid \$24,717, and this amount is included in these financial statements.

NOTE 10: ANNEXATION OF DISTRICT LAND BY THE CITY OF AUSTIN

For the fiscal year ending September 30, 2011 there were no annexations..

NOTE 11: SUBSEQUENT EVENTS

To increase its revenue stream, the District will hold an election in an attempt to collect a .05% sales tax on taxable sales within its boundaries.

The District has entered into a joint management agreement with Travis County Emergency Services District No. 4, a neighboring ESD, effective January 1, 2012. The District will pay \$30,000 annually according to the terms of the contract.

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

NOTE 12: FUND BALANCE

**Fund Balance:**

<u>Nonspendable</u>		
Prepaid Expenses	\$	9,472.
Unassigned		<u>283,801</u>
Total Fund Balances	\$	293,273

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.

NOTE 13: CONTINGENCIES

The District alleges that there were misappropriations of funds by prior personnel in prior fiscal years. The District, along with appropriate authorities, is currently investigating this matter. The District is anticipating additional costs associated with the investigation. However, these costs are unknown.

NOTE 14: 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.

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		\$ 2,247,113
Accumulated Depreciation		( 549,006)

Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the funds. \$ 44,091

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2011

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

	Deferred revenue	\$ (75,090)
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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	\$ 138,859
	Due after one year	\$ 1,085,129

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	\$ 5,176
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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.

	Depreciation Expense	\$ 104,263
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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 Debt Principal	\$ (207,727)
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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	\$ (10,817)
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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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      \$      (6,833)

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.

Gain from disposal of asset	\$	768
Proceeds from sale of asset		(60,000)



Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET vs ACTUAL GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS	VARIANCE FAVORABLE/ (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Ad valorem taxes	\$ 992,997	\$ 990,997	\$ 994,425	3,428
Penalties & Interest on Taxes	-	-	14,939	14,939
Interest	2,500	1,500	456	(1,044)
Contract Revenues	22,500	22,500	22,416	(84)
Miscellaneous Income	-	-	2,320	2,320
<b>TOTAL REVENUES</b>	<b>\$ 1,017,997</b>	<b>\$ 1,014,997</b>	<b>\$ 1,034,556</b>	<b>19,559</b>
<b>EXPENDITURES:</b>				
Apparatus	\$ 60,354	\$ 66,483	\$ 38,372	28,111
Equipment	7,000	7,000	7,980	(980)
Communications	100,174	92,174	44,905	47,269
EMS	4,067	450	-	450
Insurance	15,500	15,500	11,478	4,022
Training & Prevention	2,300	2,100	1,102	998
Stations	27,950	25,250	9,854	15,396
District Office	10,650	2,650	3,553	(903)
<b>Administrative expenditures:</b>				
Annual Financial Audit	8,500	8,500	8,890	(390)
Legal Fees	20,000	20,000	22,109	(2,109)
Accounting & Services	1,820	1,820	-	1,820
Consultants Legal/Design	2,000	-	-	-
Appraisal District/Assessor Fees	16,000	16,000	18,991	(2,991)
Miscellaneous Administrative Expenditures	3,500	1,500	1,768	(268)
Contract Labor	35,000	31,500	23,678	7,822
Personnel Costs	489,946	467,067	452,652	14,415
Capital Outlay	65,383	65,383	-	65,383
<b>Debt Service Expenditures</b>				
Principal	179,367	179,367	207,727	(28,360)
Interest	-	-	81,797	(81,797)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,049,511</b>	<b>\$ 1,002,744</b>	<b>\$ 934,856</b>	<b>67,888</b>
<b>OTHER SOURCES/(USES)</b>				
Sale of assets	60,000	60,000	60,000	-
Total Other Sources/(Uses)	60,000	60,000	60,000	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)</b>	<b>\$ 28,486</b>	<b>\$ 12,253</b>	<b>\$ 159,700</b>	<b>147,447</b>
<b>FUND BALANCE:</b>				
Beginning of year			133,573	
End of year			<u>\$ 293,273</u>	

See Accompanying Notes to the Financial Statements

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TRAVIS COUNTY  
AUDITORS OFFICE

Travis County Emergency Services District No. 13

Annual Financial Report

For the Year Ending

September 30, 2011 and 2010

# Jansen and Gregorczyk

Telephone  
(512) 268-2749

Certified Public Accountants  
P.O. Box 1778  
Kyle, Texas 78640

Fax  
(512) 268-5057

## Independent Auditors' Report

### To the Board of Commissioners

Travis County Emergency Services District #13

We have audited the accompanying financial statements of the governmental activities of the Travis County Emergency Services District #13 as of September 30, 2011 and September 30, 2010, as of and for the years then ended which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the Travis County Emergency Services District #13's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 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 the Travis County Emergency Services District #13 as of September 30, 2011 and 2010, 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 4 and page 11 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.

Jansen and Gregorczyk  
January 23, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Travis County Emergency Services District #13 (the District's) financial performance 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 financial statements, which follow this section.

The financial report consists of three parts: Management's Discussion and Analysis (this section), the financial statements, and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- During the year, the District had expenditures of \$36,098 compared to total revenues of \$47,739 resulting in a increase in net assets of \$11,641 for the year ended September 30, 2011.
- The District's cash balance including money market funds was \$64,242 for the fiscal year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

#### Reporting the District as a Whole

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

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

## THE DISTRICT AS A WHOLE

The District's total net assets increased by \$11,641 in the year ended September 30, 2011. Our analysis of the District's activities below focuses on net assets (Table 1) and the changes in net assets (Table 2).

Table 1

Assets:	9/30/11	9/30/10
Current and Other Assets	\$ 71,271	\$ 59,630
Non Current and Capital Assets	-	-
Total Assets	<u>71,271</u>	<u>59,630</u>
Current and Other Liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets:	<u>71,271</u>	<u>59,630</u>
Unrestricted	<u>71,271</u>	<u>59,630</u>
Total Net Assets	<u>\$ 71,271</u>	<u>\$ 59,630</u>

Table 2

Ad Valorem Tax Revenues	\$ 47,729	\$ 43,880
Interest Income	10	9
Total Revenues	<u>47,739</u>	<u>43,889</u>
Expenses:		
Administrative	3,494	3,187
Public Safety - Firefighting	32,351	20,000
Tax Services	253	241
Total Expenses	<u>36,098</u>	<u>23,428</u>
Increase in Net Assets	11,641	20,461
Net Assets, beginning of year	<u>59,630</u>	<u>39,169</u>
Net Assets, end of year	<u>\$ 71,271</u>	<u>\$ 59,630</u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$71,271 at September 30, 2011.

The District has sufficient revenues to pay expenses of the District.

### General Fund Budgetary Highlights

The Board of Commissioners did not make any changes to the budget during the year. The analysis of the budget is reflected on the Schedule of Revenues, Expenses and Changes in Net Assets-Budget and Actual-(Non-GAAP Budgetary Basis) following the Notes to the Financial Statements.

The actual General Fund revenues over expenditures increased by \$9,468 during the year. Revenues budgeted were \$5,866 less than the actual amount received. Expenses were \$2,602 less than budget primarily due to reduced administrative expenses and \$9,200 for contingency purposes which were not expended.

**Economic Factors and Future Years Budgets and Rates**

The District's appointed officials considered many factors when setting the fiscal year 2010 budget and tax rates. Some of those factors include the economy and the anticipated needs of the District for operations in the next year.

**Contacting the District's Financial Management**

This financial report is designed to provide the taxpayers 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's office at:

Travis County ESD # 13  
PO Box 1017  
Manor, TX 78653

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13  
 STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET  
 SEPTEMBER 30, 2011 and 2010

	9/30/11		9/30/10
	General Fund	Adjustments (Note 6)	Statement of Statement of Net Assets Net Assets
<b>ASSETS</b>			
Current assets:			
Cash	\$ 44,706		\$ 35,233
Investments	19,536		19,541
Total current assets	<u>\$ 64,242</u>		<u>\$ 54,774</u>
Other assets:			
Taxes receivable	<u>7,029</u>	-	<u>4,856</u>
Total assets	<u>\$ 71,271</u>		<u>\$ 59,630</u>
<b>LIABILITIES</b>			
Noncurrent liabilities:			
Deferred Income	<u>7,029</u>	(7,029)	<u>-</u>
Total liabilities	<u>7,029</u>		<u>-</u>
<b>FUND BALANCES/NET ASSETS</b>			
<b>FUND BALANCES</b>			
Fund balance - unrestricted	<u>64,242</u>	(64,242)	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 71,271</u>		<u>-</u>
<b>NET ASSETS</b>			
Unrestricted		71,271	<u>59,630</u>
			<u>\$ 59,630</u>

See accompanying notes to the financial statements



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011 and 2010

	<u>General</u>	<u>9/30/11</u>	<u>Statement</u>	<u>9/30/2010</u>
	<u>Fund</u>	<u>Adjustments</u>	<u>of Activities</u>	<u>Statement</u>
		<u>(Note 6)</u>		<u>of Activities</u>
Expenses:				
Administrative	\$ 1,169		\$ 1,169	\$ 1,387
Firefighting Operations	32,351		32,351	20,000
Legal and Audit Expense	2,075		2,075	1,800
Insurance	250		250	-
Tax Services	253		253	241
Total Expenses	<u>36,098</u>		<u>\$ 36,098</u>	<u>\$ 23,428</u>
General Revenues:				
Ad Valorem Tax Revenues	45,556	2,173	47,729	43,880
Interest Income	10		10	9
Total General Revenues	<u>45,566</u>		<u>47,739</u>	<u>43,889</u>
Change in Net Assets	9,468		11,641	20,461
Net Assets - Beginning	<u>54,774</u>	-	<u>59,630</u>	<u>39,169</u>
Net Assets - Ending	<u>\$ 64,242</u>		<u>\$ 71,271</u>	<u>\$ 59,630</u>

See accompanying notes to the financial statements

**Travis County Emergency Services District #13**  
**Notes to the Financial Statements**  
**For The Year Ending September 30, 2011 and 2010**

**Note 1- Summary of Significant Accounting Policies**

The accounting policies of the Travis County Emergency Services District #13 (the District) conform to generally accepted accounting principles (GAAP) in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

**A. The Reporting Entity**

The Travis County Emergency Services District #13 was created by an election of the residents of Travis County. The District is a taxing authority, which provides funds to the Bastrop Travis Counties Emergency Services District #1. The District does not have any employees, office space or fixed assets.

The District is under full control and management of a five commissioners Board of Commissioners. The commissioners are appointed by the Travis County Commissioners. For financial reporting purposes, the District includes all funds that are controlled by, or dependent upon, actions of the Board of Commissioners. Control by, or dependence upon, the Board was determined on the basis of the Board's full control of budget adoption and taxing authority.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operation; thus data from these units would be combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in separate organizations that meet the aforementioned criteria; therefore, none are included in the accompanying general-purpose financial statements. Likewise, the District is not included in any other organizations financial statements as a component unit.

**B. Government-Wide Financial and Fund Financial Statements**

The District is considered a special purpose government under GASB Statement No. 34. This allows the district to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements to be 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. The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. The District services are supported primarily by ad valorem taxes. The Statement of Activities demonstrates how the District used revenue.

**C. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and taxes associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

**D. Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates.

**E. Net Assets**

Net assets present the difference between assets and liabilities in the Statement of Net Assets. Net assets invested in capital assets are acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments. The District has no capital assets.

**F. Estimates**

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results may differ from those estimates.

In February 2009, the GASB issued Statement No. 54 ("GASB 54"), *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. It 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. The District is now required to apply the provisions of GASB 54 in its fiscal year ending September 30, 2011 and there is not any significant impact from GASB 54 in the financial statements or results of operations at this time..

**G. Deferred Revenue**

The District reported unearned deferred revenue in the Statement of Net Assets. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considerable to have been for prior year services.

**NOTE 2 – Deposits and Investments:**

**Cash:**

At September 30, 2011, the District had \$64,242 invested in cash and cash equivalents. In accordance with GASB Statement No. 40 which requires determination as to whether the District was exposed to specific investment risks at year end the following disclosures are required.

**Interest Rate Risk.** The District's cash and cash equivalents are currently invested in short-term instruments such as an interest-bearing checking account. At September 30, 2011 the District was not exposed to interest rate risk.

**Custodial Credit Risk.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2011, \$64,242 of the District's \$64,242 deposit balance was covered by federal depository insurance.

**Investments:**

The District does not have a formal Investment Policy in place and is therefore not in compliance with Government Code Chapter 2256, The Public Funds Investment Act. Investment practices of the District were in accordance with local policies.

**NOTE 3 – Ad Valorem Taxes**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on October 1 and are payable in full by the following January 31. The District employs the services of the Travis County Appraisal District for assessing and billing its property taxes and employs the services of the Travis County Tax Assessor/Collectors for the collection of its taxes. Revenues are recognized when received by the District. The tax rate was \$0.010 per \$100 of assessed valuation.

**NOTE 4 – Concentration of Expenditures**

For the current audit period, the District paid the Bastrop Travis Counties ESD #1 \$20,000 and paid Travis County ESD #12 \$12,351 for providing emergency services to the District.

**NOTE 5 – Risk Management**

The District is exposed to various risks and losses related to theft of assets, damage and destruction of assets, error and omissions, injuries to firefighters, lawsuits and natural disasters. Insurance coverage is provided for property, casualty, errors and omissions. The district pays premiums proportionately for coverage which is shared with several other districts.

**NOTE 6 – Adjustments to Convert Fund Statements to Government-Wide**

Unrestricted fund balance - governmental fund	\$ 64,242
Taxes receivables deferred in the fund financial statements and in the government-wide financial statements	7,029
Net assets - governmental activities	<u>\$ 71,271</u>
Net change in fund balance - governmental fund	9,468
Net increase in tax receivable deferred in the fund financial statements and not in the government-wide financial statements	2,173
Change in net assets - governmental activities	<u>\$ 11,641</u>

**NOTE 7 – Budget Variances**

The District adopts an annual budget for the General Fund. The District amends the budget as needed during the year. There were no current year amendments. Certain revenue and expenses were different than budgeted, resulting in a lower than budgeted fund balance.

**NOTE 8 – Subsequent Events**

The District has evaluated subsequent events as of January 23, 2012, the date the financial statements were issued and determined there are no items that would affect the financial statements.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad Valorem Tax Revenues	\$ 39,700	\$ 39,700	\$ 45,556	\$ 5,856
Interest Income	-	-	10	10
Total General Revenue	<u>39,700</u>	<u>39,700</u>	<u>45,566</u>	<u>5,866</u>
Expenditures:				
Firefighting Operations	20,300	20,300	32,351	(12,051)
Administrative	8,200	8,200	3,494	4,706
Tax Services	1,000	1,000	253	747
Contingency	9,200	9,200	-	9,200
	<u>38,700</u>	<u>38,700</u>	<u>36,098</u>	<u>2,602</u>
Excess of Revenues Over Expenditures	<u>1,000</u>	<u>1,000</u>	<u>9,468</u>	<u>8,468</u>
Fund Balances - Beginning	<u>54,774</u>	<u>54,774</u>	<u>54,774</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 55,774</u>	<u>\$ 55,774</u>	<u>\$ 64,242</u>	<u>\$ 8,468</u>