



Travis County Commissioners Court Agenda Request

Meeting Date: October 30, 2012, 9:00AM Voting Session

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

Elected/Appointed Official/Dept. Head: Nicki Riley, Travis County Auditor

Commissioners Court Sponsor: Commissioner Huber and Commissioner Gomez

AGENDA LANGUAGE: Receive fiscal year 2011 financial audit reports for Emergency Services Districts #5 and 11 and receive fiscal year 2010 financial audit report for Emergency Services District #5

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

See attachments

STAFF RECOMMENDATIONS:

Please approve

ISSUES AND OPPORTUNITIES:

None

FISCAL IMPACT AND SOURCE OF FUNDING:

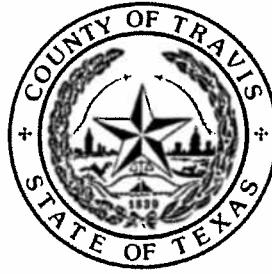
None

REQUIRED AUTHORIZATIONS:

Auditor's Office	Nicki Riley 854-9125
Commissioner Pct 3 Office	Karen Huber 854-9333
Commissioner Pct 4 Office	Margaret Gomez 854-9444

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
ADMINISTRATION BUILDING
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To: Commissioners Court
From: Nicki Riley, County Auditor
Date: October 17, 2012
Re: ESD Audit Reports

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

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

FISCAL YEAR 2011

<u>Emergency Services District</u>	<u>Precinct</u>	<u>Fiscal Year</u>
No. 5	3	2011
No. 11	4	2011

During this year's review process, it was discovered that ESD No.5 had previously submitted a draft copy for Fiscal Year 2010 therefore we are placing the final audit report for ESD No. 5 on the agenda to be formally received by the Commissioners Court. We have included an agenda request for the report listed below.

FISCAL YEAR 2010

<u>Emergency Services District</u>	<u>Precinct</u>	<u>Fiscal Year</u>
No. 5	3	2010

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

A handwritten signature in black ink, appearing to be "nr", is located in the bottom right corner of the page.

Audited Financial Statements

Prepared for:

Travis County Emergency Services District #5

For the Year Ended

December 31, 2011

Rupert & Associates, P.C.

10616 Manchaca Rd.

Austin, TX 78748

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

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Independent Auditor's Report

Travis County Emergency Services District #5
Board of Directors

We have audited the accompanying financial statements of the general fund of Travis County Emergency Services District #5 as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of Travis County Emergency Services District #5'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 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 financial position of the general fund of the Travis County Emergency Services District #5 as of December 31, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 3 and 6 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.

Rupert & Associates, P.C.

Austin, TX
June 1, 2012

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Management's Discussion and Analysis

Discussion and analysis of the financial performance for Emergency Service District #5 provides an overview of the ESD financial activities for year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

Tax allocation from Travis County was \$862,508.21. This represents a decrease of \$10,148.07 or approximately 1.2 percent.

Collection of sales tax receipts for ESD #5 was \$623,645.41. This increase of \$290,516.41 is approximately 87.2 percent. This increase was primarily due to an election in November 2010 whereby residents of the ESD supported an increase of sales tax to two percent from the previous one percent. This increase went into effect April 1, 2011. A consultant continued to be hired to monitor the telecommunication providers and advise them of their obligations on sales tax to ESD #5.

Expense for Manchaca Fire and Rescue was \$688,634.27. This increase of \$73,996.31 is approximately 12.0 percent.

Loan payment for trucks purchased in 2009 was \$102,000. This was the third of ten payments. The \$3,000,000.00 loan for the purchase of land and construction of a new station required a payment of \$255,563. This was the third of twenty payments.

Travis County Emergency Services District #5
**Statement of Net Assets and
 Governmental Funds Balance Sheet**
December 31, 2011

	General Fund	Total	Adjustments	Statement of Net Assets
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 272,070.70	\$ 272,070.70	\$ -	\$ 272,070.70
Investments	2,255,187.17	2,255,187.17	-	2,255,187.17
Property Tax Receivable	651,903.87	651,903.87	-	651,903.87
Sales Tax Receivable	64,381.03	64,381.03	-	64,381.03
Receivable on Sale of Land	174,487.50	174,487.50	-	174,487.50
Prepaid Expenses	4,528.48	4,528.48	-	4,528.48
Construction in Progress			1,521,405.49	1,521,405.49
Other capital assets, net of accumulated depreciation			1,252,459.39	1,252,459.39
	<u>\$ 3,422,558.75</u>	<u>\$ 3,422,558.75</u>	<u>2,773,864.88</u>	<u>6,196,423.63</u>
Total Assets	<u>\$ 3,422,558.75</u>	<u>\$ 3,422,558.75</u>	<u>2,773,864.88</u>	<u>6,196,423.63</u>
LIABILITIES				
Long-term liabilities:				
Due within one year			356,929.76	356,929.76
Due after one year			3,066,319.75	3,066,319.75
	<u>-</u>	<u>-</u>	<u>3,423,249.51</u>	<u>3,423,249.51</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,423,249.51</u>	<u>3,423,249.51</u>
FUND BALANCES / NET ASSETS				
Fund balances:				
Unreserved	3,422,558.75	3,422,558.75	(3,422,558.75)	-
Total fund balance	3,422,558.75	3,422,558.75	(3,422,558.75)	-
Total liabilities and fund balances	<u>\$ 3,422,558.75</u>	<u>\$ 3,422,558.75</u>		
Net Assets:				
Invested in capital assets, net of related debt			(649,384.63)	(649,384.63)
Unrestricted			3,422,558.75	3,422,558.75
Total net assets			<u>\$ 2,773,174.12</u>	<u>\$ 2,773,174.12</u>

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

Travis County Emergency Services District #5
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended December 31, 2011

	General Fund	Total	Adjustments	Statement of Activities
Revenues:				
Property Taxes	\$ 862,508.21	\$ 862,508.21		\$ 862,508.21
Sales Tax	623,645.41	623,645.41		623,645.41
Investment Earnings	10,527.80	10,527.80		10,527.80
Cash from Sales of Land	348,701.53	348,701.53	(348,701.53)	-
Gain/Loss on Sale of Land	-	-	37,331.53	37,331.53
Total revenues	<u>1,845,382.95</u>	<u>1,845,382.95</u>	<u>(311,370.00)</u>	<u>1,534,012.95</u>
Expenditures/expenses:				
Current:				
ESD Operations	1,431,889.42	1,431,889.42	(1,390,844.96)	41,044.46
Manhaca Volunteer Fire Department	711,118.43	711,118.43		711,118.43
Debt Service:				
Principal	159,870.41	159,870.41	(159,870.41)	-
Interest	30,262.04	30,262.04		30,262.04
Depreciation	-	-	268,595.00	268,595.00
Total expenditures/expenses	<u>2,333,140.30</u>	<u>2,333,140.30</u>	<u>(1,282,120.37)</u>	<u>1,051,019.93</u>
Excess of revenues over expenditures	(487,757.35)	(487,757.35)	970,750.37	
Change in net assets				482,993.02
Fund balance / net assets:				
Beginning of the year	3,910,316.10	3,910,316.10	(1,620,135.00)	2,290,181.10
End of the year	<u>\$ 3,422,558.75</u>	<u>\$ 3,422,558.75</u>	<u>\$ (649,384.63)</u>	<u>\$ 2,773,174.12</u>

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

Travis County Emergency Services District #5
Budgetary Comparison
For the Year Ended December 31, 2011

	Actual	Budget	Variance
Revenues:			
Property Taxes	\$ 862,508.21	\$ 780,000.00	82,508.21
Sales Tax	623,645.41	600,000.00	23,645.41
Investment Earnings	10,527.80	4,000.00	6,527.80
Miscellaneous Income	-	-	-
Total revenues	<u>1,496,681.42</u>	<u>1,384,000.00</u>	<u>112,681.42</u>
Expenditures/expenses:			
Current:			
ESD Operations	1,431,889.42	196,000.00	1,235,889.42
Manchaca Volunteer Fire Department	711,118.43	614,000.00	97,118.43
Debt Service:			
Principal	159,870.41	357,000.00	(197,129.59)
Interest	<u>30,262.04</u>	<u>-</u>	<u>30,262.04</u>
Total expenditures/expenses	<u>2,333,140.30</u>	<u>1,167,000.00</u>	<u>1,166,140.30</u>
Excess of revenues over expenditures	(836,458.88)	217,000.00	(1,053,458.88)

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Notes to the Financial Statements - 2011

Note 1 - Summary of Significant Accounting Principles

Reporting Entity

The Travis County Emergency Services District #5 was organized in the State of Texas under Article III, Section 48-e of the Texas Constitution for the protection of human life and health as provided by this Act.

Creation and Purpose of Travis County Emergency Services District #5

The county judge was presented with a petition signed by at least one hundred qualified voters of Travis County who own taxable real property within the proposed district. The petition requested the formation of an emergency services district.

The specific purpose of the Travis County Emergency Services District #5 is to provide medical and ambulance and fire fighting services within the boundaries of Travis County.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Revenues* include tax distributions from the Travis County Appraisal District, sales tax distributions from Texas Comptroller of Public Accounts, and interest earned on cash held in interest-bearing accounts and fixed term CDs. Travis County Emergency Services District #5 has one fund, the general fund, to account for the acquisition, use, and balances of the government's expendable financial resources and the related current liabilities.

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 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 government 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Notes to the Financial Statements - 2011

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to 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 major governmental fund:

General Fund - The General Fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the bylaws of the District. This fund accounts for all activities of the district.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

The District uses one fund type to account for its operations. The governmental fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). The term available means that the revenues will be collected during the year or soon enough thereafter to pay liabilities arising from operations during the year just ended. Expenditures, if measurable, are generally recognized on the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5
Notes to the Financial Statements - 2011

Allowance for Doubtful Accounts

No allowance for doubtful accounts is recorded because all property and sales tax receivables will ultimately be collected. However, the time of collection as well as the ultimate amount to be collected is indefinite, based on taxpayer protests and appraisal district adjustments.

Note 2 - Tax Assessment

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. Property taxes are recognized as revenue when they are measurable and available. Taxes are billed and collected by the Travis Central Appraisal District and the Travis County Tax Office.

Note 3 – Cash Deposits

The Board of Commissioners has the authority to designate one or more banks to serve as depositories for the funds of the district. To the extent that the funds in a depository bank are not insured by the Federal Deposit Insurance Corporation, the funds are secured in the manner provided by law for the security of county funds. Bank balances of TCESD#5 that exceed FDIC limits are entirely collateralized with securities held by Bank of America in the name of TCESD#5. Securities pledged by the Bank on behalf of TCESD#5 had a market value of \$3,434,586.08 at year end.

Minimal cash balances are normally maintained in the District's checking account. The majority of the District's funds are normally maintained in the savings account. The District's carrying amount of cash in checking and savings at December 31, 2011, is presented below.

Bank of America, Savings			\$	211,683.91
Bank of America, Checking				60,386.79
Total Cash & Equivalents				<u>272,070.70</u>
		Rate	Maturity Date	
Fixed Term CD #5628		0.3%	7/27/12	150,922.63
Fixed Term CD #1629		0.3%	8/13/12	299,102.02
Fixed Term CD #2337		0.3%	8/23/12	902,581.26
Fixed Term CD #2340		0.3%	8/23/12	902,581.26
Total Investments				<u>2,255,187.17</u>
Total Cash & Investments			\$	<u><u>2,527,257.87</u></u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5**Notes to the Financial Statements - 2011****Note 4 – Revenues and Receivables**

Property tax revenues collected during the year ended December 31, 2011, and receivables at year-end are made up of the sum of the following:

	<i>Collected</i>	<i>Receivable</i>	<i>Current Revenue</i>
2010	365,097.31	10,950.08	
2011	478,529.61	379,486.19	858,015.80
Deposits in Transit	(242,795.23)	242,795.23	
Prior Years	7,499.10	18,672.37	
Penalties & Interest	4,492.41		4,492.41
	<u>\$ 612,823.20</u>	<u>\$ 651,903.87</u>	<u>\$ 862,508.21</u>

Sales tax revenues collected during the year ended December 31, 2011, and receivables at year-end are as follows:

	<i>Collected</i>	<i>Receivable</i>	<i>Current Revenue</i>
2011	\$ 559,264.38	\$ 64,381.03	\$ 623,645.41

Note 5 – Fixed Assets

Fixed assets are reported net of accumulated depreciation on the financial statements. These assets are reported at cost or estimated fair market value at the date of donation and are depreciated using the straight line method over the estimated useful life of the asset. Transferred assets are shown net of depreciation at date of transfer as follows:

Land at 1626	530,170.35	2009 Super Vac Rescue Truck	504,325.83
Station 503	7,289.00	Pumper Truck Accessories	36,476.17
Station 501	7,289.00	Equipment for Fire Rescue	2,089.00
Station 505	5,143.00	Equipment for Fire Rescue	12,310.00
Station 502	40,338.00	Robot	8,313.00
1985 Ford Tanker	0.00	Skid Unit 1	0.00
1997 Ford Fire Truck	0.00	Skid Unit 2	0.00
1998 Spartan Fire Truck	0.00	Spreader	763.00
1999 Ford Pickup	0.00	Hydraulic Pump	1,095.00
2001 International Fire Truck	0.00	Personal Power Unit	730.00
2003 International Fire Truck	0.00	TIC Camera 1	0.00
2004 Ford Pickup	3,565.00	TIC Camera 2	0.00
2004 Ford Pickup	3,565.00	TIC Camera 3	0.00
2006 Wildland Engine	230,000.00	TIC Replacement	8,064.00
2006 Command Pickup	31,906.04	Accumulated Depreciation	<u>(794,246.00)</u>
2009 Crimson Fire Pumper	613,274.00		<u>1,252,459.39</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Notes to the Financial Statements - 2011

When capital assets that are to be used in governmental activities are purchased 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. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Note 6 – Prepaid Expenses

Prepaid expenses on the balance sheet reports expense items for future periods that were paid for in the current period. These expenses will be recognized in the coming year, in the period to which they apply, and include the following:

TCAD, 2011 Service Fees	\$	4,528.48
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Note 7 – Sale of Undeveloped Land

In 2011, Travis County Emergency Services District #5 entered into a sales contract to sell 5.1 acres of undeveloped land with a basis of \$311,369.80 for \$348,975.00. The Organization received \$174,487.50 (\$174,214.03 after fees) down and a note receivable for \$174,487.50. The note is payable in 10 annual installments of \$17,448.75 plus interest at 4.5%. During 2011, the Organization recognized \$37,331.53 as a gain related to the sale.

Note 8 – Note Payables

Travis County Emergency Services District #5 has two secured note payables requiring annual payments of principal and interest.

The first loan, which was funded in October of 2009 in the amount of \$801,134.79 with an interest rate of 4.53%, was used to purchase a 2009 Crimson Fire Pumper and a 2009 Super Vac Rescue Truck. Annual payments of \$101,366.69 started in November of 2009 and will continue for 10 years.

The second loan, which was funded in December of 2009 in the amount of \$3,000,000 with an interest rate of 5.72%, was used to purchase land and will be used to build a new fire station. Annual payments of \$255,563.07 started in December of 2010 and will continue for 20 years.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Notes to the Financial Statements

The balances on the two loans at December 31, 2011 are presented below:

	Note Payable, Trucks	Note Payable, Land & Building	Total
Due within one year	101,366.69	255,563.07	356,929.76
Due after one year	495,564.98	2,570,754.77	3,066,319.75
	\$596,931.67	\$2,826,317.84	\$3,423,249.51

Note 9 – Subsequent Events

On May 24, 2010 Travis County Emergency Services District #5 purchased land to build a new fire station. As of December 31, 2011 the new fire station was still underway with an estimated February 2012 completion. Actual completion date for the new fire station was in March of 2012.

Subsequent events were evaluated through June 1, 2012, which is the date the financial statements were available to be issued.



The Board of Directors of
Travis County Emergency Services District #5

In planning and performing our audit of the financial statements of Southwest Travis County Emergency Services District #5 for the year ended December 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a matter that presents an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 1, 2012, on the financial statements of Travis County Emergency Services District #5

We will review the status of these comments during our next audit engagement. We have already discussed this comment and suggestion with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Bank Reconciliations

Both the checking and savings bank cash accounts were not reconciled for the entire year of 2011. We recommend the bank accounts are reconciled on a monthly basis to ensure that all transactions have been recorded and/or have been recorded correctly so that the financial statements are accurate.

Access Controls

Password protection has not been implemented for the Organization's accounting program, although the accounting software supports the use of passwords. Proper internal control procedures call for tightly controlled access to accounting books and records. Access to accounting programs is normally restricted via the use of passwords. Without password protection, the accounting system is not secure from unauthorized use and access. We recommend the immediate implementation of password protection for the accounting program.

Board Approvals

There were two new CDs opened in 2011 and there was no evidence that the board approved these. We recommend that the board approves every new CD and we recommend that this approval is noted in the board meeting minutes.

Rupert & Associates, P.C.

Austin, Texas
June 1, 2012

**TRAVIS COUNTY EMERGENCY
SERVICES DISTRICT NO. 11
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

ANNUAL FINANCIAL REPORT

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BLAKESLEE, MONZINGO & CO.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 1130
PFLUGERVILLE, TX 78691-1130
(512) 251-5611 FAX (512) 990-5391

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Travis County Emergency Services District No. 11
Del Valle, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Travis County Emergency Service District No. 11, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Travis County Emergency Service District No. 11 management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Travis County Emergency Service District No. 11, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide

any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Travis County Emergency Service District No. 11's financial statements as a whole. The Management's Discussion and Analysis and budgetary comparison are presented for purposes of additional analysis and are not a required part of the financial statements. The Management's Discussion and Analysis and budgetary comparison are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. Management's Discussion and Analysis and budgetary comparison has been subjected to the auditing procedures applied in the audit of the basic financial statements.

A handwritten signature in black ink, appearing to read "Blakeslee Monzingo". The signature is fluid and cursive, with a long horizontal stroke at the end.

Blakeslee, Monzingo, & Co.
Pflugerville, Texas
May 15, 2012

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

Management's Discussion and Analysis

September 30, 2011

As management of Travis County Emergency Services District No. 11 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2011.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,545,995 (net assets).
- The District's total net assets (government-wide) increased by \$272,137.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,398,065, an increase of \$267,237.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which have 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 these basic financial statements.

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

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

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

The government-wide financial statements are on pages 10-11 of this report.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

Management's Discussion and Analysis

September 30, 2011

Fund Financial Statements

The fund financial statements begin on page 12 and provides detailed information about the most significant funds. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are included in one category: governmental funds.

- **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 financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which requires the recognition of revenue when earned, only so long as the funds are collectible within the period or soon enough afterwards to be sued to pay liabilities of the current period.

The governmental fund financial 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 the amount of 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 reconciliation on page 14.

Each year the District adopts a budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-23 of this report.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

Management's Discussion and Analysis

September 30, 2011

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. Travis County Emergency Services District No. 11 assets exceeded liabilities by \$1,545,995 at the close of the most recent fiscal year.

The largest portion of the District's assets (57%) represents its investment in capital assets (e.g. fire trucks, equipment and land).

The remaining balance of the District's assets (43%) represents the unrestricted financial resources available for future operations.

Travis County Emergency Services District No. 11 Summary Statement of Net Assets

	09/30/11	09/30/10
<u>Assets:</u>		
Current and Other Assets	\$ 1,570,926	\$ 1,266,951
Capital Assets	2,119,444	2,266,896
Total Assets	\$ 3,690,370	\$ 3,533,847
 <u>Liabilities:</u>		
Current and other Liabilities	\$ 303,950	\$ 269,227
Long-term Debt Outstanding	1,840,425	1,990,762
Total Liabilities	2,144,375	2,259,989
 <u>Net Assets:</u>		
Unassigned	1,545,995	1,273,858
Total Net Assets and Liabilities	\$ 3,690,370	\$ 3,533,847

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

Management's Discussion and Analysis

September 30, 2011

Governmental Activities

Revenues for the District's governmental activities were \$2,700,320 and no program revenues while total expenses were \$2,428,183. The change in net assets was an increase of \$272,137.

**Travis County Emergency Services District No. 11
Summary Statement of Changes in Net Assets**

	<u>09/30/11</u>	<u>09/30/10</u>
General Revenue		
Property Taxes	\$ 865,403	\$ 742,314
Sales Taxes	1,816,995	1,007,202
Interest Income	1,742	3,172
Grant Income	-	-
Donation Income	1,250	1,275
Other Income	14,930	89,371
Gain/(loss) on Sale of assets	-	(155,643)
Total General Revenues	<u>2,700,320</u>	<u>1,687,691</u>
Expenses		
Public Safety	<u>2,428,183</u>	<u>2,090,109</u>
Total Expenses	<u>2,428,183</u>	<u>2,090,109</u>
Increase (Decrease) in Net Assets	272,137	(402,418)
Net Assets - Beginning	<u>1,273,858</u>	<u>1,676,276</u>
Net Assets - Ending	<u><u>\$1,545,995</u></u>	<u><u>\$1,273,858</u></u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

Management's Discussion and Analysis

September 30, 2011

Financial Analysis of the District's Funds

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

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

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$1,398,065. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 61% of total General Fund expenditures.

An Analysis of Significant Balances:

- Property tax revenue decreased by \$8,579 and sales tax increased by \$809,793.

General Fund Budgetary Highlights

There were no significant differences between the original budget and the final budget. Significant differences between final budget and actual can be briefly described as follows:

- Property taxes and sales taxes were budgeted at \$1,922,931, and actual was \$624,953 over budgeted income for a total of \$2,547,884.
- Sales tax revenues increased from the prior year due to a \$.05 increase in the local sales tax rate.
- Interest income was budgeted at \$4,000, and actual was \$1,742 due to the current economic conditions and historically low interest rates.
- Public safety, general and administrative expenditures were budgeted at \$1,922,198 and actual expenditures were over budget by \$344,441 for a total of \$2,266,639.
- Capital outlays were budgeted at \$0, and actual was \$31,930 due to the purchase of a vehicle.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

Management's Discussion and Analysis

September 30, 2011

Capital Assets and Debt Administration

Capital Assets: Travis County Emergency Services District No. 11 investment in capital assets for its governmental activities as of September 30, 2011 is \$2,119,444 (net of accumulated depreciation). This investment in capital assets includes fire trucks, building improvements, equipment and land. The total decrease in the District's investment in capital assets for the current fiscal year was \$147,452.

Major capital asset additions/deletions during the current fiscal year included the following:

- Purchase of a new vehicle.

**Travis County Emergency Services District No. 11
Capital Assets**

	BALANCE 09/30/10	ADDITIONS	DELETIONS	BALANCE 09/30/11
Vehicles	\$ 1,081,569	\$ 31,929	\$ -	\$ 1,113,498
Equipment	201,277	-	-	201,277
Furniture & Fixtures	21,135	-	-	21,135
Buildings	199,856	-	-	199,856
Construction in progress	567,036	-	-	567,036
Land	1,112,543	-	-	1,112,543
	<u>3,183,416</u>	<u>31,929</u>	<u>-</u>	<u>3,215,345</u>
Less Accumulated Depreciation	<u>(916,520)</u>	<u>(179,381)</u>	<u>-</u>	<u>(1,095,901)</u>
	<u>\$ 2,266,896</u>	<u>\$ (147,452)</u>	<u>\$ -</u>	<u>\$ 2,119,444</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

Management's Discussion and Analysis

September 30, 2011

Long-term debt: At the end of the current fiscal year, the District had capital leases payable of \$582,062 and notes payable of \$1,390,837.

Economic Factors and Next Year's Budgets and Rates

The District's commissioners approved a resolution for approval of the ad valorem tax rate to \$.10 per \$100.00 valuation of the appraised property within the boundaries of the District for the next year. This tax will be used for maintenance and operations of the District.

Request for Information

This financial report is designed to provide a general overview of the Travis County Emergency Services District No. 11's finances and the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact TCESD #11, Attn: Treasurer, PO Box 1043, Del Valle, TX, 78671.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 8,571
Investments	1,518,871
Receivables -	
Property taxes (net of uncollectible taxes)	43,484
Total current assets	<u>1,570,926</u>
Noncurrent assets	
Capital assets (net of accumulated depreciation)	1,006,901
Land	1,112,543
Total noncurrent assets	<u>2,119,444</u>
TOTAL ASSETS	<u><u>\$ 3,690,370</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 88,405
Accrued expenses	41,680
Compensated absences payable	41,391
Capital leases payable	72,733
Notes payable	59,741
Total current liabilities	<u>303,950</u>
Noncurrent liabilities	
Capital leases payable	509,329
Notes payable	1,331,096
Total noncurrent liabilities	<u>1,840,425</u>
TOTAL LIABILITIES	<u>2,144,375</u>
NET ASSETS	
Unassigned	<u>1,545,995</u>
TOTAL NET ASSETS	<u>1,545,995</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,690,370</u></u>

See accompanying notes and independent auditor's report

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Expenses	Program Revenues	Net (Expenses) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Expenses after Allocation of Administration	Charges for Services
Governmental Activities	Administration Allocation	Operating Grants and Contributions	Governmental Activities
Public Safety	\$ 2,253,914	\$ 174,269	\$ -
Administration	174,269	(174,269)	-
Total Governmental Activities	\$ 2,428,183	\$ -	\$ (2,428,183)
		\$ 2,428,183	\$ -
General Revenue			\$ 865,403
Property taxes			1,816,995
Sales taxes			1,742
Interest income			1,250
Donation income			14,930
Other income			
Total General Revenue		2,700,320	
Change in net assets			272,137
Net Assets-Beginning			1,273,858
Net Assets - Ending			<u>\$ 1,545,995</u>

See accompanying notes and independent auditor's report

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	(Memorandum) Total
ASSETS		
Cash	\$ 8,571	\$ 8,571
Investments	1,518,871	1,518,871
Receivables		
ESO	708	708
Property taxes	134,514	134,514
Total Assets	\$ 1,662,664	\$ 1,662,664
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$ 88,405	\$ 88,405
Accrued expenses	41,680	41,680
Deferred revenue		
Property taxes	134,514	134,514
Total Liabilities	264,599	264,599
Fund Equity		
Fund balance -		
Unrestricted	1,398,065	1,398,065
Total Fund Equity	1,398,065	1,398,065
Total Liabilities and Fund Equity	\$ 1,662,664	\$ 1,662,664
Total Governmental Fund Balance	\$ 1,398,065	\$ 1,398,065

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 funds.	2,119,444
Capital leases used in governmental activities are not financial resources and therefore are not reported in the funds.	(2,014,290)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property tax receivable	43,484
Eso receivable	(708)
Net Assets of Governmental Activities	\$ 1,545,995

See accompanying notes and independent auditor's report

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Total <u>(Memorandum)</u>
REVENUES		
Property taxes, including penalties and interest	\$ 730,889	\$ 730,889
Sales tax receipts	1,816,995	1,816,995
Miscellaneous income	14,222	14,222
Interest income	1,742	1,742
Billing income	708	708
Donation income	1,250	1,250
	<u>2,565,806</u>	<u>2,565,806</u>
Total Revenues		
EXPENDITURES		
Current		
General and administrative	174,269	174,269
Public safety	1,849,631	1,849,631
Capital outlay	31,929	31,929
Capital leases		
Principal	69,346	69,346
Interest	28,675	28,675
Notes		
Principal	56,514	56,514
Interest	88,205	88,205
	<u>2,298,569</u>	<u>2,298,569</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>267,237</u>	<u>267,237</u>
NET CHANGE IN FUND BALANCE	267,237	267,237
FUND BALANCE, beginning of year	<u>1,130,828</u>	<u>1,130,828</u>
FUND BALANCE, end of year	<u>\$ 1,398,065</u>	<u>\$ 1,398,065</u>

See accompanying notes and independent auditor's report

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	267,237
<p>Amounts reported for governmental activities in the Statement of Activities are different because</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
		(147,523)
<p>Repayment of capital leases and notes payable is an expenditure in the governmental funds, but the repayment reduces capital leases and notes payable in the statement of net assets.</p>		
		125,860
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property tax receivable		43,484
Eso receivable		(708)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditure in the governmental funds.</p>		
		<u>(16,213)</u>
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>272,137</u>

See accompanying notes and independent auditor's report

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL: GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original	Final	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Ad valorem tax	\$ 620,420	\$ 620,420	\$ 730,889	\$ 110,469
Sales tax	1,302,511	1,302,511	1,816,995	514,484
Miscellaneous income	-	-	14,222	14,222
Interest income	4,000	4,000	1,742	(2,258)
Billing income	-	-	708	708
Donation income	10,000	10,000	1,250	(8,750)
Sale of land	-	-	-	-
TOTAL REVENUES	1,936,931	1,936,931	2,565,806	628,875
EXPENDITURES				
Administration Expenses	52,000	52,000	111,469	(59,469)
Human Resource Expenses	152,775	152,775	145,793	6,982
Dues & Subscriptions	850	850	-	850
Legal Expense	15,000	15,000	15,422	(422)
Station 1101	11,995	11,995	11,561	434
Station 1102	15,322	15,322	8,708	6,614
Station 1103	15,355	15,355	16,281	(926)
Admin/Training Building	4,620	4,620	4,844	(224)
Vehicle Maintenance	40,000	40,000	95,685	(55,685)
Fuel	44,400	44,400	66,981	(22,581)
SCBA Maintenance	4,274	4,274	14,051	(9,777)
Training Expenses Standard	51,000	51,000	34,106	16,894
Communications Equipment	56,265	56,265	43,439	12,826
Operational Expenses	8,000	8,000	62,102	(54,102)
Firefighter Clothing	7,323	7,323	1,494	5,829
Uniforms	4,150	4,150	2,129	2,021
Insurance	33,067	33,067	37,811	(4,744)
Information Technology	3,063	3,063	10,925	(7,862)
Public Education/Community Service & Out	-	-	279	(279)
Debt Service	134,446	134,446	125,860	8,586

See accompanying notes and independent auditor's report

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL: GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original	Final	Actual	Variance With Final Budget Favorable (Unfavorable)
Capital Outlay	-	-	31,930	(31,930)
Interest Interest	108,294	108,294	116,881	(8,587)
Staffing	1,160,000	1,160,000	1,340,818	(180,818)
	-	-		-
 TOTAL EXPENDITURES	 1,922,198	 1,922,198	 2,298,569	 (376,371)
 Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	 14,733	 14,733	 267,237	 252,504
 FUND BALANCE, beginning of year	 1,130,828	 1,130,828	 1,130,828	 -
 FUND BALANCE, end of year	 \$ 1,145,561	 \$ 1,145,561	 \$ 1,398,065	 \$ 252,504

See accompanying notes and independent auditor's report

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Travis County Emergency Services District No. 11 (the District) is presented to assist in understanding the District's basis financial statements. The basic financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles applicable to governments promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The Travis County Emergency Services District No. 11 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole. The primary government unit is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarized more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available when it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Major revenue sources susceptible to accrual include property taxes and sales tax. In general, other revenues are recognized when cash is received.

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

D. Budget

The budget as adopted by the Board is presented in the accompanying financial statements on the same basis of accounting as actual amounts. The budget is not legally binding.

No supplemental appropriations were made during the year. Appropriations lapse at the end of the year.

E. Property Taxes

Ad valorem taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District's capitalization policy is any asset over \$2,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
New Fire Trucks	20
Equipment/Used Fire Trucks	10
Building Improvements	40

NOTE 2 - CASH AND INVESTMENTS

At September 30, 2011, the carrying amount of the District's deposits was \$8,571 and the bank balance was \$42,866. The bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The District has investments of \$1,518,871 in the Texas Local Government Investment Pool (TexPool). TexPool is a public funds investment pool created by the Treasurer of the State of Texas pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to TexPool as custodian and to make investment purchases with the District's funds. The District owns specific, identifiable investment securities of the pool; consequently, no disclosure of categories of credit risk is made. The market value of the TexPool investments at September 30, 2011 is \$1,518,871. The market value is determined by the number of pool shares owned on that day. Each share is valued at \$1.00.

NOTE 3 - PROPERTY TAXES

The District's property tax is levied each October 1, on the assessed value of property listed as of the prior January 1, for all real and taxable personal property located in the District. The assessed value of the property rolls as of January 1, 2010, upon which the 2011 levy was based, was in the amount of \$698,801,500.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 3 - PROPERTY TAXES (continued)

Taxes are due by January 31, following the October 1, levy date, and the tax rate was \$.10, per \$100 assessed valuation. As an emergency services district, State law allows the District to levy up to a maximum of \$.10 per \$100 assessed valuation.

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. The property taxes receivable in the amount of \$134,514, net of allowance for doubtful accounts in the amount of \$91,030, is \$43,484.

NOTE 4 - FIXED ASSETS

During 2011, the District had fixed asset additions totaling \$31,929. A summary of changes in General Fixed Assets is as follows:

	BALANCE <u>9/30/2009</u>	ADDITIONS	DELETIONS	BALANCE <u>9/30/2010</u>
Vehicles	\$ 1,081,569	\$ 31,929	\$ -	\$ 1,113,498
Equipment	201,277	-	-	201,277
Furniture & Fixtures	21,135	-	-	21,135
Buildings	199,856	-	-	199,856
Construction in progress	567,036	-	-	567,036
Land	1,112,543	-	-	1,112,543
	<u>3,183,416</u>	<u>31,929</u>	<u>-</u>	<u>3,215,345</u>
Less Accumulated Depreciation	(916,520)	(179,381)	-	(1,095,901)
	<u>\$ 2,266,896</u>	<u>\$ (147,452)</u>	<u>\$ -</u>	<u>\$ 2,119,444</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 5 – LONG-TERM DEBT

Long-term debt at September 30, 2011 consisted of the following:

Notes payable to Governmental Capital Corporation at 5.751%, secured by land, due in annual installments through June 2027	\$ 723,620
Notes payable to Governmental Capital Corporation at 5.637%, secured by revenue, due in annual installments through October 2028	503,905
Notes payable to Governmental Capital Corporation at 5.721%, by revenue, due in annual installments through December 2027	<u>163,312</u>
	1,390,837
Less current portion	<u>59,741</u>
	<u><u>\$ 1,331,096</u></u>

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

	<u>Amount</u>
2012	\$ 59,741
2013	57,118
2014	58,459
2015	61,797
2016	65,325
Thereafter	<u>1,088,397</u>
	<u><u>\$1,390,837</u></u>

The districts' pledge of future revenues as collateral for the above noted long-term debts is equal to the amount of the annual payment for the specific obligation.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 6 - COMMITMENTS UNDER CAPITAL LEASE

The District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. Assets under capital leases totaled \$975,000 at September 30, 2011.

The General Long-Term Debt Account Group includes the District's obligations under capital leases which are not due in the current period. Following is a summarization of capital lease transactions for the year ended September 30, 2011:

Balance, September 30, 2010	\$ 648,179
Retirement of debt	(66,117)
	<u>582,062</u>
Less current portion	72,733
Balance, September 30, 2011	<u><u>\$ 509,329</u></u>

Lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2012	\$ 98,021
2013	98,021
2014	98,021
2015	98,021
2016	98,021
Thereafter	<u>144,454</u>
Minimum Capital lease Payments	634,559
Less: Amount representing interest incremental borrowing rate of interest	<u>(52,497)</u>
Present Value of minimum lease payments	<u><u>\$ 582,062</u></u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

NOTE 7 – ECONOMIC DEPENDENCY

The District is dependent on local taxpayers who comprise approximately 95% of the District's total revenue for the year ending September 30, 2011.

NOTE 9 – STABILIZATION AMOUNT

Governmental Accounting Standards Board Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions) became effective June 15, 2010.

The District has not set aside any funds for a stabilization amount to be carried as of September 30, 2011. These are amounts formally set aside for use in emergency situations or when revenue shortages or budgetary imbalances arise.

Audited Financial Statements

Prepared for:

Travis County Emergency Services District #5

For the Year Ended

December 31, 2010

Rupert & Associates, P.C.

10616 Manchaca Rd.

Austin, TX 78748

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

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Independent Auditor's Report

Travis County Emergency Services District #5
Board of Directors

We have audited the accompanying financial statements of the general fund of Travis County Emergency Services District #5 as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of Travis County Emergency Services District #5'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 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 financial position of the general fund of the Travis County Emergency Services District #5 as of December 31, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 3 and 6 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.

Rupert & Associates, P.C.

Austin, TX
May 17, 2011

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Management's Discussion and Analysis

Discussion and analysis of the financial performance for Emergency Service District #5 provides an overview of the ESD financial activities for year ended December 31, 2010.

FINANCIAL HIGHLIGHTS

The tax allocation from Travis County was \$872,600. This represents a decrease of \$10,100 or approximately 1.1 percent.

Collection of sales tax receipts for ESD #5 was \$333,000. This increase of \$88,000 is approximately 35.9 percent. The increase was primarily due to hiring a consultant to advise all telecommunication providers of their obligations on sales tax to ESD #5. In an election in November in 2010, residents of the ESD supported an increase of sales tax to two percent from the previous one percent. This increase went into effect April 1, 2011.

Expenses of Manchaca Fire and Rescue were \$614,600. This increase of \$39,600 is approximately 7 percent.

Loan payment for trucks purchased in 2009 was \$102,000. This was the second of ten payments. The \$3,000,000 loan for the purchase of land and construction of a new station required a payment of \$255,563. This was the second of twenty payments.

Travis County Emergency Services District #5
**Statement of Net Assets and
 Governmental Funds Balance Sheet**
December 31, 2010

	General Fund	Total	Adjustments	Statement of Net Assets
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,060,700.16	\$ 2,060,700.16	\$ -	\$ 2,060,700.16
Investments	1,293,626.67	1,293,626.67	-	1,293,626.67
Property Tax Receivable	519,677.41	519,677.41	-	519,677.41
Sales Tax Receivable	31,602.54	31,602.54	-	31,602.54
Prepaid Expenses	4,709.32	4,709.32	-	4,709.32
Construction in Progress			130,560.53	130,560.53
Other capital assets, net of accumulated depreciation			1,832,424.39	1,832,424.39
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,910,316.10</u>	<u>\$ 3,910,316.10</u>	<u>1,962,984.92</u>	<u>5,873,301.02</u>
LIABILITIES				
Long-term liabilities:				
Due within one year			356,929.76	356,929.76
Due after one year			3,226,190.16	3,226,190.16
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,583,119.92</u>	<u>3,583,119.92</u>
FUND BALANCES / NET ASSETS				
Fund balances:				
Unreserved	3,910,316.10	3,910,316.10	(3,910,316.10)	-
Total fund balance	<u>3,910,316.10</u>	<u>3,910,316.10</u>	<u>(3,910,316.10)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,910,316.10</u>	<u>\$ 3,910,316.10</u>		
Net Assets:				
Invested in capital assets, net of related debt			(1,750,695.53)	(1,750,695.53)
Unrestricted			3,910,316.10	4,040,876.63
Total net assets			<u>\$ 2,159,620.57</u>	<u>\$ 2,290,181.10</u>

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

Travis County Emergency Services District #5
**Statement of Activities and
 Governmental Fund Revenues, Expenditures, and
 Changes in Fund Balances**
For the Year Ended December 31, 2010

	General Fund	Total	Adjustments	Statement of Activities
Revenues:				
Property Taxes	\$ 872,656.28	\$ 872,656.28		\$ 872,656.28
Sales Tax	333,129.00	333,129.00		333,129.00
Investment Earnings	9,397.58	9,397.58		9,397.58
Miscellaneous Income	1,604.17	1,604.17		1,604.17
Total revenues	<u>1,216,787.03</u>	<u>1,216,787.03</u>	-	<u>1,216,787.03</u>
Expenditures/expenses:				
Current:				
ESD Operations	174,217.47	174,217.47	(130,560.53)	43,656.94
Manchaca Volunteer Fire Department	635,425.80	635,425.80		635,425.80
Debt Service:				
Principal	217,787.24	217,787.24	(217,787.24)	-
Interest	203,990.17	203,990.17		203,990.17
Depreciation	-	-	288,825.00	288,825.00
Total expenditures/expenses	<u>1,231,420.68</u>	<u>1,231,420.68</u>	<u>(59,522.77)</u>	<u>1,171,897.91</u>
Excess of revenues over expenditures	(14,633.65)	(14,633.65)	59,522.77	
Change in net assets				44,889.12
Fund balance / net assets:				
Beginning of the year	3,924,949.75	3,924,949.75	(1,734,209.77)	2,190,739.98
Prior Period Adjustment		-	54,552.00	54,552.00
Adjusted beginning balance	<u>3,924,949.75</u>	<u>3,924,949.75</u>	<u>(1,679,657.77)</u>	<u>2,245,291.98</u>
End of the year	<u>\$ 3,910,316.10</u>	<u>\$ 3,910,316.10</u>	<u>\$ (1,620,135.00)</u>	<u>\$ 2,290,181.10</u>

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

Travis County Emergency Services District #5
Budgetary Comparison
For the Year Ended December 31, 2010

	Actual	Budget	Variance
Revenues:			
Property Taxes	\$ 872,656.28	\$ 882,000.00	(9,343.72)
Sales Tax	333,129.00	233,000.00	100,129.00
Investment Earnings	9,397.58	4,000.00	5,397.58
Miscellaneous Income	1,604.17	-	1,604.17
Total revenues	<u>1,216,787.03</u>	<u>1,119,000.00</u>	<u>97,787.03</u>
Expenditures/expenses:			
Current:			
ESD Operations	174,217.47	348,000.00	(173,782.53)
Manchaca Volunteer Fire Department	635,425.80	587,000.00	48,425.80
Debt Service:			
Principal	217,787.24	167,000.00	50,787.24
Interest	<u>203,990.17</u>	<u>-</u>	<u>203,990.17</u>
Total expenditures/expenses	<u>1,231,420.68</u>	<u>1,102,000.00</u>	<u>129,420.68</u>
Excess of revenues over expenditures	(14,633.65)	17,000.00	(31,633.65)

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Notes to the Financial Statements - 2010

Note 1 - Summary of Significant Accounting Principles

Reporting Entity

The Travis County Emergency Services District #5 was organized in the State of Texas under Article III, Section 48-e of the Texas Constitution for the protection of human life and health as provided by this Act.

Creation and Purpose of Travis County Emergency Services District #5

The county judge was presented with a petition signed by at least one hundred qualified voters of Travis County who own taxable real property within the proposed district. The petition requested the formation of an emergency services district.

The specific purpose of the Travis County Emergency Services District #5 is to provide medical and ambulance and fire fighting services within the boundaries of Travis County.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Revenues* include tax distributions from the Travis County Appraisal District, sales tax distributions from Texas Comptroller of Public Accounts, and interest earned on cash held in interest-bearing accounts and a fixed term CD. Travis County Emergency Services District #5 has one fund, the general fund, to account for the acquisition, use, and balances of the government's expendable financial resources and the related current liabilities.

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 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 government 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Notes to the Financial Statements - 2010

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to 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 major governmental fund:

General Fund - The General Fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Texas and the bylaws of the District. This fund accounts for all activities of the district.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

The District uses one fund type to account for its operations. The governmental fund is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). The term available means that the revenues will be collected during the year or soon enough thereafter to pay liabilities arising from operations during the year just ended. Expenditures, if measurable, are generally recognized on the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5
Notes to the Financial Statements - 2010

Allowance for Doubtful Accounts

No allowance for doubtful accounts is recorded because all property and sales tax receivables will ultimately be collected. However, the time of collection as well as the ultimate amount to be collected is indefinite, based on taxpayer protests and appraisal district adjustments.

Note 2 - Tax Assessment

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. Property taxes are recognized as revenue when they are measurable and available. Taxes are billed and collected by the Travis Central Appraisal District and the Travis County Tax Office.

Note 3 – Cash Deposits

The Board of Commissioners has the authority to designate one or more banks to serve as depositories for the funds of the district. To the extent that the funds in a depository bank are not insured by the Federal Deposit Insurance Corporation, the funds are secured in the manner provided by law for the security of county funds. Bank balances of TCESD#5 that exceed FDIC limits are entirely collateralized with securities held by Bank of America in the name of TCESD#5. Securities pledged by the Bank on behalf of TCESD#5 had a market value of \$3,266,952.88 at year end.

Minimal cash balances are normally maintained in the District's checking account. The majority of the District's funds are normally maintained in the savings account. As of December 31, 2010 Travis County Emergency Services District #5 maintained the majority of their funds in their savings account due to a loan that was received for a new building that has not been completed. The District's carrying amount of cash in checking and savings at December 31, 2010, is presented below.

Bank of America, Savings	\$	1,998,751.47
Bank of America, Checking		<u>61,948.69</u>
Total Cash & Equivalents		2,060,700.16
Fixed Term CD #5628		150,401.57
Fixed Term CD #3171		344,512.19
Fixed Term CD #1629		298,044.08
Fixed Term CD #7139		<u>500,668.83</u>
Total Investments		1,293,626.67
Total Cash & Investments	\$	<u><u>3,354,326.83</u></u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5**Notes to the Financial Statements - 2010****Note 4 – Revenues and Receivables**

Property tax revenues collected during the year ended December 31, 2010, and receivables at year-end are made up of the sum of the following:

	<i>Collected</i>	<i>Receivable</i>	<i>Current Revenue</i>
2009	377,537.74	8,760.99	
2010	490,002.76	376,536.84	866,539.60
Deposits in Transit	(118,229.53)	118,229.53	
Prior Years	9,080.85	16,150.05	
Penalties & Interest	6,116.68		6,116.68
	<u>\$ 764,508.50</u>	<u>\$ 519,677.41</u>	<u>\$ 872,656.28</u>

Sales tax revenues collected during the year ended December 31, 2010, and receivables at year-end are as follows:

	<i>Collected</i>	<i>Receivable</i>	<i>Current Revenue</i>
2010 \$	\$ 301,526.46	\$ 31,602.54	\$ 333,129.00

Note 5 – Fixed Assets

Fixed assets are reported net of accumulated depreciation on the financial statements. These assets are reported at cost or estimated fair market value at the date of donation and are depreciated using the straight line method over the estimated useful life of the asset. Transferred assets are shown net of depreciation at date of transfer as follows:

Land at 1626	841,540.35	2009 Super Vac Rescue Truck	504,325.92
Station 503	7,289.00	Pumper Truck Accessories	36,476.17
Station 501	7,289.00	Equipment for Fire Rescue	2,089.00
Station 505	5,143.00	Equipment for Fire Rescue	12,310.00
Station 502	40,338.00	Robot	8,313.00
1985 Ford Tanker	0.00	Skid Unit 1	0.00
1997 Ford Fire Truck	0.00	Skid Unit 2	0.00
1998 Spartan Fire Truck	0.00	Spreader	763.00
1999 Ford Pickup	0.00	Hydraulic Pump	1,095.00
2001 International Fire Truck	0.00	Personal Power Unit	730.00
2003 International Fire Truck	0.00	TIC Camera 1	0.00
2004 Ford Pickup	3,565.00	TIC Camera 2	0.00
2004 Ford Pickup	3,565.00	TIC Camera 3	0.00
2006 Wildland Engine	230,000.00	TIC Replacement	8,064.00
2006 Command Pickup	31,905.59	Accumulated Depreciation	<u>(525,650.64)</u>
2009 Crimson Fire Pumper	613,274.00		<u>1,832,424.39</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5
Notes to the Financial Statements - 2010

When capital assets that are to be used in governmental activities are purchased 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. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Note 6 – Prepaid Expenses

Prepaid expenses on the balance sheet reports expense items for future periods that were paid for in the current period. These expenses will be recognized in the coming year, in the period to which they apply, and include the following:

TCAD, 2011 Service Fees	\$	4,709.32
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Note 7 – Note Payables

Travis County Emergency Services District #5 has two secured note payables requiring annual payments of principal and interest.

The first loan, which was funded in October of 2009 in the amount of \$801,134.79 with an interest rate of 4.53%, was used to purchase a 2009 Crimson Fire Pumper and a 2009 Super Vac Rescue Truck. Annual payments of \$101,366.69 started in November of 2009 and will continue for 10 years.

The second loan, which was funded in December of 2009 in the amount of \$3,000,000 with an interest rate of 5.72%, was used to purchase land and will be used to build a new fire station. Annual payments of \$255,563.07 started in December of 2010 and will continue for 20 years.

The balances on the two loans at December 31, 2010 are presented below:

	Note Payable, Trucks	Note Payable, Land & Building	Total
Due within one year	101,366.69	255,563.07	356,929.76
Due after one year	566,669.63	2,659,520.53	3,226,190.16
	\$668,036.32	\$2,915,083.60	\$3,583,119.92

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Notes to the Financial Statements

Note 8 – Subsequent Events

On May 24, 2010 Travis County Emergency Services District #5 purchased land to build a new fire station. As of December 31, 2010 the new fire station is still in the developing and planning stage of the construction.

Subsequent events were evaluated through May 17, 2011, which is the date the financial statements were available to be issued

Note 9 – Prior Period Adjustment

Two prior period adjustments were made to correct prior years. One adjustment for \$(24,472.00) was made against fixed assets to adjust the depreciation method to straight line depreciation. The other adjustment for \$79,024.00 was made against fixed assets to transfer the remaining assets from Manchaca Volunteer Fire Department to Travis County Emergency Services District #5.



The Board of Directors of
Travis County Emergency Services District #5

In planning and performing our audit of the financial statements of Southwest Travis County Emergency Services District #5 for the year ended December 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a matter that presents an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated May 17, 2011, on the financial statements of Travis County Emergency Services District #5

We will review the status of these comments during our next audit engagement. We have already discussed this comment and suggestion with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Bank Cash Accounts

Both the checking and savings bank cash accounts were not reconciled for the entire year of 2010. In addition, September 2010 transactions for these accounts were not entered. We recommend the bank accounts are reconciled on a monthly basis to ensure that all transactions have been recorded and/or have been recorded correctly so that the financial statements are accurate.

Access to Accounting Program

Password protection has not been implemented for the Organization's accounting program, although the accounting software supports the use of passwords. Proper internal control procedures call for tightly controlled access to accounting books and records. Access to accounting programs is normally restricted via the use of passwords. Without password protection, the accounting system is not secure from unauthorized use and access. We recommend the immediate implementation of password protection for the accounting program.

New Certificates of Deposit

There were two new CDs opened in 2010 and there was no evidence that the board approved these. We recommend that the board approves every new CD and we recommend that this approval is noted in the board meeting minutes.

Payments to Manchaca Volunteer Fire Department

More than half of the payments to Manchaca Volunteer Fire Department were not approved in the board meeting minutes. We recommend that the board approves every payment to Manchaca Volunteer Fire Department and we recommend that this approval is noted in the board meeting minutes.

Rupert & Associates, P.C.

Austin, Texas
May 17, 2011