



Item 22

Travis County Commissioners Court Agenda Request

Meeting Date: April 9, 2013, 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 Davis, Commissioner Eckhardt, and Commissioner Daugherty

AGENDA LANGUAGE: Receive fiscal year 2012 financial audit reports for Emergency Services Districts 2, 8, 9, 12, and 14

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

See attachments

STAFF RECOMMENDATIONS:

Please approve

ISSUES AND OPPORTUNITIES:

None

FISCAL IMPACT AND SOURCE OF FUNDING:

None

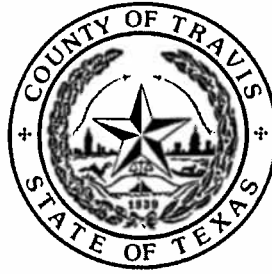
REQUIRED AUTHORIZATIONS:

Auditor's Office	Nicki Riley, 854-9125
Commissioner Pct 1 Office	Ron Davis, 854-9111
Commissioner Pct 2 Office	Sarah Eckhardt, 854-9222
Commissioner Pct 3 Office	Gerald Daugherty, 854-9333

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

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
ADMINISTRATION BUILDING
P.O. BOX 1748
AUSTIN, TX. 78767
(512) 854-9125
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To: Commissioners Court

From: Nicki Riley, County Auditor 

Date: March 27, 2013

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 2012.

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. 2	1 & 2	2012
No. 8	3	2012
No. 9	3	2012
No. 12	1	2012
No. 14	3	2012

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

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

Independent Auditors' Report
and Basic Financial Statements

September 30, 2012

Travis County Emergency Services District No. 2

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Independent Auditors' Report

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

We have audited the accompanying Statement Of Net Assets and Governmental Funds Balance Sheet of the Travis County Emergency Services District No. 2 (the "District") as of September 30, 2012, and the related Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances for the year then ended, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund – Budgetary Basis, as listed in the accompanying table of contents, 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.

Padgett, Stratemann + Co., LLP

Certified Public Accountants

January 8, 2013

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Introduction

Travis County Emergency Services District No. 2 (the "District") is pleased to submit the following discussion and overview analysis concerning the District's financial statements for the year ended September 30, 2012. The accompanying Financial Audit for fiscal year ("FY") 2012 was performed by Padgett, Stratemann & Co., L.L.P., ("PS&Co."), Austin, Texas.

Background

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

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

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

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

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

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Background (continued)

One of the reasons CAFS makes a lot of sense for the District is because of the lesser amounts of water that is used. Water has become an important issue in Texas, as well as the nation. As responsible citizens, the District wants to participate in conserving this precious natural resource and using this fire suppression system contributes toward this effort.

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

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

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

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

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

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Financial Highlights – Comparison of Fiscal Years 2012 and 2011

- The District's auditors for FY 2012, PS&Co., have worked with the District since the audit for FY 2008.
- During FY 2012, the District experienced a slight decline in revenues from property tax revenue offset by a higher increase in sales tax revenue, as shown below. In FY 2013, we are anticipating an approximate two (2%) percent increase in property tax revenues, as confirmed by Travis County. As the District Operations needs grew during FY 2012 in equipment replacement and vehicle repair, expenses increased; however, the net change in fund balance was positive for the fiscal year. This positive fund balance change includes a positive change in the GASB34 adjustments due to the refinance of the 2006 Construction loan.
- During FY 2009, the Department of Homeland Security informed the District that the Staffing for Adequate Fire and Emergency Response ("SAFER") grant submitted in the prior FY had been approved. The grant covers a five (5) year period beginning on May 13, 2009. This grant allowed the District to hire nine (9) new additional firefighters during FY 2009. The grant provided for 90% reimbursement of salary and benefit costs in the first year and provides for a decreasing reimbursement of these costs for the new hires over the five (5) year period. In FY 2012, reimbursements were at 50% from October 1, 2011 through May 12, 2012 and down to 30% for the remainder of the FY.
- During FY 2012, the Board of Commissioners approved the refinance of the 2006 Construction loan that was used to build the Administration and Education buildings located at 201 and 201B E. Pecan Street. The refinance was accomplished through a Wells Fargo loan, secured by sales tax receipts.
- During FY 2012, the use of about \$750,000 of the District's budgeted reserved funds was approved by the commissioners to cover unforeseen operations expenses and capital purchases. The District over the years has instituted limits on reserved funds: a Capital Asset Development fund with a limit of \$1,500,000; an Apparatus/Equipment Replacement with a limit of \$750,000; a Disaster Response Reserve with a limit of 25% of the Operations Budget, approximately \$150,000; a Personnel Payroll Protection of 25% of Payroll and Overhead, approximately \$1,800,000; and a Operating or Contingency Reserve of 25% of estimated expenses for the first fiscal quarter of approximately \$750,000. Budgeted Reserve Funds carried from the close of FY 2011 were approximately \$2,900,000.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Financial Highlights – Comparison of Fiscal Years 2012 and 2011 (continued)

- Below is a summary comparison of revenues and expenditures for FY 2012 and FY 2011:

	September 30,		
	2012	2011	Variance
Revenues:			
Property taxes – including penalties and interest	\$ 5,878,890	\$ 5,904,034	\$ (25,144)
Sales tax receipts	3,685,801	3,121,625	564,176
Other revenue	<u>620,840</u>	<u>727,714</u>	<u>(106,874)</u>
Total revenues	10,185,531	9,753,373	432,158
Total expenditures	10,141,258	9,518,704	622,554
Other financing sources – net	<u>38,495</u>	<u>42,150</u>	<u>(3,655)</u>
Change in net assets	82,768	276,819	(194,051)
Fund balance – beginning of year – as originally stated	7,373,052	6,621,582	751,470
Prior period adjustment	<u>-</u>	<u>474,651</u>	<u>(474,651)</u>
Fund balance – end of year – as restated	<u>\$ 7,455,820</u>	<u>\$ 7,373,052</u>	<u>\$ 82,768</u>

- The District's authorized ½-cent sales tax collections grew during 2012 due to a recovering local economy and increasing commercial development, as well as the receipt of a one-time payment adjustment for sales tax not previously remitted by a service provider.
- During FY 2012, salary expenses increased approximately \$348,500 due to annual step increases, the addition of two (2) full-time firefighters, and a year-long Officer's Academy, which resulted in the internal promotions of nine (9) firefighters.
- Operational expenses increased approximately \$206,000 during the year due to the replacement of SCBA equipment, the purchase of new structural and wildland personal protective equipment ("PPE"), as well as the purchase and replacement of radio and handheld radio equipment. The FY 2012 increase to general and administrative expenses is due to a reclassification of dispatch services, which previously had been reported in the operational expense section. The District's FY 2012 dispatch service expense was approximately \$147,000.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Financial Highlights – Comparison of Fiscal Years 2012 and 2011 (continued)

- Below is a summary comparison of Balance Sheet accounts for FY 2012 and FY 2011:

	September 30,		Variance
	2012	2011	
Current and other assets	\$ 5,095,828	\$ 4,748,030	\$ 347,798
Capital assets and noncurrent assets	9,500,335	10,324,091	(823,756)
Total assets	\$ 14,596,163	\$ 15,072,121	\$ (475,958)
Current liabilities	\$ 2,051,687	\$ 1,541,345	\$ 510,342
Long-term liabilities	5,088,656	6,157,722	(1,069,066)
Total liabilities	7,140,343	7,699,067	(558,724)
Net assets			
invested in capital assets - net of related debt	3,713,993	3,652,642	61,351
Restricted for debt service	145,912	151,219	(5,307)
Unrestricted	3,595,915	3,569,193	26,722
Total net assets	7,455,820	7,373,054	82,766
Total liabilities and net assets	\$ 14,596,163	\$ 15,072,121	\$ (475,958)

- At September 30, 2012, current and other assets were approximately \$348,000 higher than last year due to an increase in the District's sales tax receivable, as well as an increase of cash due to the reimbursement of the brush truck through the escrow account mentioned in the following bullet.
- At September 30, 2011, noncurrent assets included loan amounts of restricted cash in an escrow account that would reimburse the District for the purchase of a brush truck and miscellaneous equipment. In FY 2012, the payment for the purchases was completed and the escrow account closed. In addition to noncurrent assets, during FY 2012, capital additions totaled approximately \$440,000. Accumulated depreciation for the year totaled approximately \$639,000.
- During FY 2012, the Board of Commissioners approved the kitchen renovations of Fire Stations #1, #3, and #4, as well as updates to radio equipment and mobile data computers, hose line replacements, and fire and medical appliances. Approved purchases totaled approximately \$213,800.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

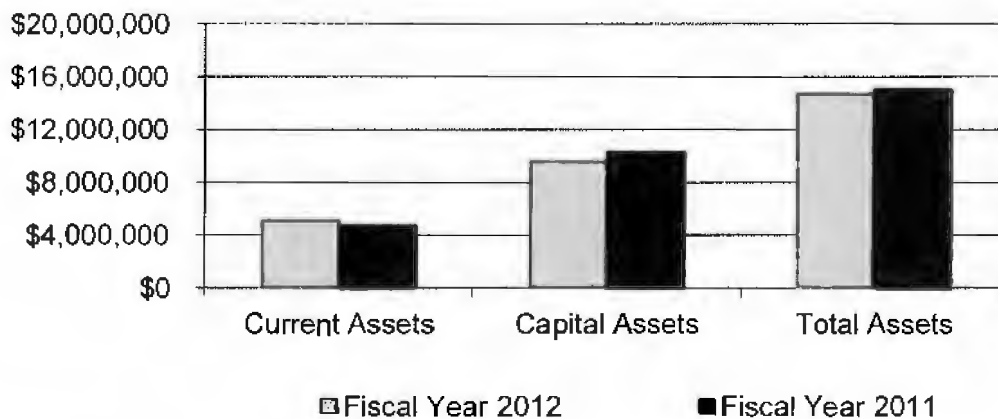
Year Ended September 30, 2012

Financial Highlights – Comparison of Fiscal Years 2012 and 2011 (continued)

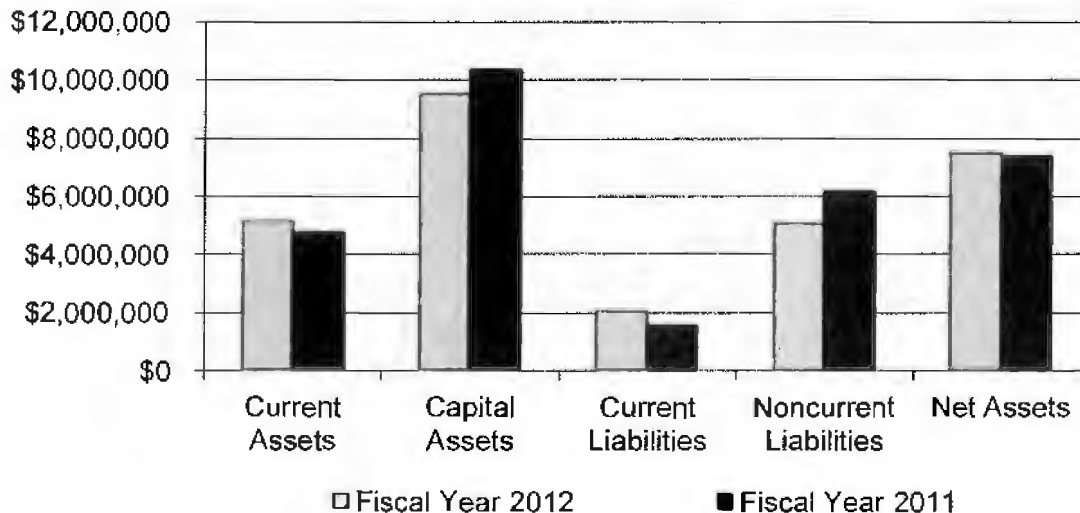
- In FY 2012, the Texas Comptroller of Public Accounts notified the District of an audit adjustment for sales tax remittances received in error over a period of thirty (30) months. The resulting liability, coupled with the difference in accrued payroll liability from year-end FY 2011 versus FY 2012, increased current liabilities by over \$500,000. The reduction in noncurrent liabilities represents FY 2012 debt payments.

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

Total Assets – Fiscal Year 2012 and Fiscal Year 2011



Assets and Liabilities – Fiscal Year 2012 and Fiscal Year 2011



Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Financial Highlights – Comparison of Fiscal Years 2012 and 2011 (continued)

- Additionally, net assets divided by fund (General Fund and Debt Service Fund) were as follows when compared between FY 2011 and FY 2012. Beginning fund balance for the General Fund \$4,468,097, ending balance \$3,820,433. The Debt Service Fund decreased from \$151,219 to an ending balance of \$145,912. This fund balance represents the debt amount paid by the City of Austin to the District on property annexed away from the District in prior years. This fund balance should continue to decrease from fiscal year to fiscal year as that portion of the debt is paid.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Overview of the Financial Statements (continued)

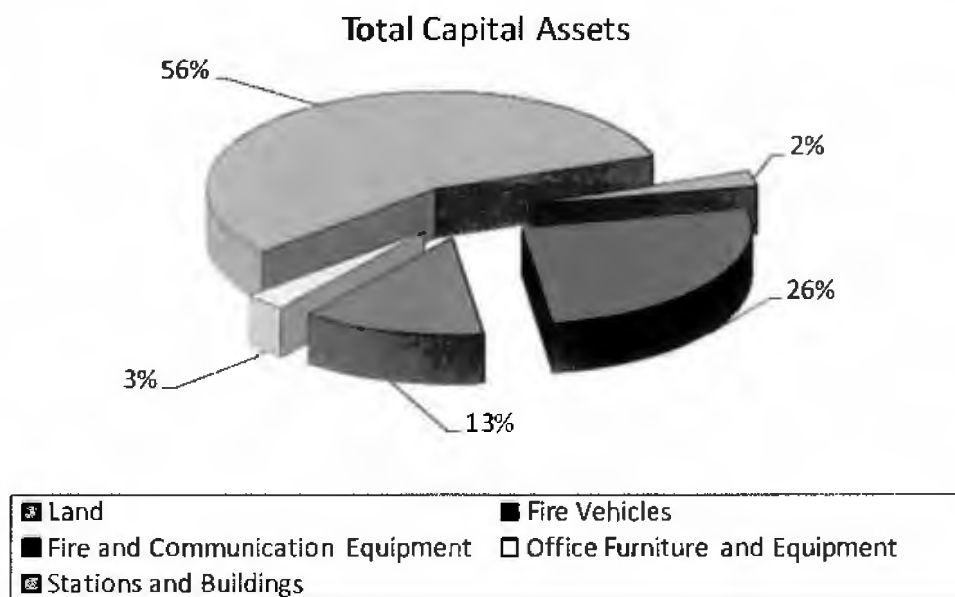
- Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

District's Fiscal Year 2012 – Financial Analysis Summary

The District's current assets consist of cash, investments, property and sales tax receivables, and prepaid expenses. The District maintains the majority of its investments with the Texas Local Government Pool ("TexPool"), which is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield consistent with the Public Funds Investment Act. The TexPool program offers a convenient and effective choice for the investment of local funds. And, as an AAAM rated local government investment pool, TexPool is committed to maintaining safety and stability. This investment strategy has served the District well through the volatile, downturn in the economy, and in the financial markets worldwide.

During FY 2012, the District kept part of its cash investment in an interest bearing savings account with Wells Fargo Bank. The bank was able to offer a slightly higher interest rate than TexPool and credited individual client analysis fees, and this account assisted with routine cash management.

The District's total assets at approximately \$14,600,000, represented mostly by capital assets at approximately \$9,500,000 – net of accumulated depreciation, and over \$16,000,000 gross. Capital assets are shown divided into the different categories in the chart below.



Travis County Emergency Services District No. 2

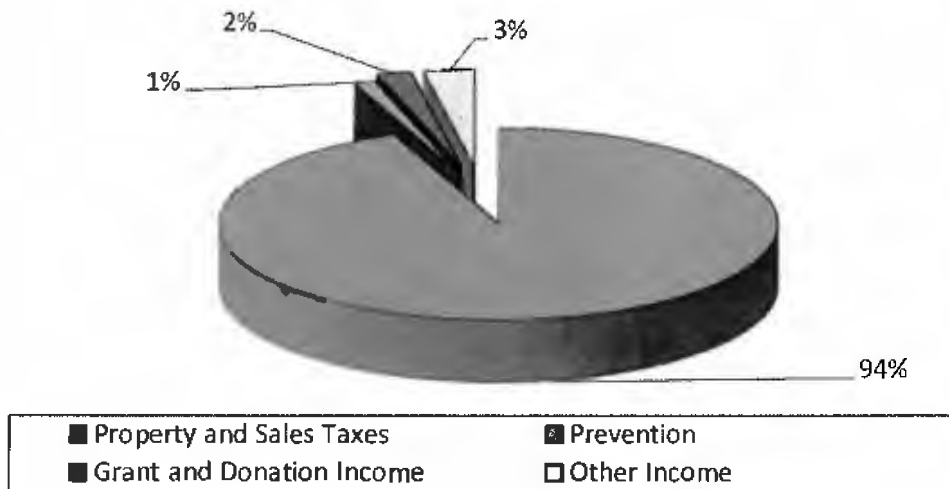
Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

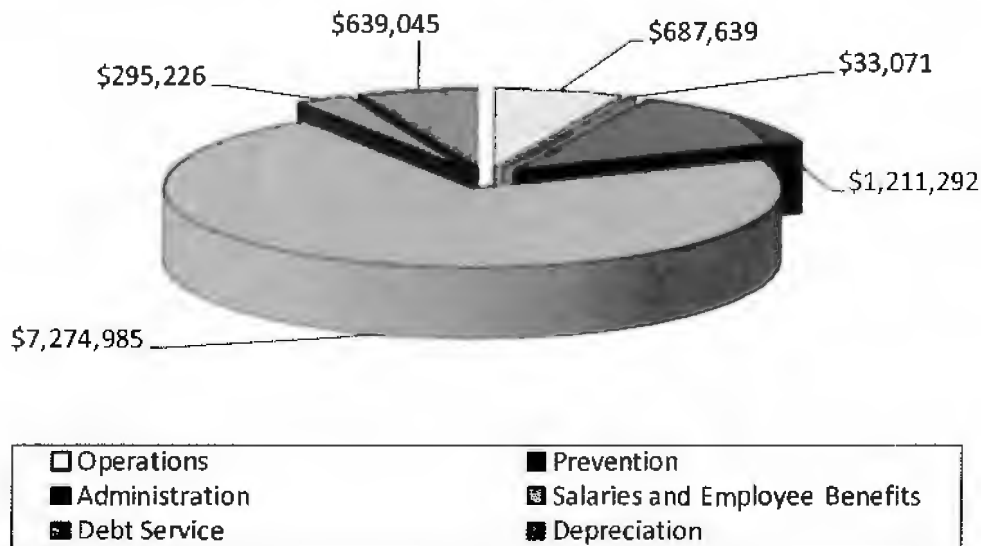
District's Fiscal Year 2012 – Financial Analysis Summary (continued)

The source of the District's operating revenues is almost exclusively from property and sales tax collections. Total operating revenues for FY 2012, totaled approximately \$10,200,000, of which 94% was received from tax collections. Operating expenses totaled approximately \$10,100,000, of which almost 72% of operating expenses were related to employee salaries and benefits for FY 2012.

Operating Revenues



Operating Expenses – Including Depreciation



Travis County Emergency Services District No. 2

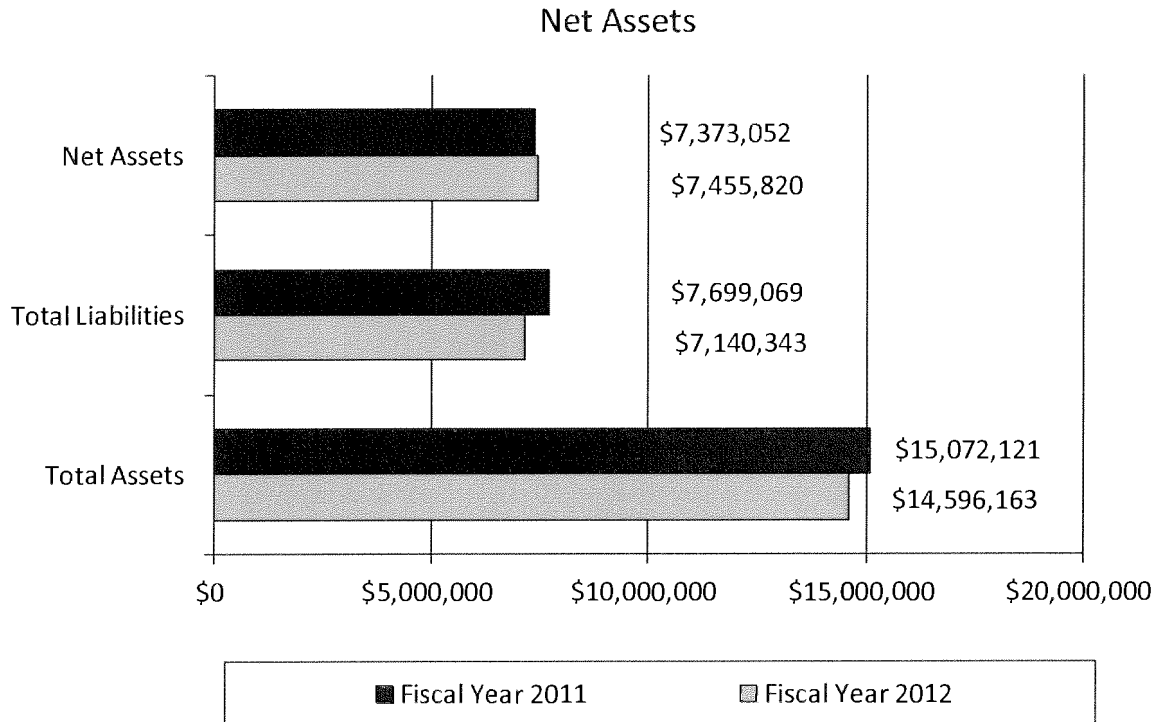
Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Capital Assets and Outstanding Debt

District liabilities continued to be reduced during FY 2012, as the District made scheduled payments of both principal and interest on bonds, capital leases, and loans, and even though some new debt was incurred during the fiscal year, it was less than the debt retired. The new debt incurred was financed at a rate of approximately 3%, which results in a savings of approximately \$400,000 over the life of the loan.

The chart below shows a comparison between FY 2012 and FY 2011 fund balance. Fund balance represents the difference between total assets and total liabilities.



Travis County Emergency Services District No. 2

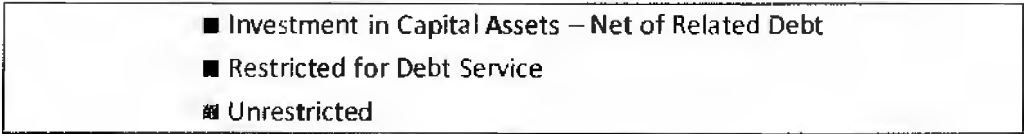
Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

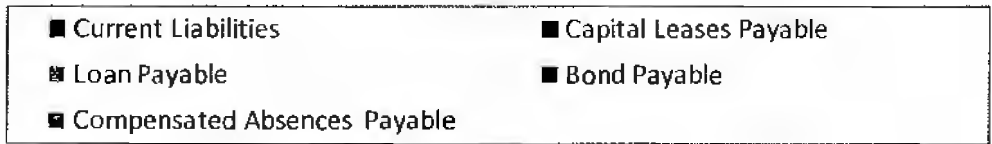
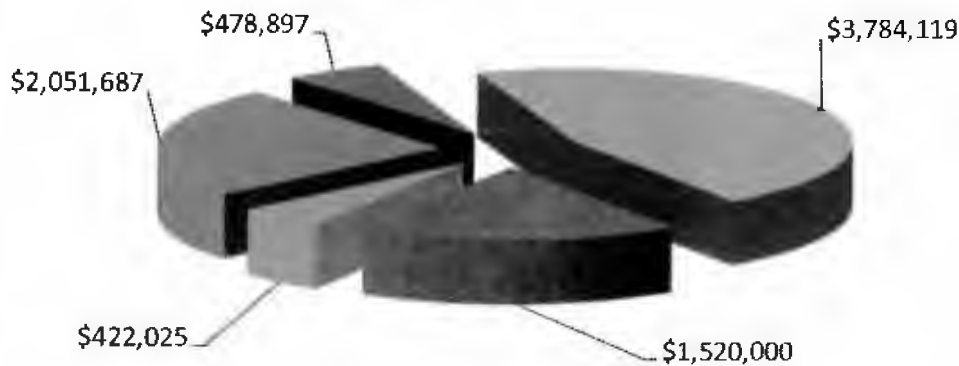
Capital Assets and Outstanding Debt (continued)

Additionally, the charts below detail the components of net assets and total liabilities for FY 2012 for the District.

Net Assets By Category



Current and Noncurrent Liabilities



Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Economic Factors and Budgetary Highlights

In September 2011, the District's commissioners approved a resolution to levy ad valorem at a tax rate of \$0.0938 on each \$100.00 of taxable property within the District in order to provide funds for maintenance and operating purposes, and a tax rate of \$0.0062 on each \$100.00 in order to provide for payment and principal of and interest and associated obligations on the District's unlimited tax bonds now outstanding. The total levy of ad valorem tax for FY 2012 was a rate of \$0.10. Likewise in September 2012, the District's commissioners approved a levy of ad valorem tax for FY 2013 of a \$0.10 rate.

It is unclear if the District's revenues will continue to be affected by the economic downturn; both in the collection of property and sales tax revenue. During the Annual Planning Conference for FY 2012, focus was devoted to the strategic direction for the District as a whole during the next two (2) to five (5) year period. Strategic goals were formulated to meet the challenges in the years to come as a District. For FY 2013, each division again reviewed their initiatives and contributions to the strategic goals, determining progress and setting new contributions or the continuation of already stated objectives by division. At the Planning Conference, senior management came together to share progress made by their divisions and share their vision for the future. Operations continued work on a detailed gap analysis and presented to Commissioners what it would take to fill the gap. Staff Services presented progress on major initiatives and continuation of its long-term initiatives of identifying, supporting, and developing revenue opportunities, as well as commitment to employee development. Working together to provide faster and higher levels of service to the community is a major focus for the organization as a whole. During FY 2012, the District prepared and is delivering an educational presentation on the "State of the Department" which is being shared with various community groups and became the basis for a County wide gap analysis project.

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

Each fiscal year, the District prepares a budget for most income and expense items in the General Fund. This budget does not include the day to day income and expenses for Facilities. During FY 2012, the District revised the annual budget and variances are very slight when compared to actual.

Salaries were over budget due to a year long program instituted within the operations division to train and evaluate staff as candidates for promotion opportunities. Operations divisional expenses were over budget mainly due to replacement of fire equipment being capitalized in the budget. Yet, when purchases finalized, the cost of the equipment did not meet the capitalization threshold, and the purchases were expensed.

Travis County Emergency Services District No. 2

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2012

Economic Factors and Budgetary Highlights (continued)

For FY 2013, revenue is expected to remain about constant. A two (2%) percent increase in property taxes has been communicated by Travis County. Sales tax revenue has been growing in the past several months. In general once an upturn in the economy is sustained, it is expected that governmental entities' like the District, dependent on property tax revenue, will likely lag two (2) or more years behind in recovery compared to the general economy.

For FY 2013, expenses particularly in equipment maintenance and replacement are expected to increase and budgeted reserves may likely be used to cover some of those necessary purchases.

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

Basic Financial Statements

Travis County Emergency Services District No. 2

Statement of Net Assets and Governmental Funds Balance Sheet

September 30, 2012

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,669,437	\$ 5,559	\$ 1,674,996	\$ -	\$ 1,674,996
Investments	2,160,362	140,353	2,300,715	-	2,300,715
Receivables – property taxes	229,603	15,176	244,779	-	244,779
Receivables – sales taxes	676,262	-	676,262	-	676,262
Prepays and other current assets	199,076	-	199,076	-	199,076
Total current assets	4,934,740	161,088	5,095,828	-	5,095,828
Noncurrent assets:					
Security deposit	3,326	-	3,326	-	3,326
Capital assets – net of accumulated depreciation	-	-	-	9,497,009	9,497,009
Total noncurrent assets	3,326	-	3,326	9,497,009	9,500,335
Total assets	\$ 4,938,066	\$ 161,088	\$ 5,099,154	\$ 9,497,009	\$ 14,596,163
Liabilities					
Current liabilities:					
Accounts payable	\$ 551,777	\$ -	\$ 551,777	\$ -	\$ 551,777
Accrued payroll and employee benefits	321,482	-	321,482	-	321,482
Accrued interest	-	-	-	47,272	47,272
Deferred property tax revenue	229,603	15,176	244,779	(244,779)	-
Deposits	14,771	-	14,771	-	14,771
Capital leases payable	-	-	-	260,182	260,182
Loans payable	-	-	-	541,203	541,203
Bond payable	-	-	-	315,000	315,000
Total current liabilities	1,117,633	15,176	1,132,809	918,878	2,051,687
Noncurrent liabilities:					
Capital leases payable	-	-	-	218,715	218,715
Loans payable	-	-	-	3,242,916	3,242,916
Bond payable	-	-	-	1,205,000	1,205,000
Compensated absences payable	-	-	-	422,025	422,025
Total noncurrent liabilities	-	-	-	5,088,656	5,088,656
Total liabilities	1,117,633	15,176	1,132,809	6,007,534	7,140,343
Fund Balances					
Restricted – retirement of long-term debt	-	145,912	145,912	(145,912)	-
Unassigned	3,820,433	-	3,820,433	(3,820,433)	-
Total fund balances	3,820,433	145,912	3,966,345	(3,966,345)	-
Total liabilities and fund balances	\$ 4,938,066	\$ 161,088	\$ 5,099,154		
Net Assets					
Investment in capital assets – net of related debt				3,713,993	3,713,993
Restricted for debt service fund				145,912	145,912
Unrestricted				3,595,915	3,595,915
Total net assets				\$ 7,455,820	\$ 7,455,820

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

Travis County Emergency Services District No. 2

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

September 30, 2012

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes – including penalties and interest	\$ 5,504,093	\$ 363,810	\$ 5,867,903	\$ 10,987	\$ 5,878,890
Sales tax receipts	3,685,801	-	3,685,801	-	3,685,801
Fee for services	119,154	-	119,154	-	119,154
Prevention	120,812	-	120,812	-	120,812
Grant and donation income	202,564	-	202,564	-	202,564
Facilities income	168,733	-	168,733	-	168,733
Miscellaneous	9,577	-	9,577	-	9,577
Total revenues	<u>9,810,734</u>	<u>363,810</u>	<u>10,174,544</u>	<u>10,987</u>	<u>10,185,531</u>
Expenditures					
Current:					
Operations	687,639	-	687,639	-	687,639
Prevention	33,071	-	33,071	-	33,071
Administrative:					
Professional services	449,846	-	449,846	-	449,846
General and administrative	759,218	2,228	761,446	-	761,446
Salaries	6,013,055	-	6,013,055	-	6,013,055
Employee benefits	1,275,982	-	1,275,982	(14,052)	1,261,930
Debt service:					
Principal retirement	3,560,712	300,000	3,860,712	(3,860,712)	-
Interest and fees	252,764	66,800	319,564	(24,338)	295,226
Capital outlay	440,300	-	440,300	(440,300)	-
Depreciation	-	-	-	639,045	639,045
Total expenditures	<u>13,472,587</u>	<u>369,028</u>	<u>13,841,615</u>	<u>(3,700,357)</u>	<u>10,141,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,661,853)</u>	<u>(5,218)</u>	<u>(3,667,071)</u>	<u>3,711,344</u>	<u>44,273</u>
Other Financing Sources (Uses)					
Interest income	36,332	2,063	38,395	-	38,395
Proceeds from sale of assets	100	-	100	-	100
Proceeds from loans	2,975,605	-	2,975,605	(2,975,605)	-
Transfers in	365,713	363,561	729,274	-	729,274
Transfers out	<u>(363,561)</u>	<u>(365,713)</u>	<u>(729,274)</u>	-	<u>(729,274)</u>
Total other financing sources (uses)	<u>3,014,189</u>	<u>(89)</u>	<u>3,014,100</u>	<u>(2,975,605)</u>	<u>38,495</u>
Net change in fund balances	(647,664)	(5,307)	(652,971)	735,739	82,768
Fund balances – beginning of the year	4,468,097	151,219	4,619,316	2,753,736	7,373,052
Fund balances – end of the year	<u>\$ 3,820,433</u>	<u>\$ 145,912</u>	<u>\$ 3,966,345</u>	<u>\$ 3,489,475</u>	<u>\$ 7,455,820</u>

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

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

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

The District has the following major governmental funds:

- General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The fund did not meet the criteria for a major fund; however, management decided to include it as a major fund in the interest of the users of the financial statements.

Measurement Focus

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Measurement Focus (continued)

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

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

For fiscal year 2012, the District reported the following types of governmental funds balances: Restricted and Unassigned.

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

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

Budgets and Budgetary Accounting

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the allowance. No allowance was deemed necessary at September 30, 2012.

Capital Assets

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

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building improvements	20 years
Fire and other vehicles	7 to 10 years
Fire and communication equipment	10 years
Office furniture and equipment	10 years

Deferred Revenue

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

Long-Term Debt

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

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

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure has been recorded. The amount of vested or accumulated vacation and sick leave that is not expected to be liquidated with expendable available financial resources is reported as a long-term liability in the Statement of Net Assets and Governmental Funds Balance Sheet. The District's liability for accrued vacation and sick time at September 30, 2012 totaled \$422,025.

Risk Management

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

Reclassification

Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation.

2. Cash and Cash Equivalents and Investments

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

Cash and cash equivalents are carried at cost, which approximates market value. At September 30, 2012, the bank balance totaled \$1,766,811 which was covered by the FDIC and pledged collateral.

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

2. Cash and Cash Equivalents and Investments (continued)

Investments

The District's investments at September 30, 2012 are as follows:

	<u>Carrying Amount</u>	<u>Amortized Cost, Which Approximates Fair Value</u>
Texas Local Government Investment Pool ("TexPool")	\$ <u>2,300,715</u>	\$ <u>2,300,715</u>

The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the Texas Comptroller has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board's members review the investment policy and management fee structure.

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

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

Credit Risk – The District's investment policy allows for various types of investments including: obligations of, or guaranteed by the United States, certificates of deposit, and TexPool. At September 30, 2012, the District's investments in TexPool were rated AAAM by Standard & Poor's.

3. Ad Valorem Property Taxes

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

3. Ad Valorem Property Taxes (continued)

The property tax rates, established in accordance with state laws, were based on 100% of the net assessed valuation of real property within the District on the 2011 tax roll. The assessed value of the 2011 tax roll reported by the County, upon which the levy for the 2011 fiscal year was based, was initially \$5,912,800,620 and subsequently updated to \$5,890,941,460. The tax rates assessed for the year ended September 30, 2012 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.0938 and \$0.0062 per \$100 valuation, respectively, for a total of \$0.1000 per \$100 valuation.

At September 30, 2012, deferred property tax revenue totaled to \$244,779. Property taxes receivable at September 30, 2012 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Current year levy	\$ 46,238	\$ 3,056
Prior year's levy	<u>183,365</u>	<u>12,120</u>
	<u>\$ 229,603</u>	<u>\$ 15,176</u>

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

4. Interfund Receivables and Payables

At September 30, 2012, there were no interfund receivables and/or payables.

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

5. Capital Assets

Capital assets activity for September 30, 2012 is as follows:

	Balance at October 1, 2011	Additions	Deletions and Other Adjustments	Balance at September 30, 2012
Capital assets not depreciated:				
Land	\$ 395,545	\$ -	\$ -	\$ 395,545
Construction in progress	12,373	-	(12,373)	-
Total capital assets not depreciated	407,918	-	(12,373)	395,545
Capital assets being depreciated:				
Fire vehicles	4,125,806	293,251	10,923	4,429,980
Fire and communication equipment	2,095,600	39,089	-	2,134,689
Office furniture and equipment	507,654	14,462	-	522,116
Station #2	850,776	-	-	850,776
Station #3	521,871	-	-	521,871
Station #4	742,118	-	-	742,118
Training center	1,208,359	-	-	1,208,359
Central station	1,116,075	-	-	1,116,075
Administrative building	2,023,689	-	-	2,023,689
Education building	2,130,318	-	-	2,130,318
Pfluger Hall	236,848	-	-	236,848
Improvements	363,659	93,498	-	457,157
Total capital assets being depreciated	15,922,773	440,300	10,923	16,373,996
Less accumulated depreciation for:				
Fire vehicles	(3,183,143)	(252,986)	1,450	(3,434,679)
Fire and communication equipment	(1,347,378)	(110,609)	-	(1,457,987)
Office furniture and equipment	(345,774)	(27,101)	-	(372,875)
Station #2	(265,867)	(21,269)	-	(287,136)
Station #3	(185,360)	(16,458)	-	(201,818)
Station #4	(194,806)	(18,552)	-	(213,358)
Training center	(252,702)	(30,209)	-	(282,911)
Central station	(343,328)	(29,283)	-	(372,611)
Administrative building	(177,073)	(50,592)	-	(227,665)
Education building	(186,403)	(53,258)	-	(239,661)
Pfluger Hall	(38,488)	(5,921)	-	(44,409)
Improvements	(114,615)	(22,807)	-	(137,422)
Total accumulated depreciation	(6,634,937)	(639,045)	1,450	(7,272,532)
Capital assets being depreciated – net	9,287,836	(198,745)	12,373	9,101,464
Total capital assets – net	\$ 9,695,754	\$ (198,745)	\$ -	\$ 9,497,009

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

6. Operating Leases

The District has entered into operating lease for office equipment. Future minimum annual lease payments for the year ending September 30, 2013 are \$8,315

Lease expense for office equipment for the year ended September 30, 2012 totaled \$23,098.

7. Long-Term Debt

The District issued limited tax bonds for construction of fire protection facilities and equipment. Tax revenue from yearly ad valorem tax assessments will pay principal and interest on the outstanding tax-supported bonds of the District. General obligation bonds currently outstanding are as follows for the year ended September 30, 2012:

	Balance at October 1, 2011	Additions	Deletions	Balance at September 30, 2012	Due Within One Year
Bond payable – Series 2005	\$ 1,820,000	\$ -	\$ 300,000	\$ 1,520,000	\$ 315,000
Other debt:					
Capital leases payable	577,818	-	98,921	478,897	260,182
Loans payable	4,270,305	2,975,605	3,461,791	3,784,119	541,203
Compensated absences payable	436,077	-	14,052	422,025	-
Total long-term debt	<u>\$ 7,104,200</u>	<u>\$ 2,975,605</u>	<u>\$ 3,874,764</u>	<u>\$ 6,205,041</u>	<u>\$ 1,116,385</u>

Bond Payable

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

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

7. Long-Term Debt (continued)

Bond Payable (continued)

The following schedule sets forth the debt service requirements on the general obligations outstanding bond indebtedness of the District at September 30, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2013	\$ 315,000	\$ 54,500	\$ 369,500
2014	330,000	41,600	371,600
2015	345,000	28,100	373,100
2016	360,000	14,000	374,000
2017	<u>170,000</u>	<u>3,400</u>	<u>173,400</u>
	<u>\$ 1,520,000</u>	<u>\$ 141,600</u>	<u>\$ 1,661,600</u>

Loans Payable

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

Long-term debt at September 30, 2012 is comprised of the following items:

Note payable to Wells Fargo at 3.15% interest, secured by ad valorem taxes, due in annual installments through July 2016	\$ 365,164
Note payable to Wells Fargo at 3.35% interest, secured by District assets, due in semiannual installments through April 2016	304,859
Note payable to Wells Fargo at 3.00% interest, secured by District assets, due in semiannual installments through May 2014	138,481
Note payable to Wells Fargo at 2.90% interest, secured by ad valorem taxes, due in annual installments through July 2021	2,975,605
Less current portion	<u>541,203</u>
	<u>\$ 3,242,916</u>

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

7. Long-Term Debt (continued)

Loans Payable (continued)

Maturities of long-term debt for the fiscal years subsequent to September 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2013	\$ 541,203	\$ 122,608	\$ 663,811
2014	526,087	90,156	616,243
2015	494,072	74,626	568,698
2016	492,942	59,518	552,460
2017	339,146	46,301	385,447
2018-2021	<u>1,390,669</u>	<u>81,227</u>	<u>1,471,896</u>
	<u>\$ 3,784,119</u>	<u>\$ 474,436</u>	<u>\$ 4,258,555</u>

Capital Lease Payable

The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$992,517 at September 30, 2012, and accumulated amortization at September 30, 2012 totaled \$645,136. The amortization of assets held under capital leases is included with depreciation expense. Lease obligations are re-paid with general revenue sources.

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

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments at September 30, 2012:

Year ending September 30,	
2013	\$ 284,756
2014	<u>230,511</u>
Minimum lease payments for all capital leases	515,267
Lease amount representing interest at the District's incremental borrowing rate	<u>(36,370)</u>
Present value of minimum lease payments	478,897
Less current portion	<u>260,182</u>
	<u>\$ 218,715</u>

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

8. Defined Contribution Plan

In April 2007, the Board authorized the creation of the Travis County Emergency Services District No. 2 457(b) Plan (the "Plan") with Principal Financial Group. Employees are eligible to participate in the Plan after meeting defined requirements. The Plan replaced the Travis County Emergency Services District No. 2 401(a) as the employer funded plan of the District until January 1, 2010. On January 1, 2010, the Board of Commissioners again authorized employer contributions into the Travis County Emergency Services District No. 2 401(a) plan and continued the 457(b) plan for employee contributions only. During the fiscal year, the Board also approved changes to the plan administrator and investments held in the Plan, following a recommendation from the District's Investment Workgroup. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes 10% of the employee's base salary each month. The District's contributions for each employee (and interest allocated to the employee's account) vest 20% per year during the first five years of service. The District's contribution for the year ended September 30, 2012 totaled \$445,631. Participant contributions for the year ended September 30, 2012 totaled \$235,014.

9. Commitments

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

Effective December 31, 2001, the District entered into an agreement with the City of Austin Fire Department to provide dispatch services to the District service area on a fee-for-service basis. The service fee is based on the number of calls dispatched in the District service area in the preceding year and was \$24.00 per call and totaled \$147,192 during 2012. Either party may terminate this agreement with 90 days' prior written notice to the other party.

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

Travis County Emergency Services District No. 2

Notes to Basic Financial Statements

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

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

Total governmental fund balances	\$ 3,966,345
Recording of governmental assets – net of accumulated depreciation	9,497,009
Deferred property tax revenue	244,779
Accrued interest	(47,272)
Capital leases payable	(478,897)
Loans payable	(3,784,119)
Bond payable	(1,520,000)
Compensated absences payable	<u>(422,025)</u>
Total net assets	\$ <u>7,455,820</u>

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

Net change in governmental fund balances	\$ (652,971)
Capital outlay	440,300
Depreciation	(639,045)
Compensated absences payable	14,052
Principal retirement long-term debt	3,860,712
Loan proceeds	(2,975,605)
Deferred property tax	10,987
Interest expense	<u>24,338</u>
Change in net assets of governmental activities	\$ <u>82,768</u>

Required Supplementary Information

Travis County Emergency Services District No. 2

Budgetary Comparison Schedule – General Fund – Budgetary Basis

Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Adjustments	Actual Budget Basis	Variance With Final Budget Favorable (Unfavorable)
Revenues						
Property taxes – including penalties and interest	\$ 5,365,252	\$ 5,565,252	\$ 5,504,093	\$ -	\$ 5,504,093	\$ (61,159)
Sales tax receipts	3,066,000	3,566,000	3,685,801	(78,960)	3,606,841	40,841
Fee for services	105,000	120,000	119,154	-	119,154	(846)
Prevention	98,000	113,000	120,812	-	120,812	7,812
Grant and donation income	186,000	166,333	202,564	-	202,564	36,231
Facilities income	154,000	154,000	168,733	-	168,733	14,733
Miscellaneous	2,500	9,575	9,577	-	9,577	2
Total revenues	8,976,752	9,694,160	9,810,734	(78,960)	9,731,774	37,614
Expenditures						
Current:						
Operations	574,900	522,900	687,639	-	687,639	(164,739)
Prevention	31,000	26,800	33,071	-	33,071	(6,271)
Administrative:						
Professional services	460,500	451,500	449,846	-	449,846	1,654
General and administrative	877,500	851,850	759,218	-	759,218	92,632
Salaries	5,715,000	5,630,000	6,013,055	(279,963)	5,733,092	(103,092)
Employee benefits	1,714,500	1,264,500	1,275,982	-	1,275,982	(11,482)
Debt service:						
Principal retirement	646,610	646,610	3,560,712	(2,975,605)	585,107	61,503
Interest and fees	216,228	216,228	252,764	-	252,764	(36,536)
Capital outlay	213,800	518,500	440,300	-	440,300	78,200
Total expenditures	10,450,038	10,128,888	13,472,587	(3,255,568)	10,217,019	(88,131)
Deficiency of revenues under expenditures	(1,473,286)	(434,728)	(3,661,853)	3,176,608	(485,245)	(50,517)
Other Financing Sources (Uses)						
Interest income	6,500	6,500	36,332	-	36,332	29,832
Proceeds from sale of assets	-	-	100	(100)	-	-
Proceeds from loans	-	-	2,975,605	(2,975,605)	-	-
Transfers in	-	-	365,713	(365,713)	-	-
Transfers out	-	-	(363,561)	363,561	-	-
Total other financing sources (uses)	6,500	6,500	3,014,189	(2,977,857)	36,332	29,832
Net change in fund balance	(1,466,786)	(428,228)	(647,664)	198,751	(448,913)	(20,685)
Fund balances – beginning of the year	4,468,097	4,468,097	4,468,097	351,399	4,819,496	(147,778)
Fund balances – end of the year	<u>\$ 3,001,311</u>	<u>\$ 4,039,869</u>	<u>\$ 3,820,433</u>	<u>\$ 550,150</u>	<u>\$ 4,370,583</u>	<u>\$ (168,463)</u>

See accompanying independent auditors' report

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

**Financial Statements for the
Year Ended September 30, 2012 and
Independent Auditors' Report**

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Travis County Emergency Services District No. 8 (the "District") as of and for the year ended September 30, 2012, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2012, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

maxwell locke & ritter LLP

March 8, 2013

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2012

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, the management of Travis County Emergency Services District No. 8 (the “District”) offers the following narrative on the financial performance of the District for the year ended September 30, 2012. Please read it in connection with the District’s financial statements that follow.

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

Overview of the Basic Financial Statements

The District’s reporting is comprised of two parts:

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

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

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

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

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

The District as a Whole

The District's combined net assets for the years ending September 30, 2012 and 2011 are shown in the table below. Our analysis below focuses on the net assets and changes in the net assets of the District's governmental activities as reported in the accrual basis of accounting.

STATEMENT OF NET ASSETS

	<u>9/30/2012</u>	<u>9/30/2011</u>
Assets:		
Current	\$ 946,256	\$ 912,061
Capital assets (net of accumulated depreciation)	<u>2,577,072</u>	<u>2,376,921</u>
TOTAL ASSETS	<u>3,523,328</u>	<u>\$ 3,288,982</u>
Liabilities:		
Current liabilities	200,562	166,194
Long-term liabilities	<u>1,870,518</u>	<u>1,834,447</u>
TOTAL LIABILITIES	<u>2,071,080</u>	<u>2,000,641</u>
Net Assets:		
Invested in capital assets, net of related debt	522,851	383,627
Unrestricted	<u>929,397</u>	<u>904,714</u>
TOTAL NET ASSETS	<u>\$ 1,452,248</u>	<u>\$ 1,288,341</u>

The District's total assets were approximately \$3,523,000 as of September 30, 2012. Of this amount, approximately \$2,577,000 is accounted for by capital assets. The District had outstanding liabilities of approximately \$2,071,000 of which approximately \$2,054,000 represents notes payable obligations.

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

STATEMENT OF ACTIVITIES

	<u>9/30/2012</u>	<u>9/30/2011</u>
Expenses:		
Service operations	\$ 1,495,797	\$ 1,372,698
Depreciation	116,286	107,579
Debt service	<u>81,675</u>	<u>87,100</u>
TOTAL EXPENSES	<u>1,693,758</u>	<u>1,567,377</u>
Revenues-		
General revenues	<u>1,857,665</u>	<u>1,685,940</u>
TOTAL REVENUES	<u>1,857,665</u>	<u>1,685,940</u>
CHANGE IN NET ASSETS	<u>\$ 163,907</u>	<u>\$ 118,563</u>

General revenues increased by approximately \$172,000 to approximately \$1,858,000 for the fiscal year ended September 30, 2012 due to an increase in property and sales tax collections and contributions. Property taxes generated approximately \$1,452,000 in revenues. Total expenses increased by approximately \$126,000 to approximately \$1,694,000 for the fiscal year ended September 30, 2012. Net assets increased approximately \$164,000 for the fiscal year ended September 30, 2012 compared to an increase of approximately \$119,000 for the fiscal year ended September 30, 2011.

The District Governmental Fund

At September 30, 2012, the District's governmental fund reported a fund balance of approximately \$904,000, which is an increase of approximately \$32,000 from the prior year. This increase in fund balance can be attributed to another financing source of approximately \$220,000 for the proceeds from the issuance of debt, less a deficiency of revenues under expenditures at September 30, 2012.

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

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

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

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

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

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

General Fund Budgetary Highlights

The actual expenditures in the General Fund were approximately \$275,000 more than the budgeted amounts primarily due to capital outlay expenditures incurred during the fiscal year that were not included in the budget. The actual revenues in the General Fund were approximately \$87,000 more than budgeted amounts primarily due to higher than expected sales tax revenue. The actual other financing sources in the General Fund were approximately \$220,000 more than budgeted due to the proceeds from issuance of debt not being included in the budget.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2012 and 2011, the District had the following capital assets in operation:

CAPITAL ASSETS AT YEAR END

	<u>9/30/2012</u>	<u>9/30/2011</u>
Buildings	\$ 2,158,094	\$ 2,158,094
Vehicles and equipment	1,145,565	829,128
TOTAL CAPITAL ASSETS	<u>3,303,659</u>	<u>2,987,222</u>
Accumulated depreciation	(726,587)	(610,301)
TOTAL NET CAPITAL ASSETS	<u>2,577,072</u>	<u>\$ 2,376,921</u>

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

Notes Payable

In 2005, the District entered into two notes payable agreements from a bank to finance the acquisition of the Pedernales Emergency Services' fire apparatus. The District made principal payments of \$85,144 during the year ended September 30, 2012 related to these notes payable agreements. In 2008, the District entered into a note payable agreement from a bank to fund the construction of the District's new fire station. The District made principal payments of \$73,704 during the year ended September 30, 2012 related to this note payable agreement. In 2012, the District entered into a notes payable agreement from a bank to finance the acquisition of another fire apparatus for Pedernales Emergency Services. No related principal payments were made during the year ended September 30, 2012. More detailed information about the District's notes payable is presented in the *Notes to Basic Financial Statements*.

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the ad valorem tax rate that will be charged for the governmental activities. Considerations included the economy of the area within the District boundaries. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap. The adopted budget for fiscal year 2013 for the District's governmental fund projects a fund balance decrease of approximately \$79,000.

Contacting the District's Financial Management

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET SEPTEMBER 30, 2012

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET ASSETS
ASSETS:			
Cash and cash equivalents	\$ 3,599	-	3,599
Investments	858,900	-	858,900
Receivables:			
Property taxes	34,599	-	34,599
Sales taxes	49,158	-	49,158
Capital assets (net of accumulated depreciation):			
Vehicles and equipment	-	587,226	587,226
Buildings	-	1,989,846	1,989,846
Total assets	<u>\$ 946,256</u>	<u>2,577,072</u>	<u>3,523,328</u>
LIABILITIES:			
Accounts payable	\$ 9,815	-	9,815
Deferred revenue	32,020	(32,020)	-
Interest payable	-	7,044	7,044
Long-term liabilities:			
Due within one year	-	183,703	183,703
Due after one year	-	1,870,518	1,870,518
Total liabilities	<u>41,835</u>	<u>2,029,245</u>	<u>2,071,080</u>
FUND BALANCE/ NET ASSETS:			
Fund balance:			
Assigned for:			
Debt service	280,470	(280,470)	-
Subsequent year's budget deficit	79,481	(79,481)	-
Unassigned	544,470	(544,470)	-
Total fund balance	<u>904,421</u>	<u>(904,421)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 946,256</u>		
Net assets:			
Invested in capital assets, net of related debt		522,851	522,851
Unrestricted		929,397	929,397
Total net assets		<u>\$ 1,452,248</u>	<u>\$ 1,452,248</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE YEAR ENDED SEPTEMBER 30, 2012

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Service operations:			
Pedernales Fire			
Department funding	\$ 1,412,549	-	1,412,549
Professional fees	48,446	-	48,446
Appraisal district fees	6,679	-	6,679
Meetings/seminars	681	-	681
Other	27,442	-	27,442
Capital outlay	219,775	(219,775)	-
Depreciation	-	116,286	116,286
Debt service:			
Principal payments	158,848	(158,848)	-
Interest payments	81,978	(303)	81,675
	1,956,398	(262,640)	1,693,758
REVENUES:			
General revenues:			
Property taxes	1,458,930	(7,386)	1,451,544
Penalties and interest on taxes	11,648	-	11,648
Sales taxes	296,749	-	296,749
Contributions	-	96,662	96,662
Interest	1,062	-	1,062
	1,768,389	89,276	1,857,665
OTHER FINANCING SOURCES -			
Proceeds from notes payable	219,775	(219,775)	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES			
	31,766	(31,766)	-
Change in net assets		163,907	163,907
FUND BALANCE/ NET ASSETS:			
Beginning of year	872,655	415,686	1,288,341
End of year	\$ 904,421	547,827	1,452,248

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		
	ORIGINAL AND		
	FINAL	ACTUAL	VARIANCE
REVENUES:			
Property taxes	\$ 1,463,049	1,458,930	(4,119)
Penalties and interest on taxes	12,000	11,648	(352)
Sales taxes	200,000	296,749	96,749
Interest	1,000	1,062	62
Miscellaneous	5,000	-	(5,000)
Total revenues	<u>1,681,049</u>	<u>1,768,389</u>	<u>87,340</u>
EXPENDITURES:			
Service operations:			
Pedernales Fire Department funding	1,412,549	1,412,549	-
Professional fees	12,000	48,446	(36,446)
Appraisal district fees	7,500	6,679	821
Meetings/seminars	2,500	681	1,819
Other	5,000	27,442	(22,442)
Office supplies	500	-	500
Capital outlay	-	219,775	(219,775)
Debt service:			
Principal payments	159,000	158,848	152
Interest payments	82,000	81,978	22
Total expenditures	<u>1,681,049</u>	<u>1,956,398</u>	<u>(275,349)</u>
OTHER FINANCING SOURCES -			
Proceeds from notes payable	-	219,775	219,775
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES			
	-	31,766	31,766
FUND BALANCE:			
Beginning of year	<u>872,655</u>	<u>872,655</u>	-
End of year	<u>\$ 872,655</u>	<u>904,421</u>	<u>31,766</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 8

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Major revenue sources considered susceptible to accrual include interest income, property and sales tax. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred revenue.

The District reports the following major governmental fund:

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

Budgets and Budgetary Accounting

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

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

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

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

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

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

Recently Issued Accounting Pronouncements

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of GASB Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Management is still evaluating the effects that the full implementation of GASB Statement No. 63 will have on its financial statements for the year ended September 30, 2013.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. The objective of GASB Statement No. 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, such as deferred bond issuance costs. Management is still evaluating the effects that the full implementation of GASB Statement No. 65 will have on its financial statements for the year ended September 30, 2014.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental fund total fund balance	\$ 904,421
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	2,577,072
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	32,020
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Notes payable	(2,054,221)
Interest payable	(7,044)
	<u> </u>
Total net assets	<u>\$ 1,452,248</u>

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

Excess of revenues and other sources over expenditures	\$ 31,766
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	219,775
Depreciation expense	(116,286)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contributed vehicles and equipment	96,662
Change in deferred tax revenue	(7,386)
Proceeds from notes payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of notes payable obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Proceeds from notes payable	(219,775)
Repayment of notes payable obligations	158,848
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in interest payable	<u>303</u>
Change in net assets	<u>\$ 163,907</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, 2012, such deposits were entirely covered by Federal Deposit Insurance Corporation insurance or secured by collateral pledged by the depository.

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

The District had investments of \$858,900 in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), at September 30, 2012. The investments in TexPool had a weighted average maturity of one day and a Standard and Poor's rating of AAAM.

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2012, investments were included in a local governmental investment pool with a rating from Standard and Poor's in compliance with the District's investment policy.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. At September 30, 2012, all of the District's investments were with TexPool.

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

4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012 was as follows:

	Balance September 30, 2011	Additions	Retirements and Transfers	Balance September 30, 2012
Capital assets being depreciated:				
Vehicles and equipment	829,128	316,437	-	1,145,565
Buildings	2,158,094	-	-	2,158,094
Total capital assets being depreciated	<u>2,987,222</u>	<u>316,437</u>	<u>-</u>	<u>3,303,659</u>
Less accumulated depreciation for:				
Vehicles and equipment	(496,688)	(61,651)	-	(558,339)
Buildings	(113,613)	(54,635)	-	(168,248)
Total accumulated depreciation	<u>(610,301)</u>	<u>(116,286)</u>	<u>-</u>	<u>(726,587)</u>
Total capital assets being depreciated, net	<u>2,376,921</u>	<u>200,151</u>	<u>-</u>	<u>2,577,072</u>
Capital assets, net	<u>\$ 2,376,921</u>	<u>200,151</u>	<u>-</u>	<u>2,577,072</u>

5. LONG-TERM LIABILITIES

Long-term liabilities transactions for the year ended September 30, 2012 are summarized as follows:

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012	Due Within One Year
Notes payable	<u>\$ 1,993,294</u>	<u>219,775</u>	<u>(158,848)</u>	<u>2,054,221</u>	<u>183,703</u>

Notes payable consisted of the following at September 30, 2012:

Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 9-30-12	Due Within One Year
10-20-2005	\$ 335,615	2013	4.00%	\$ 59,788	\$ 47,545
10-20-2005	289,812	2013	4.00%	51,629	41,056
8-28-2008	2,000,000	2028	4.26%	1,723,029	76,894
9-14-2012	219,775	2022	4.00%	219,775	18,208
	<u>\$ 2,845,202</u>			<u>\$ 2,054,221</u>	<u>\$ 183,703</u>

The notes payable agreements in 2005 and 2012 are from Security State Bank and Trust of Fredericksburg to finance the acquisition of fire apparatus for Pedernales Emergency Services. The note payable agreement in 2008 is from Bank of America to finance the construction of the new fire station.

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

Fiscal Year	Principal	Interest	Total Requirement
2013	\$ 183,703	83,959	267,662
2014	121,998	76,912	198,910
2015	103,434	72,489	175,923
2016	107,852	68,071	175,923
2017	112,495	63,428	175,923
2018-2022	639,103	240,511	879,614
2023-2027	640,445	104,945	745,390
2028	145,191	3,886	149,077
Total	\$ 2,054,221	714,201	2,768,422

6. DEFERRED REVENUE

Deferred revenue at September 30, 2012 as reported in the General Fund consisted of net tax revenue of \$32,020.

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 2011, the District levied a tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The total 2011 tax levy was \$1,460,613 based on a taxable valuation of \$1,452,311,524.

8. FUND BALANCE

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

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

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

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

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

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

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

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

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

9. CONTRACTED SERVICES

The District entered into an agreement with Pedernales Emergency Services ("PES") that was effective October 1, 2007 for a period of one year. This agreement has been extended annually since October 1, 2008. The District agreed to fund the operations of the PES quarterly, as funds are available, based on a budget for the PES that is approved by the District. In exchange for the funding provided by the District, the PES agreed to provide emergency services including fire fighting and first responder assistance in the geographic area served by the District. Expenditures of \$1,412,549 were incurred by the District related to this agreement during the year ended September 30, 2012.

10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District, through the Pedernales Fire Department, purchases its insurance from regular commercial companies. As of September 30, 2012, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having been filed within the last three years.

Travis County Emergency
Services District No. Nine
Financial Statements
September 30, 2012

Medack & Oltmann, LLP

Certified Public Accountants

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MELODI J. OLTMANN, CPA
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MEMBERS
American Institute of
Certified Public Accountants
Texas Society of
Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities of Travis County Emergency Services District No. Nine as of and for the year ended September 30, 2012, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Travis County Emergency Services District No. Nine as of September 30, 2012, 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 9 and page 28, 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
February 6, 2013



WESTLAKE FIRE DEPARTMENT

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

Headquarters 512-539-3400
Facsimile 512-327-2780
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This section of the Travis County ESD No.9 (Westlake Fire Department) annual financial report presents our discussion and analysis of the Department's overall financial performance during the twelve-month period ended September 30, 2012. Please read this overview in conjunction with the Department's financial statements, which follow this section.

Travis County Emergency Services District #9 was created to address the growing needs of the District in fire protection and primary emergency medical care. The Department protects a community of approximately 15,000 citizens and covers approximately 15 square miles and serves the cities of Rollingwood, West Lake Hills, and unincorporated areas of Rolling Hills West, Westwood, Lost Creek, Camelot, Rob Roy, St. Stephens, Rivercrest and Riverhills.

Travis County ESD No.9 is a combination Department consisting of over 30 career professionals. These professionals provide services in the following areas: structural fire suppression, wildland fire fighting, EMS first response services, vehicle rescue; hazardous material response, technical rescues: (including water, rope, and other specialized rescues).

The Department operates two fire stations located at 1295 South Capital of Texas Hwy and 1109 Westlake Dr in Austin, Texas.

Financial Highlights

- The District set the tax rate at \$0.0858 per \$100 of assessed valuation.
- The Total Net Assets at the close of the most recent period were \$5,200,815.
- The District paid Debt Service in the amount of \$140,755.
- During the year, the General Funds Total Expenses were \$299,063 more than the \$4,586,495 generated in revenues from taxes, contract revenues, and fees.
- The District purchased a new fire engine for \$658,053 from committed reserve funds.
- The District continued to offer employees the option of Copay or Health Savings Account (H S A) Medical Insurance Plans.

Using This Annual Report:

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

Reporting the Department as a Whole

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

These two columns report the Department's net assets and changes in them. The difference between assets and liabilities, net assets, are one way to measure the Department's financial health. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. However, other non-financial factors such as changes in the Department's property tax base and the condition of the Department's equipment and facilities must also be considered in an assessment of the overall financial health of the Department.

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

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

Reporting the District's Governmental Funds

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare that information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Notes to the Financial Statements

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

Reporting the Department's Most Significant Funds

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

Most of the Department's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called Modified Accrual accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a

detailed short term view of the Department's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the adjustments column of the financial statements and in Note 14 to the financial statements.

The District as a Whole

Governmental activities increased the Department's net assets by \$169,554. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the Department's governmental activities:

**Table 1
Governmental Activities
Net Assets**

Assets	<u>9/30/11</u>	<u>9/30/12</u>
Current Assets	\$ 4,307,943	\$ 3,980,145
Other Assets	67,257	61,946
Capital Assets	<u>2,375,502</u>	<u>2,773,649</u>
Total Assets	<u>\$ 6,750,702</u>	<u>\$ 6,815,740</u>
 Liabilities		
Current Liabilities	\$ 196,873	\$ 79,569
Long-Term Liabilities	<u>1,522,568</u>	<u>1,535,356</u>
Total Liabilities	<u>\$ 1,719,441</u>	<u>\$ 1,614,925</u>
 Net Assets:		
Invested in Capital Assets, net of related debt	1,025,502	1,503,649
Restricted	-	-
Unrestricted	<u>4,005,759</u>	<u>3,697,166</u>
Total Net Assets	<u>\$ 5,031,261</u>	<u>\$ 5,200,815</u>

Table 2
Changes in Net Assets

	<u>9/30/11</u>	<u>9/30/12</u>
Revenues:		
Ad Valorem Taxes	\$ 4,368,833	\$ 4,413,096
Penalties & Interest on Taxes	19,304	19,931
Interest	5,575	5,377
Contract Revenues	345,552	78,127
Miscellaneous Income	167,500	24,286
Total Revenues	<u>4,906,764</u>	<u>4,540,817</u>
Expenses:		
Board of Commissioner Expenditures	161,917	154,723
Personnel Costs	3,450,880	3,420,646
Station Facilities & Fixtures	79,951	76,133
Vehicles	107,675	118,812
Support Equipment	42,210	27,590
Training & Travel	50,651	40,966
Clothing	49,979	46,306
Recruiting & Retention	18,907	18,135
Administrative Expenditures	89,997	160,484
Communications	42,519	58,849
Programs	5,797	7,590
Bad Debts	12,135	-0-
Dues & Subscriptions	5,204	10,310
Capital Outlay	-0-	-0-
Depreciation Expense	307,241	308,776
Debt Service Interest	63,746	60,540
Amortization of Bond Issue Cost	<u>5,243</u>	<u>5,243</u>
Total Expenses	<u>4,494,052</u>	<u>4,515,103</u>
Gain on Disposal of Assets	<u>(5,275)</u>	<u>143,840</u>
Change in Net Assets:		
Change in Net Assets	407,437	169,554
Net Assets – Beginning	<u>4,623,824</u>	<u>5,031,261</u>
Net Assets – Ending	<u>\$ 5,031,261</u>	<u>\$ 5,200,815</u>

Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the year ending September 30, 2012, the District's total combined fund balance was \$3,794,597 which reflects a net combined fund balance decrease of \$300,761.

The General Fund (which is used to report the District's overall operations) reported a decrease of (\$299,063). The decrease can be attributed to the purchase of a new fire engine from committed reserves.

93% of all Department funds come from Ad Valorem taxes. The remaining minor revenues come from sources such as interest on deposited funds and the sale of surplus equipment.

Budgetary Highlights

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

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

In each budget process, the projected expenses and revenues for the Department are projected out for a five-year period. Critical to this estimate is the growth in assessed valuation that can be expected from the Department's service area. The Board of Commissioners, constituted by business leaders in the community, is critical to this estimate of future growth in the taxable value. Their estimates of the growth of the area have been extremely accurate over the years. Personnel costs represent 70% of overall expenditures and constitute the single greatest management challenge to the Department considering the legislative cap on the tax rate an Emergency Services District can levy (\$0.10/\$100). Any need for expanded service or desire to pay competitive wages must be tempered by the tax cap in the current year and out through the five-year budget planning period.

In the fiscal year ending September 30, 2012, the Net Taxable (Assessed) Valuation of the District increased by 0.25%. In the three years immediately prior, the AV decreased 3.08%, increased 0.56% and 10.19% respectively. The Board of Commissioners, looking at the economic indicators of the area, predicted that growth would be flat and directed the staff to plan the moderate AV increase in the Department revenue projections. Their direction resulted in a conservative estimate of revenues for the year.

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

The Board continued plans from the three previous years to implement a Reserve Equity Policy that is designated funds for to meet legal and Board designated obligations. The Board made the final increase in the District's operating expenses reserves from three months to six months.

Capital Asset and Debt Administration

Capital Assets:

At the end of the fiscal year September 30, 2012, capital assets are as follows:

Table 3
Capital Assets at Year-end

	<u>9/30/11</u>	<u>9/30/12</u>
Land	\$ 4,200	\$ 4,200
Vehicles	1,901,402	2,248,368
Equipment	461,445	447,938
Buildings	<u>1,782,673</u>	<u>1,800,602</u>
Total capital assets	\$ 4,131,232	\$ 4,501,108

This year's major additions included:

- The District purchased a new fire engine for \$658,053.
- ESD No.9 replaced two older staff vehicles for two new ones for \$41,005.
- More detailed information about the District's Capital Assets and Depreciation is presented in Note 5 of the financial statements.

Debt:

At September 30, 2012, bonds payable consisted of the following:

\$1,270,000 in 2004 Limited Tax Improvement and Refunding Bonds outstanding, dated June 1, 2004, due annually September 1, 2005, through September 1, 2024, having approximate yields of 2% to 4.85 % paid March 1 and September 1 commencing March 1, 2005.

No additional bonds were sold during the fiscal year ending September 30, 2012.

Economic Factors and Next Year's Budgets and Rates

The projected assessed valuation (AV) for the area served by the Department is expected to increase by 2.97% for the Fiscal Year 2012-2013, according to the estimate provided by the Travis County Central Appraisal District. Historically, the assessed valuation of the District averages out to be 7.67% per year over the last twenty years.

The Board of Commissioners adopted a total tax rate for the forthcoming fiscal year tax rate of \$0.0845 per \$100 of Assessed Valuation. During the FY 03-04 fiscal year, bonds were sold to refinance existing debt. The bond sale required a dedicated rate to retire the bonds of \$0.0026 per \$100 A.V. The Board of Commissioners adopted an Operations and Maintenance budget tax rate of \$0.0819/\$100 A.V. (\$0.0845 - \$0.0026).

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:

Mike Elliott, Fire Chief
Travis County ESD No. 9
P.O. Box 162170
Austin, TX 78716-2170
512-539-3400

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Total	Adjustments (Note 14)	Statement of Net Assets
ASSETS					
Cash	\$ 19,869	\$ 908	\$ 20,777	\$	\$ 20,777
Investments - Texpool	3,737,111	30,796	3,767,907		3,767,907
Taxes Receivable	107,833	2,899	110,732		110,732
Accounts Receivable	36,072		36,072		36,072
Prepaid Expenses	44,657		44,657		44,657
Due from Other Funds	-	67	67	(67)	-
Unamortized Bond Issue Costs			-	61,163	61,163
Unamortized Bond Discount				783	783
Capital Assets (net of accumulated depreciation)			-	2,773,649	2,773,649
TOTAL ASSETS	\$ 3,945,542	\$ 34,670	\$ 3,980,212	\$ 2,835,528	\$ 6,815,740
LIABILITIES					
Payroll Liabilities Payable	\$ 46,660	\$	\$ 46,660	\$	\$ 46,660
Accounts Payable	28,156		28,156		28,156
Due to Other Funds	67	-	67	(67)	-
Accrued Interest Payable				4,753	4,753
Deposits					-
Deferred Revenues	107,833	2,899	110,732	(110,732)	-
Long-term liabilities					-
Due within one year				85,000	85,000
Due after one year				1,450,356	1,450,356
TOTAL LIABILITIES	182,716	2,899	185,615	1,429,310	1,614,925
FUND BALANCES/NET ASSETS					
Fund balances:					
Nonspendable	44,657		44,657	(44,657)	
Restricted		31,771	31,771	(31,771)	
Committed	3,718,169		3,718,169	(3,718,169)	
Assigned					
Total	<u>3,762,826</u>	<u>31,771</u>	<u>3,794,597</u>	<u>(3,794,597)</u>	<u>-</u>
Total fund balances	<u>3,762,826</u>	<u>31,771</u>	<u>3,794,597</u>	<u>(3,794,597)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,945,542</u>	<u>\$ 34,670</u>	<u>\$ 3,980,212</u>		
Net assets:					
Invested in capital assets, net of related debt				1,503,649	1,503,649
Restricted				-	-
Unrestricted				3,697,166	3,697,166
Total net assets				<u>\$ 5,200,815</u>	<u>\$ 5,200,815</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Total	Adjustments (Note 14)	Statement of Activities
EXPENDITURES/EXPENSES					
Board of Commissioners Expenditures:					
Insurance	\$ 32,676	\$ -	\$ 32,676	\$ -	\$ 32,676
Financial consultant	18,222	-	18,222	-	18,222
Legal fees	8,114	-	8,114	-	8,114
Appraisal/assessor costs	23,739	-	23,739	-	23,739
Audit	8,000	-	8,000	-	8,000
Leases	46,490	-	46,490	-	46,490
Miscellaneous	17,452	30	17,482	-	17,482
Service Agreement	-	-	-	-	-
Personnel Costs	3,407,858	-	3,407,858	12,788	3,420,646
Station facilities and fixtures	76,133	-	76,133	-	76,133
Vehicles	118,812	-	118,812	-	118,812
Support equipment	27,590	-	27,590	-	27,590
Training and travel	40,966	-	40,966	-	40,966
Clothing	46,306	-	46,306	-	46,306
Recruiting and retention	18,135	-	18,135	-	18,135
Administrative expenditures	160,484	-	160,484	-	160,484
Communications	58,849	-	58,849	-	58,849
Programs	7,590	-	7,590	-	7,590
Bad Debt	-	-	-	-	-
Dues and subscriptions	10,310	-	10,310	-	10,310
Capital Outlay	757,832	-	757,832	(757,832)	-
Depreciation Expense	-	-	-	308,776	308,776
Debt Service:	-	-	-	-	-
Principal	-	80,000	80,000	(80,000)	-
Interest	-	60,755	60,755	(215)	60,540
Amortization of Bond Issue Costs	-	-	-	5,243	5,243
Total expenditures/expenses	<u>4,885,558</u>	<u>140,785</u>	<u>5,026,343</u>	<u>(511,240)</u>	<u>4,515,103</u>
GENERAL REVENUES					
Ad valorem taxes	4,264,713	138,398	4,403,111	9,985	4,413,096
Penalties & Interest on Taxes	19,348	583	19,931	-	19,931
Interest	5,271	106	5,377	-	5,377
Contract Revenues	78,127	-	78,127	-	78,127
Miscellaneous Income	219,036	-	219,036	(194,750)	24,286
Gain on Disposal of Assets	-	-	-	143,840	143,840
Total general revenues	<u>4,586,495</u>	<u>139,087</u>	<u>4,725,582</u>	<u>(40,925)</u>	<u>4,684,657</u>
OTHER FINANCING SOURCES (USES):					
Transfer In/(out)	-	-	-	-	-
Total Other Financing Sources(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(299,063)	(1,698)	(300,761)	300,761	-
Change in Net Assets	-	-	-	169,554	169,554
Fund Balance/Net Assets	-	-	-	-	-
Beginning of the year	<u>4,061,889</u>	<u>33,469</u>	<u>4,095,358</u>	<u>935,903</u>	<u>5,031,261</u>
End of the year	<u>\$ 3,762,826</u>	<u>\$ 31,771</u>	<u>\$ 3,794,597</u>	<u>\$ 1,406,218</u>	<u>\$ 5,200,815</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

BASIS OF PRESENTATION

Basic Financial Statements

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

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

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

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

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Fund Accounting

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

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

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

General Fund

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

Debt Service Fund

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

BASIS OF ACCOUNTING

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

BUDGETS

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

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

CAPITAL ASSETS

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

Government-wide Statements

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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

The Department does not own any infrastructure assets.

Fund Financial Statements

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

EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other government; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

INTERFUND TRANSACTIONS

Interfund transfers are used by the District to record transactions between the various governmental funds. These asset and liability balances on the fund statements are generally cleared within one year. These transactions generally relate to the collections of ad valorem at year end by the General Fund which had not yet been remitted to the Debt Service Fund.

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

COMPENSATED ABSENCES

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

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2012, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 2: CASH

Deposits did not exceed FDIC coverage at the end of the fiscal year. However, during the year there were occasions when deposits did exceed FDIC coverage. Therefore, in accordance with the depository contract, the bank has pledged additional collateral. This collateral consisted of U.S. Government Securities, having a market value of \$234,102 (Category 1). At September 30, 2012, the carrying amount of the District's deposits was \$20,777 and the bank balance was \$81,118.

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

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

NOTE 3: INVESTMENTS

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

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

The District's investments as of September 30, 2012, are:

Investment	Fair Value	Effective Duration (in years)	Credit Risk
Local Government Investment Pool	\$3,767,907	0.0	AAA-m

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

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

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

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable totaled \$36,072 at September 30, 2012, consisting of:

Receivables from deployments	\$ 33,240
Receivables from other services	2,962
Receivables from employees for dependent insurance coverage	(319)
Receivables from AFLAC	<u>189</u>
 Total Accounts Receivable	 \$ 36,072

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance 10/1/2011	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2012
Governmental Activities				
Capital assets not begin depreciated:				
Land	\$ 4,200	\$ -	\$ -	\$ 4,200
Total capital assets not being depreciated	4,200	-	-	4,200
Capital assets, being depreciated				
Vehicles	1,901,402	699,058	(352,092)	2,248,368
Equipment	461,445	22,357	(35,864)	447,938
Buildings	1,764,185	36,417	-	1,800,602
Total capital assets being depreciated	<u>4,127,032</u>	<u>757,832</u>	<u>(387,956)</u>	<u>4,496,908</u>
Less accumulated depreciation for:				
Vehicles	(778,550)	(183,004)	301,745	(659,809)
Equipment	(263,017)	(40,556)	35,301	(268,272)
Buildings	(714,162)	(85,216)	-	(799,378)
Total accumulated depreciation	<u>(1,755,729)</u>	<u>(308,776)</u>	<u>337,046</u>	<u>(1,727,459)</u>
Total capital assets, being depreciated, net	<u>2,371,303</u>	<u>449,056</u>	<u>(50,910)</u>	<u>2,769,449</u>
Governmental activities capital assets, net	\$ 2,375,503	\$ 449,056	\$ (50,910)	\$ 2,773,649

Depreciation was charged to the general fund of \$308,776.

NOTE 6: LONG-TERM DEBT

At September 30, 2012, bonds payable consisted of the following:

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

<u>Balance</u> <u>October 1, 2011</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>September 30, 2012</u>
\$1,350,000	-0-	\$ 80,000	\$1,270,000

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

Limited Tax Improvement and Refunding Bonds, Series 2004

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	85,000	57,355	142,355
2014	85,000	53,743	138,743
2015	90,000	50,130	140,130
2016	95,000	46,305	141,305
2017	100,000	42,268	142,268
Thereafter	815,000	160,837	975,837
Total	<u>\$1,270,000</u>	<u>\$ 410,638</u>	<u>\$ 1,680,638</u>

Changes in Outstanding Debt

Transactions for the year ended September 30, 2012, are summarized as follows:

	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September</u> <u>30</u>	<u>Due</u> <u>within one</u> <u>year</u>
<u>Governmental Activities:</u>					
Tax Revenue Bonds	\$ 1,350,000	\$ -	\$ 80,000	\$1,270,000	\$ 85,000
Compensated Absences	252,568	12,788	-	265,356	-
Total Governmental Activities	\$ 1,602,568	\$ 12,788	\$ 80,000	\$1,535,356	\$ 85,000

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Limited Tax Improvement and Refunding Bonds –

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

Bonds are payable from and secured by the proceeds of a continuing, direct annual ad valorem tax levied, within the legal limitation of \$0.10 per \$100 of taxable assessed valuation, on all taxable property within the Travis County Emergency Services District No. 9. Proceeds from the sale of the bonds were used for the purposes of refunding certain outstanding debt obligation; the acquisition, construction, renovation, and equipment of fire station and training facilities in the District and the purchase of necessary sites therefore, and the acquisition of emergency service vehicles; and paying the costs of issuance relating to the bonds.

Compensated Absences –

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

NOTE 7: PROPERTY TAXES

The District has contracted with the Travis County Tax Assessor Collector to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the roll as of January 1, 2011, upon which the 2011 levy was based, was \$5,152,877,190 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 2011 levy was \$ 4,421,169 and the tax rate was \$ 0.0858 per \$100 assessed valuation. Tax collections for the year ended September 30, 2012, were 99.21% of the 2011 tax levy.

NOTE 8: RETIREMENT PLAN

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plans' participants and beneficiaries.

An additional feature of this plan is that the employer will match 100% of employee contributions up to 12% of that employee's compensation. Employer contributions are fully vested immediately to the employees' accounts. For the year ending September 30, 2012, contributions totaled \$500,613 for both the employer and employees, and there are no unfunded obligations.

NOTE 9: LEASES

Operating Leases

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

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

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

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

NOTE 10: COMMITMENTS

The District had an agreement with the City of Austin where the district provided first responder services to certain areas under the City of Austin's jurisdiction. The City of Austin paid the District's assessed valuation tax rate (\$0.085 per \$100) for each of these areas. This agreement was terminated effective December 31, 2011. For the fiscal year ending September 30, 2012, the District was paid \$72,698 .

The District also had a management service agreement with ESD #3, a neighboring department. ESD #9 provided Emergency Prevention, Operations and Administrative Management in exchange for shared emergency resources. ESD #3 terminated this agreement effective February 4, 2012. The total amount received from ESD#3 for the year ending September 30, 2012, was \$5,429.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

NOTE 11: EMPLOYEE BENEFITS

The District provides its employees with a variety of benefits including a health insurance plan. The District provides 100% of the employees' and 50% of the family's medical & dental insurance premium. In order to decrease the monthly premium for this policy, the District increased the annual deductible and reimburses the employees for a specified amount of their deductible, as well as any family members on the plan. The cost of these reimbursements is included in personnel costs and totaled \$4,469 for the fiscal year ending in 2012.

To further contain insurance costs, the District offered employees a choice between traditional medical insurance and a high deductible plan partnered with a Health Savings Account (HSA). The District contributed \$30,420 to the employees' HSAs in 2012.

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

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

For the fiscal year ending September 30, 2012 there were no annexations by the City of Austin.

NOTE 13: FUND BALANCE

Fund Balance:

<u>Nonspendable</u>	
Prepaid Expenses	\$ 44,657
<u>Restricted</u>	
Debt Service	31,771
<u>Committed</u>	
Emergency Disaster	100,000
Severance	300,000
Operations	2,555,343
Vehicle Replacement	762,826
<u>Assigned</u>	
	-0-
<i>Total Fund Balance:</i>	<u>3,794,597</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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 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.

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

Unamortized bond issue costs	\$ 61,163
Unamortized bond discount	\$ 783

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

Cost of capital assets	\$ 4,501,108
Accumulated Depreciation	(1,727,459)

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

\$ 4,753

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

Deferred revenue	\$ (110,732)
------------------	--------------

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	\$ 85,000
Due after one year	\$ 1,450,356

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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	\$ 12,788
----------------------------------	-----------

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	\$ (757,832)
Depreciation Expense	\$ 308,776

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

Payment of Bond Principal	\$ (80,000)
---------------------------	-------------

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

Change in Accrued Interest Payable	\$ (282)
Amortized portion of bond discount	\$ <u>67</u>
Total adjustment	\$ (215)

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

\$ 5,243

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

Adjustment for property taxes collected after year-end	\$ 9,985
--	----------

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 equipment	\$ 143,840
Proceeds from sale of assets	(194,750)

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET vs ACTUAL GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL	FINAL	
REVENUES:			
Ad valorem taxes	\$ 4,209,806	\$ 4,285,957	\$ 4,264,713
Penalties & Interest on Taxes	15,000	15,000	19,348
Interest	5,600	5,600	5,271
Contract Revenues	345,554	296,252	78,127
Miscellaneous Income	11,500	174,500	219,036
TOTAL REVENUES	\$ 4,587,460	\$ 4,777,309	\$ 4,586,495
EXPENDITURES:			
Board of Commissioners Expenditures:			
Insurance	\$ 35,000	\$ 35,000	\$ 32,676
Financial consultant	22,000	22,000	18,222
Legal fees	7,000	7,000	8,114
Appraisal/assessor costs	34,000	34,000	23,739
Audit	8,050	8,000	8,000
Leases	46,500	46,500	46,490
Service Agreements	-	-	-
Miscellaneous	6,400	6,400	17,452
Personnel Costs	3,636,078	3,596,695	3,407,858
Station facilities and fixtures	74,100	74,100	76,133
Vehicles	106,000	118,000	118,812
Support equipment	43,500	43,500	27,590
Training and travel	51,350	51,350	40,966
Clothing	43,200	45,700	46,306
Recruiting and retention	19,700	19,700	18,135
Administrative expenditures	118,763	158,263	160,484
Communications	78,800	78,800	58,849
Programs	8,700	8,700	7,590
Bad Debt Expense	-	-	-
Dues and subscriptions	7,050	8,850	10,310
Disaster Funds	-	-	-
Capital Outlay	60,600	889,919	757,832
TOTAL EXPENDITURES	\$ 4,406,791	\$ 5,252,477	\$ 4,885,558
OTHER SOURCES/(USES)			
Committed Fund Balance-Vehicle Replacement	-	658,053	-
Sale of assets	-	-	-
Total Other Sources/(Uses)	-	658,053	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)	\$ 180,669	\$ 182,885	\$ (299,063)
FUND BALANCE:			
Beginning of year			4,061,889
End of year			\$ 3,762,826

See Accompanying Notes to the Financial Statements

Travis County Emergency
Services District No. Twelve
Financial Statements
September 30, 2012

Travis County Emergency Services District No. Twelve
For the year ending September 30, 2012

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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, 2012, 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, 2012, 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 25, 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
March 9, 2013



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, 2012. 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 \$1,026,102.
- Financial performance continued to improve for the ESD in FY 11-12 as expenditures continue to be closely monitored as well as management and personnel activities were stable.
- The ESD was able to secure refinancing of the existing loan for the station 1201. The interest rate negotiated down from 6.1% to 2.46% with no additional time added to the loan terms. In addition, funds were secured to begin the process of purchasing land and starting a second fire station in the district.
- Staffing continued to be maintained with three persons per shift with employment reflecting a mix of full-time and part-time staff.
- ESD#12 entered into a joint management agreement with ESD#4. This has improved operational efficiencies between both departments including better response to area served in eastern Travis County.
- The District successfully held an election that instituted a ½ cent sales tax in the unincorporated areas of the District. The first revenues from the sales tax are expected to start in the next fiscal year.
- The District gained an agreement to provide a six-month service contract with Bastrop/Travis County ESD#1 to temporarily provide service while they build up their minimal EMS response capability. Previously, service was being provided with no restitution provided to the ESD. The agreement will provide monthly revenues in the next fiscal year and will terminate at the conclusion of the contract period with no further obligation.

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 three columns. The fourth 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 14 to the financial statements.

The District as a Whole

Governmental activities increased the Department's net assets by \$227,711. 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>2012</u>
Assets		
Current Assets	\$ 417,103	\$ 908,241
Capital Assets	<u>1,698,107</u>	<u>\$ 1,604,024</u>
Total Assets	\$ 2,115,210	\$ 2,512,265
Liabilities		
Current Liabilities	\$ 231,690	\$ 208,095
Long Term Liabilities	<u>1,085,129</u>	<u>1,278,068</u>
Total Liabilities	\$ 1,316,819	\$ 1,486,163
Net Assets		
Invested in Capital Assets, net of related debt	\$ 479,295	\$ 161,644
Unrestricted	<u>319,096</u>	<u>864,458</u>
Total Net Assets	<u>\$ 798,391</u>	<u>\$ 1,026,102</u>

**Table 2
Changes in Net Assets**

	<u>9/30/2011</u>	<u>9/30/2012</u>
Revenues:		
Property Taxes	\$ 987,592	\$ 1,002,102
Interest Income	456	675
Restitution & Other Income	40,443	129,826
Total Revenues	<u>\$ 1,028,491</u>	<u>\$ 1,132,603</u>
Expenses:		
Program Expenses		
General Government	\$ 754,771	\$ 869,172
Interest on Long-Term Debt	70,980	35,720
Total Expenses	<u>\$ 825,751</u>	<u>\$ 904,892</u>
Increase(Decrease) in Net Assets	\$ 202,740	\$ 227,711
Net Assets, beginning of the year	595,651	798,391
Net Assets, end of the year	<u><u>\$ 798,391</u></u>	<u><u>\$ 1,026,102</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, 2012, the District's total combined fund balance was \$682,361, which reflects a net combined fund balance increase of \$389,088.

88% 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 other ESD areas.

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, 2012, capital assets are as follows:

Table 3
Capital Assets at Year-end

	<u>9/30/12</u>	<u>9/30/11</u>
Land	\$ 11,789	\$ 11,789
Vehicles	867,634	867,634
Furniture & Equipment	162,706	162,706
Building	<u>1,204,984</u>	<u>1,204,984</u>
Less accumulated depreciation	(643,089)	(549,006)
Total Capital Assets, net	\$ 1,604,024	\$ 1,698,107

There were no additions for the year ending September 30, 2012.

Debt:

At year-end, the District had \$1,442,380 in outstanding debt compared to \$1,223,988 last year. The District obtained a new loan during the year totaling \$1,220,000, of this amount \$925,245 was paid to an escrow to pay off an existing loan and accrued interest that came due in 2013, in essence an advance refunding. The remaining portion was used for loan acquisition expenses and for the purchase of property for a new fire station. 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 846
Manor, TX 78653
512-294-8973

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
 GOVERNMENTAL FUNDS BALANCE SHEET AND
 STATEMENT OF NET ASSETS
 YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Funds	Adjustments (Note 14)	Statement of Net Assets
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	-	-
Investments - First Public	424,338	-	252,801	677,139	-	677,139
Taxes Receivable	96,052	-	-	96,052	-	96,052
Accounts Receivable	25,197	-	-	25,197	-	25,197
Prepaid Expenses	7,457	-	-	7,457	-	7,457
Due from Other Funds	2,000	755	-	2,755	(2,755)	-
Deferred Charges	-	-	-	-	62,496	62,496
Unamortized Loan Issue Costs	-	-	-	-	39,900	39,900
Capital Assets (net of accumulated depreciation)	-	-	-	-	1,604,024	1,604,024
TOTAL ASSETS	\$ 555,044	\$ 755	\$ 252,801	\$ 808,600	\$ 1,703,665	\$ 2,512,265
LIABILITIES						
Payroll Liabilities Payable	\$ 10,964	\$ -	\$ -	\$ 10,964	-	\$ 10,964
Bank Overdraft Payable	4,487	-	-	4,487	-	4,487
Accounts Payable	17,675	-	-	17,675	-	17,675
Due to Other Funds	-	-	2,755	2,755	(2,755)	-
Accrued Interest Payable	-	-	-	-	10,657	10,657
Deferred Revenues	90,358	-	-	90,358	(90,358)	-
Long-term liabilities	-	-	-	-	-	-
Due within one year	-	-	-	-	164,312	164,312
Due after one year	-	-	-	-	1,278,068	1,278,068
TOTAL LIABILITIES	123,484	-	2,755	126,239	1,359,924	1,486,163
FUND BALANCES/NET ASSETS						
Fund balances:						
Nonspendable	7,457	-	-	7,457	(7,457)	-
Restricted	-	755	-	755	(755)	-
Committed	-	-	250,046	250,046	(250,046)	-
Unassigned	424,103	-	-	424,103	(424,103)	-
Total fund balances	431,560	755	250,046	682,361	(682,361)	-
Total liabilities and fund balances	\$ 555,044	\$ 755	\$ 252,801	\$ 808,600		
Net assets:						
Invested in capital assets, net of related debt					161,644	161,644
Restricted					-	-
Unrestricted					864,458	864,458
Total net assets				\$	<u>1,026,102</u>	<u>1,026,102</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, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Funds	Adjustments (Note 14)	Statement of Activities
EXPENDITURES/EXPENSES						
Apparatus	\$ 83,077	\$ -	\$ -	\$ 83,077	-	\$ 83,077
Equipment	16,832	-	-	16,832	-	16,832
Communications	55,900	-	-	55,900	-	55,900
EMS	22	-	-	22	-	22
Insurance	29,130	-	-	29,130	-	29,130
Training & Prevention	5,871	-	-	5,871	-	5,871
Stations	28,127	-	-	28,127	-	28,127
District Office	14,812	-	-	14,812	-	14,812
Administrative Expenditures:	-	-	-	-	-	-
Annual Financial Audit	9,000	-	-	9,000	-	9,000
Legal Fees	13,817	-	-	13,817	-	13,817
Appraisal District/Assessor Fees	13,058	-	-	13,058	-	13,058
Administrative Contract	22,500	-	-	22,500	-	22,500
Miscellaneous Administrative Expenditures	4,869	-	-	4,869	-	4,869
Contract Labor	7,343	-	-	7,343	-	7,343
Personnel Costs	473,807	-	-	473,807	(5,176)	468,631
Loan Issue Cost	42,000	-	-	42,000	(42,000)	-
Depreciation Expense	-	-	-	-	94,083	94,083
Debt Service:	-	-	-	-	-	-
Principal	133,683	-	-	133,683	(133,683)	-
Interest	69,154	-	-	69,154	(33,434)	35,720
Amortization of Loan Issue Cost	-	-	-	-	2,100	2,100
Total expenditures/expenses	<u>1,023,002</u>	<u>-</u>	<u>-</u>	<u>1,023,002</u>	<u>(118,110)</u>	<u>904,892</u>
GENERAL REVENUES						
Ad valorem taxes	986,834	-	-	986,834	15,268	1,002,102
Penalties & Interest on Taxes	16,744	-	-	16,744	-	16,744
Interest	629	-	46	675	-	675
Grants	15,208	-	-	15,208	-	15,208
Miscellaneous Income	97,874	-	-	97,874	-	97,874
Gain from Sale of Asset	-	-	-	-	-	-
Total general revenues	<u>1,117,289</u>	<u>-</u>	<u>46</u>	<u>1,117,335</u>	<u>15,268</u>	<u>1,132,603</u>
OTHER FINANCING SOURCES (USES):						
Financing Proceeds	-	755	250,000	250,755	(250,755)	-
Other Financing Proceeds - Refunding Loans	969,245	-	-	969,245	(969,245)	-
Financing Uses-Payments to Escrow Agent	(925,245)	-	-	(925,245)	925,245	-
Proceeds from Sale of Asset	-	-	-	-	-	-
Total Other Financing Sources(Uses)	<u>44,000</u>	<u>755</u>	<u>250,000</u>	<u>294,755</u>	<u>(294,755)</u>	<u>-</u>
Net Change in Fund Balances	138,287	755	250,046	389,088	(389,088)	-
Change in Net Assets	-	-	-	-	227,711	227,711
Fund Balance/Net Assets Beginning of the year	<u>293,273</u>	<u>-</u>	<u>-</u>	<u>293,273</u>	<u>505,118</u>	<u>798,391</u>
End of the year	<u>\$ 431,560</u>	<u>\$ 755</u>	<u>\$ 250,046</u>	<u>\$ 682,361</u>	<u>\$ 343,741</u>	<u>\$ 1,026,102</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012

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, 2012

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.

Debt Service Fund

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

Capital Projects Fund

This fund is used to account for funds received and expended for the construction of a new fire station.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 TWELVE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year end.

CAPITAL ASSETS

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

Government-wide Statements

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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. 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, 2012, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

NOTE 2: CASH

The District's carrying amount of deposits as of September 30, 2012, reflected an overdraft of \$4,487, with the bank balance of \$31,449. 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.

NOTE 3: INVESTMENTS

Travis County Emergency Services District 12 currently invests excess funds with Lone Star Investment Pool, also known as First Public. The District's policy on investments satisfies local statutes, as well as the Texas Public Funds Investment Act (PFIA) of the Texas Government Code. This policy allows the District to invest in Government securities (maturity cannot exceed 2 years), and investment pools First Public), and have a rating of AAA or AAAm. Pools created to function as a money market mutual fund must maintain a stable net asset value of \$1/share.

First Public operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. First Public uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in First Public is the same as the value of First Public shares. The State Comptroller of Public Accounts exercises oversight responsibility over First Public. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in First Public and other persons who do not have a business relationship with First Public. The Advisory Board members review the investment policy and management fee structure.

The District's investments as of September 30, 2012, are:

Investment	Fair Value	Effective Duration (in years)	Credit Risk
Lone Star Investment Pool	\$677,139	0.0	AAA

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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

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

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

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>9/30/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/20/2012</u>
<u>Depreciable Assets</u>				
Vehicles	\$ 867,634	\$	\$ -	\$ 867,634
Buildings & Improvements	1,204,984			1,204,984
Furniture & Equipment	<u>162,706</u>			<u>162,706</u>
Total Depreciable Assets	2,235,324		-	2,235,324
<u>Non-Depreciable Assets</u>				
Land	<u>11,789</u>			<u>11,789</u>
Total Non-Depreciable Assets	11,789			11,789
<u>Less: Accumulated Depreciation</u>				
Vehicles	(358,421)	(49,544)	-	(407,965)
Buildings & Improvements	(40,166)	(40,166)		(80,332)
Furniture & Equipment	<u>(150,419)</u>	<u>(4,373)</u>		<u>(154,792)</u>
Total Accumulated Depreciation	(549,006)	(94,083)	-	(643,089)
Total Capital Assets, Net	<u>\$ 1,698,107</u>	<u>\$ (94,083)</u>	<u>\$ -</u>	<u>\$ 1,604,024</u>

Depreciation was charged to the general fund of \$94,083.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

NOTE 5: LONG-TERM DEBT

Transactions for the year ended September 30, 2012, are summarized as follows:

<u>Governmental Activities</u>	Balance 9/30/11	Additions	Reductions	Balance 9/30/12	Due within one year
Note Payable	\$ 1,218,812	\$ 1,220,000	\$ 996,432	\$ 1,442,380	\$ 164,312
Compensated Leave Payable	5,176	-	5,176	-	-
Total Governmental Activities	\$ 1,223,988	\$ 1,220,000	\$ 1,001,608	\$ 1,442,380	\$ 164,312

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, 2012, was \$192,062.

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, 2012 was \$30,318.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

The District obtained a note from a bank to refinance an existing loan (advance refunding) and to obtain additional funds which will be used to purchase property for the construction of a new fire station. The terms are as follows:

Loan amount: \$1,220,000
 Maturity date: September 1, 2024
 Interest rate: 2.46% annum
 Payment terms: Payments are made annually on September 1 beginning September 1, 2013, and ending September 1, 2024. Interest is paid semi-annually on March 1 and September 1. The loan is collateralized by property tax revenues. The outstanding balance at September 30, 2012, was \$1,220,000.

The annual aggregate maturities for years subsequent to September 30, 2012 are as follows:

2013	\$	164,312	\$	40,653	\$	204,965
2014		137,951		34,220		172,171
2015		141,993		29,939		171,932
2016		146,124		25,520		171,644
2017		97,000		20,959		117,959
Thereafter		755,000		76,408		831,408
Totals	\$	1,442,380	\$	227,699	\$	1,670,079

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.

Advance Refunding

On August 21, 2012, the ESD entered into a loan agreement for \$1,220,000 at an interest rate of 2.46%. This loan was to be used to advance refund \$862,749 of the loan dated February 25, 2009 (the Station Construction Note 2009), \$250,000 for the construction of a new facility, and the balance was used to pay loan issue costs. The ESD used the net proceeds along with other resources to purchase U.S. government obligations through an irrevocable trust with an escrow agent totaling \$925,245. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Station Construction Note 2009. As a result, that portion of the Station Construction Note 2009 is considered defeased, and the ESD has removed the liability from its accounts. The outstanding principal of the defeased loan is \$862,749 at September 30, 2012.

The advance refunding reduced total debt service payments over the next 12 years by nearly \$120,457. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$118,594.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6: 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, 2011, upon which the 2011 levy was based, was \$992,841,290 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 2011 levy was \$ 992,841 and the tax rate was \$ 0.10 per \$100 assessed valuation. Tax collections for the year ended September 30, 2012, were 96.8% of the 2011 tax levy.

NOTE 7: 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, 2012, contributions totaled \$11,750 for both the employer and employees, and there are no unfunded obligations.

NOTE 8: 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, 2012. During the fiscal year, the District paid \$48,384 and this amount is included in these financial statements.

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 paid a total of \$22,500 for the year ending September 30, 2012.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 9: ANNEXATION OF DISTRICT LAND BY THE CITY OF AUSTIN

For the fiscal year ending September 30, 2012 there were no annexations..

NOTE 10: SUBSEQUENT EVENTS

The District held and the voters passed an election to collect a ½ cent sales tax on taxable sales within its boundaries. The District will begin receiving funds in the month of December 2012.

The District purchased property as part of its goal for the construction of a new fire station in December 2012.

NOTE 11: FUND BALANCE

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 12: 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 as of year end.

NOTE 13: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date of the auditor's report, the date the financial statements were available to be issued.

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.

Loan issue costs are amortized over the life of the loan.

Unamortized loan issue costs	\$ 39,900
------------------------------	-----------

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

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	(643,089)

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

\$ 10,657

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

Deferred revenue	\$ (90,358)
------------------	-------------

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	\$ 164,312
Due after one year	\$ 1,278,068

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)
----------------------------------	------------

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	\$ 94,083
----------------------	-----------

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	\$ (133,683)
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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

Interest expense is recognized as expenditures in the governmental funds. The statement of activities includes only the interest expense for the current period .

Change in Accrued Interest Payable	\$ (33,434)
------------------------------------	-------------

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

\$ 2,100

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	\$ 15,268
--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, however this has no effect on net assets. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Loan proceeds	(\$ 1,220,000)
Loan issuance cost	(42,000)
Deferred charges	62,496
Amortization of loan issue cost	2,100
Payments for refunding of debt To Escrow Agent	\$ 925,245

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12
 SCHEDULE OF REVENUE AND EXPENDITURES
 BUDGET vs ACTUAL - GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS			ACTUAL AMOUNTS	VARIANCE FAVORABLE/ UNFAVORABLE)
	ORIGINAL	FINAL			
REVENUES:					
Ad valorem taxes	\$ 990,080	\$ 990,080	\$	986,834	(3,246)
Penalties & interest on Taxes	-	-		16,744	16,744
Interest	2,500	2,500		629	(1,871)
Grants	-	-		15,208	15,208
Contract Revenues	6,000	6,000		-	(6,000)
Miscellaneous Income	12,000	12,000		97,874	85,874
TOTAL REVENUES	\$ 1,010,580	\$ 1,010,580	\$	1,117,289	106,709
EXPENDITURES:					
Apparatus	\$ 52,571	\$ 52,571	\$	83,077	(30,506)
Equipment	5,500	5,500		16,832	(11,332)
Communications	55,246	55,246		55,900	(654)
EMS	2,750	2,750		22	2,728
Insurance	15,500	15,500		29,130	(13,630)
Training & Prevention	3,260	3,665		5,871	(2,206)
Stations	31,250	31,250		28,127	3,123
District Office	10,500	10,500		14,812	(4,312)
Administrative expenditures:					
Annual Financial Audit	5,500	5,500		9,000	(3,500)
Legal Fees	6,000	6,000		13,817	(7,817)
Administrative Services	30,000	30,000		22,500	7,500
Consultants Legal/Design	-	-		-	-
Appraisal District/Assessor Fees	16,000	16,000		13,058	2,942
Miscellaneous Administrative Expenditures	11,250	11,850		4,869	6,981
Contract Labor	21,200	21,200		7,343	13,857
Loan Issue Cost	-	39,000		42,000	(3,000)
Personnel Costs	520,805	520,793		473,807	46,986
Capital Outlay	-	-		-	-
Debt Service Expenditures					
Principal	133,683	133,683		133,683	-
Interest	69,154	69,154		69,154	-
TOTAL EXPENDITURES	\$ 990,169	\$ 1,030,162	\$	1,023,002	7,160
OTHER SOURCES/(USES)					
Financing Proceeds	-	-		969,245	969,245
Financing Uses-Payments to Escrow Agent	-	-		(925,245)	(925,245)
Total Other Sources/(Uses)	-	-		44,000	44,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)	\$ 20,411	\$ (19,582)	\$	138,287	157,869
FUND BALANCE:					
Beginning of year				293,273	
End of year				431,560	

See Accompanying Notes to the Financial Statements

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

**Financial Statements for the
Year Ended September 30, 2012 and
Independent Auditors' Report**

RECEIVED

2013 MAR 25 PM 2: 14

**TRAVIS COUNTY
AUDITORS OFFICE**

**MAXWELL
& LOCKE
& RITTER**

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Travis County Emergency Services District No. 14 (the "District") as of and for the year ended September 30, 2012, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2012, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maxwell Locke & Ritter LLP

February 20, 2013

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

MANAGEMENT'S DISCUSSION & ANALYSIS SEPTEMBER 30, 2012

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 14 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2012. Please read it in connection with the District's financial statements that follow.

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

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

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

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

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

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

The District as a Whole

The District's combined net assets for the years ending September 30, 2012 and 2011 are shown in the table below. Our analysis below focuses on the net assets and changes in the net assets of the District's governmental activities as reported in the accrual basis of accounting.

Statement of Net Assets

	<u>9/30/2012</u>	<u>9/30/2011</u>
Assets:		
Current	\$ 827,151	\$ 610,219
Capital assets (net of accumulated depreciation)	675,000	729,735
Total Assets	<u><u>\$ 1,502,151</u></u>	<u><u>\$ 1,339,954</u></u>
Liabilities-		
Current liabilities	\$ 79,668	\$ 88,388
Total Liabilities	<u><u>79,668</u></u>	<u><u>88,388</u></u>
Net Assets:		
Invested in capital assets	675,000	729,735
Unrestricted	747,483	521,831
Total Net Assets	<u><u>\$ 1,422,483</u></u>	<u><u>\$ 1,251,566</u></u>

The District's total assets were approximately \$1,502,000 as of September 30, 2012. Of this amount, \$675,000 is accounted for by capital assets. The District had outstanding liabilities of approximately \$80,000 as of September 30, 2012 which represents current liabilities.

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

Statement of Activities

	<u>9/30/2012</u>	<u>9/30/2011</u>
Expenses:		
Service operations	\$ 783,563	\$ 927,464
Depreciation	54,735	53,349
Total Expenses	<u><u>838,298</u></u>	<u><u>980,813</u></u>
Revenues:		
General revenues	1,009,215	993,016
Gain on impairment	-	9,843
Total Revenues	<u><u>1,009,215</u></u>	<u><u>1,002,859</u></u>
Change in Net Assets	<u><u>\$ 170,917</u></u>	<u><u>\$ 22,046</u></u>

General revenues increased by approximately \$16,000 to approximately \$1,009,000 for the fiscal year ended September 30, 2012 due to an increase in property tax revenue. Property taxes generated approximately \$1,007,000 in revenues. Total expenses decreased by approximately \$143,000 to approximately \$838,000 for the fiscal year ended September 30, 2012. Net assets increased approximately \$171,000 for the fiscal year ended September 30, 2012 compared to an increase of approximately \$22,000 for the fiscal year ended September 30, 2011.

The District Governmental Fund

At September 30, 2012, the District's governmental fund reported a fund balance of approximately \$725,000, which is an increase of approximately \$226,000 from the prior year, the majority of which is due to a decrease in expenditures related to a service contract that expired during fiscal year 2011.

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

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

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

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

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

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

General Fund Budgetary Highlights

The actual expenditures in the General Fund were approximately \$129,000 less than the budgeted amounts primarily due to the decrease in payments made to the Volente Volunteer Fire Department. Resources available for appropriation were approximately \$2,000 below the budgeted amounts. The reason for the decrease was due to the property tax collections being less than budgeted.

Capital Assets

At September 30, 2012, the District had the following capital assets in operation:

Capital Assets at Year End

	<u>9/30/2012</u>	<u>9/30/2011</u>
Land	\$ 252,997	\$ 252,997
Vehicles	654,994	654,994
Equipment	85,978	85,978
Buildings	43,049	43,049
Total Capital Assets	<u>1,037,018</u>	<u>1,037,018</u>
Accumulated depreciation	<u>(362,018)</u>	<u>(307,283)</u>
Total Net Capital Assets	<u>\$ 675,000</u>	<u>\$ 729,735</u>

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

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the fiscal year budget and the ad valorem tax rate that will be charged for the governmental activities. Considerations included the economy of the area within the District boundaries. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap. The adopted budget for fiscal year 2013 for the District's governmental fund projects a fund balance decrease of approximately \$164,000.

Contacting the District's Financial Management

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2012**

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS (NOTE 2)</u>	<u>STATEMENT OF NET ASSETS</u>
ASSETS:			
Cash and cash equivalents	\$ 804,069	-	804,069
Taxes receivable	23,082	-	23,082
Capital assets (net of accumulated depreciation):			
Land	-	252,997	252,997
Vehicles	-	334,508	334,508
Equipment	-	53,344	53,344
Buildings	-	34,151	34,151
TOTAL ASSETS	<u>\$ 827,151</u>	<u>675,000</u>	<u>1,502,151</u>
LIABILITIES:			
Accounts payable	\$ 79,668	-	79,668
Deferred revenue	22,000	(22,000)	-
Total liabilities	<u>101,668</u>	<u>(22,000)</u>	<u>79,668</u>
FUND BALANCE/NET ASSETS-			
Fund balance:			
Assigned for subsequent year's budget deficit	164,231	(164,231)	-
Unassigned	561,252	(561,252)	-
Total fund balance	<u>725,483</u>	<u>(725,483)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 827,151</u>		
Net assets:			
Invested in capital assets		675,000	675,000
Unrestricted		747,483	747,483
TOTAL NET ASSETS		<u>\$ 1,422,483</u>	<u>1,422,483</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2012**

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Service operations:			
Volente Volunteer Fire Department funding	\$ 762,480	-	762,480
Legal fees	3,577	-	3,577
Tax appraisal/collection fees	7,744	-	7,744
Membership dues	1,000	-	1,000
Audit fees	8,500	-	8,500
Training and travel	65	-	65
Bank fees	20	-	20
Other expenses	177	-	177
Depreciation	-	54,735	54,735
Total expenditures/expenses	<u>783,563</u>	<u>54,735</u>	<u>838,298</u>
REVENUES:			
General revenues:			
Property taxes, including penalties and interest	1,007,815	(693)	1,007,122
Interest	2,093	-	2,093
Total revenues	<u>1,009,908</u>	<u>(693)</u>	<u>1,009,215</u>
EXCESS OF REVENUES OVER EXPENDITURES	226,345	(226,345)	-
Change in net assets	-	170,917	170,917
FUND BALANCE/NET ASSETS:			
Beginning of year	499,138	752,428	1,251,566
End of year	<u>\$ 725,483</u>	<u>697,000</u>	<u>1,422,483</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
General revenues:			
Property taxes, including penalties and interest	\$ 1,011,259	1,007,815	(3,444)
Interest	1,000	2,093	1,093
Total revenues	<u>1,012,259</u>	<u>1,009,908</u>	<u>(2,351)</u>
EXPENDITURES:			
Service operations:			
Volente Volunteer			
Fire Department funding	865,195	762,480	102,715
Legal fees	10,000	3,577	6,423
Special election	10,000	-	10,000
Tax appraisal/collection fees	10,000	7,744	2,256
Insurance	2,225	-	2,225
Membership dues	1,100	1,000	100
Audit fees	8,600	8,500	100
Training and travel	1,600	65	1,535
Bank fees	500	20	480
Other expenses	2,950	177	2,773
Total expenditures	<u>912,170</u>	<u>783,563</u>	<u>128,607</u>
EXCESS OF REVENUES OVER EXPENDITURES	100,089	226,345	126,256
FUND BALANCE:			
Beginning of year	<u>499,138</u>	<u>499,138</u>	<u>-</u>
End of year	<u>\$ 599,227</u>	<u>725,483</u>	<u>126,256</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Major revenue sources considered susceptible to accrual include interest income and property taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred revenue.

The District reports the following major governmental fund:

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

Budgets and Budgetary Accounting

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

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

<u>Asset</u>	<u>Years</u>
Buildings	39.5
Vehicles	10-20
Equipment	10

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

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

Recently Issued Accounting Pronouncements

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of GASB Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Management is still evaluating the effects that the full implementation of GASB Statement No. 63 will have on its financial statements for the year ended September 30, 2013.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. The objective of GASB Statement No. 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, such as deferred bond issuance costs. Management is still evaluating the effects that the full implementation of GASB Statement No. 65 will have on its financial statements for the year ended September 30, 2014.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental fund total fund balance	\$ 725,483
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	675,000
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	<u>22,000</u>
Total net assets	<u>\$ 1,422,483</u>

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

Excess of revenues over expenditures	\$ 226,345
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(54,735)
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	<u>(693)</u>
Change in net assets	<u>\$ 170,917</u>

3. CASH AND CASH EQUIVALENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2012, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

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

4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2012 was as follows:

	Balance September 30, 2011	Additions	Retirements and Transfers	Balance September 30, 2012
Capital assets not being depreciated-				
Land	\$ 252,997	-	-	252,997
Capital assets being depreciated:				
Vehicles	654,994	-	-	654,994
Equipment	85,978	-	-	85,978
Buildings	43,049	-	-	43,049
Total capital assets being depreciated	784,021	-	-	784,021
Less accumulated depreciation for:				
Vehicles	(275,439)	(45,047)	-	(320,486)
Equipment	(24,036)	(8,598)	-	(32,634)
Buildings	(7,808)	(1,090)	-	(8,898)
Total accumulated depreciation	(307,283)	(54,735)	-	(362,018)
Total capital assets being depreciated, net	476,738	(54,735)	-	422,003
Capital assets, net	<u>\$ 729,735</u>	<u>(54,735)</u>	<u>-</u>	<u>675,000</u>

5. DEFERRED REVENUE

Deferred revenue at September 30, 2012 as reported in the General Fund consisted of net tax revenue of \$22,000.

6. PROPERTY TAXES

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

In September 2011, the District levied a tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures. The total 2011 tax levy was \$1,005,381 based on a taxable valuation of \$1,000,569,923.

7. FUND BALANCE

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

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

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

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

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

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

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

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

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

8. CONTRACTED SERVICES

The District entered into an agreement with the Volente Volunteer Fire Department ("VVFD") that was effective October 1, 2009 for a period of one year. This agreement has been extended monthly since October 1, 2010. The District agreed to fund the operations of the VVFD monthly, as funds are available, based on a budget for the VVFD that is approved by the District. In exchange for the funding provided by the District, the VVFD agreed to provide emergency services including fire fighting and first responder assistance in the geographic area served by the District. Expenditures of \$762,480 as presented in the statement of activities and governmental fund revenues, expenditures, and changes in fund balance were incurred by the District related to this agreement during the year ended September 30, 2012.

9. **RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District, through the VVFD, purchases its insurance from regular commercial companies. As of September 30, 2012, 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.