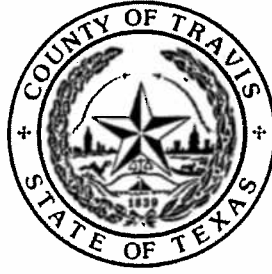



TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
ADMINISTRATION BUILDING
P.O. BOX 1748
AUSTIN, TX. 78767
(512) 854-9125
FAX: (512) 854-9164

To: Commissioners Court
From:  Nicki Riley, County Auditor
Date: October 30, 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. 5	3	2012
No. 10	3	2012

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



Travis County Commissioners Court Agenda Request

Meeting Date: November 12, 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 Daugherty

AGENDA LANGUAGE: Receive fiscal year 2012 financial audit reports for Emergency Services Districts 5 and 10

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

See attachments

STAFF RECOMMENDATIONS:

Please approve

ISSUES AND OPPORTUNITIES:

None

FISCAL IMPACT AND SOURCE OF FUNDING:

None

REQUIRED AUTHORIZATIONS:

Auditor's Office

Nicki Riley, 854-9125

Commissioner Pct 3 Office

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.

Millan & Company, P.C.

Certified Public Accountants

823 Congress Ave., Suite 707 - Austin, Texas 78701

Telephone (512) 479-6819

Facsimile (512) 479-8241

Travis County Emergency Services District # 5

Audited Financial Statements

For the Year Ended December 31, 2012

Travis County Emergency Services District #5
Financial Statements
As of December 31, 2012

Table of Contents

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MILLAN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Travis County Emergency Services District #5
Board of Directors

We have audited the accompanying financial statements of the general fund of Travis County Emergency Services District #5 as of and for the year ended December 31, 2012, as listed in the table of contents. These financial statements are the responsibility of Travis County Emergency Services District #5's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund of the Travis County Emergency Services District #5 as of December 31, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 3 and 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Millan & Co. P.C.

Austin, Texas
August, 15, 2013

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #5

Management's Discussion and Analysis

Discussion and analysis of the financial performance for Emergency Service District #5 provides an overview of the ESD financial activities for year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

Tax allocation from Travis County was \$877,565.55. This represents an increase of \$15,057.34 or approximately 1.7 percent.

Collection of sales tax receipts for ESD #5 was \$863,268.81. This represents an increase of \$239,623.40 or approximately 38.4 percent.

Expense for Manchaca Fire and Rescue was \$999,649.25. This increase of \$288,530.82 is approximately 40.0 percent.

Loan payment for trucks purchased in 2009 was \$101,366.69. This was the fourth of ten payments. The \$3,000,000.00 loan for the purchase of land and construction of a new station required a payment of \$255,563.07. This was the fourth of twenty payments.

Travis County Emergency Services District #5
**Statement of Net Assets and
 Governmental Funds Balance Sheet**
 As of December 31, 2012

	General Fund	Total	Adjustments	Statement of Net Assets
ASSETS				
Cash and Cash Equivalents	\$ 396,601.84	\$ 396,601.84	\$ -	\$ 396,601.84
Investments	905,174.42	905,174.42	-	905,174.42
Property Tax Receivable	438,959.94	438,959.94	-	438,959.94
Sales Tax Receivable	74,289.01	74,289.01	-	74,289.01
Receivable on Sale of Land	-	-	-	-
Prepaid Expenses	4,343.51	4,343.51	-	4,343.51
Construction in Progress	-	-	-	-
Other Capital Assets, Net Accumulated Depreciation \$1,012,632.15	-	-	4,471,996.33	4,471,996.33
Total Assets	1,819,368.72	1,819,368.72	4,471,996.33	6,291,365.05
LIABILITIES				
Long-term Liabilities:				
Due Within One Year	-	-	356,929.76	356,929.76
Due After One Year	-	-	2,898,093.25	2,898,093.25
Total Liabilities	-	-	3,255,023.01	3,255,023.01
FUND BALANCES/ NET ASSETS				
Fund Balances:				
Unreserved	1,819,368.72	1,819,368.72	(1,819,368.72)	
Total Fund Balance	1,819,368.72	1,819,368.72	(1,819,368.72)	
Total Liabilities and Fund Balances	\$ 1,819,368.72	\$ 1,819,368.72		
Net Assets:				
Invested in Capital Assets, Net of Related Debt				1,216,973.32
Unrestricted				1,819,368.72
Total Net Assets				\$ 3,036,342.04

Travis County Emergency Services District #5
**Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances**
For the Year Ended December 31, 2012

	General Fund	Total	Adjustments	Statement of Activities
REVENUES:				
Property Taxes	877,565.55	877,565.55	-	877,565.55
Sales Tax	863,268.81	863,268.81	-	863,268.81
Investment Earnings	9,645.67	9,645.67	-	9,645.67
Other Income	13,530.12	13,530.12	-	13,530.12
<hr/>				
Total Revenues	1,764,010.15	1,764,010.15	-	1,764,010.15
EXPENSES:				
Current:				
ESD Operations	2,010,621.17	2,010,621.17	(1,916,517.60)	94,103.57
Manchaca Volunteer Fire Department	999,649.25	999,649.25	-	999,649.25
Debt Service:				
Principal	356,929.76	356,929.76	(356,929.76)	-
Interest	188,703.26	188,703.26	-	188,703.26
Depreciation	-	-	218,386.15	218,386.15
<hr/>				
Total expenses	3,555,903.44	3,555,903.44	(2,055,061.21)	1,500,842.23
<hr/>				
Excess of Revenues Over Expenditures	(1,791,893.29)	(1,791,893.29)	2,055,061.21	
Change in Net Assets				263,167.92
FUND BALANCE / NET ASSETS:				
Beginning of the year	3,422,558.75	3,422,558.75	(649,384.63)	2,773,174.12
<hr/>				
End of the year	1,630,665.46	1,630,665.46	1,405,676.58	3,036,342.04

Travis County Emergency Services District #5

Budgetary Comparison

For the Year Ended December 31, 2012

	Actual	Budget	Variance
REVENUES:			
Property Taxes	877,565.55	780,000.00	97,565.55
Sales Tax	863,268.81	600,000.00	263,268.81
Investment Earnings	9,645.67	4,000.00	5,645.67
Other Income	13,530.12	-	13,530.12
Total Revenues	1,764,010.15	1,384,000.00	380,010.15
EXPENSES:			
Current:			
ESD Operations	2,010,621.17	196,000.00	1,814,621.17
Manchaca Volunteer Fire Department	999,649.25	870,000.00	129,649.25
Debt Service:			
Principal	356,929.76	357,000.00	(70.24)
Interest	188,703.26	-	188,703.26
Total Expenditures / Expenses	3,555,903.44	1,423,000.00	2,132,903.44
Excess of Revenues Over Expenditures	(1,791,893.29)	(39,000.00)	(1,752,893.29)

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

Travis County Emergency Services District # 5
Notes to the Financial Statements
For the Year Ending December 31, 2012

Note 1 - Summary of Significant Accounting Principles Reporting Entity

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

Creation and Purpose of Travis County Emergency Services District #5

The county judge was presented with a petition signed by at least one hundred qualified voters of Travis County who own taxable real property within the proposed district. The petition requested the formation of an emergency services district. The specific purpose of the Travis County Emergency Services District #5 is to provide medical, ambulance and fire fighting services within the boundaries of Travis County.

Government-wide and fund financial statements

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Fund Accounting

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

Governmental Funds

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

Travis County Emergency Services District # 5
Notes to the Financial Statements
For the Year Ending December 31, 2012

Note 1 - Summary of Significant Accounting Principles Reporting Entity (...continued)

The District reports the following major governmental fund:

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

Basis of Presentation

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Note 2 - Tax Assessment

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

Note 3 - Cash Deposits

The Board of Commissioners has the authority to designate one or more banks to serve as depositories for the funds of the district. To the extent that the funds in a depository bank are not insured by the Federal Deposit Insurance Corporation, the funds are secured in the manner provided by law for the security of county funds. Bank balances of TCESD#5 that exceed FDIC limits are entirely collateralized with securities held by Bank of America in the name of TCESD#5. Securities pledged by the Bank on behalf of TCESD#5 had a market value of \$1,635,251.48 at year end.

Travis County Emergency Services District # 5
Notes to the Financial Statements
For the Year Ending December 31, 2012

Note 3 – Cash Deposits (...continued)

Minimal cash balances are normally maintained in the District's checking account. The majority of the District's funds are normally maintained in the savings account. The District's carrying amount of cash in checking and savings at December 31, 2012, is presented below.

Bank of America, Savings		\$	376,963.49
Bank of America, Checking			19,638.35
			396,601.84
Total Cash & Equivalents			
	<u>Rate</u>	<u>Maturity Date</u>	
Fixed Term CD #2340	0.30%	5/23/2013	905,174.42
			905,174.42
Total Investments			
			\$ 1,301,776.26

Note 4 – Revenues and Receivables

Property tax revenues collected during the year ended December 31, 2012, and receivables at year-end are made up of the sum of the following:

	<i>Collected</i>	<i>Receivable</i>	<i>Current Revenue</i>
2011	\$ 370,365.72	\$ 5,970.36	\$ -
2012	529,457.25	342,170.00	871,627.25
Deposits in Transit	(69,550.97)	69,550.97	-
Prior Years	6,562.79	21,268.61	-
Penalties & Interest	5,938.27	-	5,938.27
	\$ 842,773.06	\$ 438,959.94	\$ 877,565.52

Sales tax revenues collected during the year ended December 31, 2012, and receivables at year end are as follows:

	<i>Collected</i>	<i>Receivable</i>	<i>Current Revenue</i>
2012	\$ 788,979.80	\$ 74,289.01	\$ 863,268.81

Note 5 – Fixed Assets

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

Travis County Emergency Services District # 5
Notes to the Financial Statements
For the Year Ending December 31, 2012

Note 5 – Fixed Assets (...continued)

Land at 1626	\$ 530,170.35	2009 Crimson Fire Pumper	\$ 613,274.00
1626 Building	3,437,923.09	2009 Super Vac Rescue Truck	504,325.83
Station 503	7,289.00	Pumper Truck Accessories	36,476.17
Station 501	7,289.00	Equipment for Fire Rescue	2,089.00
Station 505	5,143.00	Equipment for Fire Rescue	12,310.00
Station 502	40,338.00	Robot	8,313.00
1985 Ford Tanker	-	Skid Unit 1	-
1997 Ford Fire Truck	-	Skid Unit 2	-
1998 Spartan Fire Truck	-	Spreader	763.00
1999 Ford Pickup	-	Hydraulic Pump	1,095.00
2001 International Fire Truck	-	Personal Power Unit	730.00
2003 International Fire Truck	-	TIC Camera 1	-
2004 Ford Pickup	3,565.00	TIC Camera 2	-
2004 Ford Pickup	3,565.00	TIC Camera 3	-
2006 Wildland Engine	230,000.00	TIC Replacement	8,064.00
2006 Command Pickup	31,906.04	Accumulated Depreciation	(1,012,632.15)
			4,471,996.33

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Note 6 – Prepaid Expenses

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

TCAD, 2012 Service Fees	\$ 4,343.51
-------------------------	-------------

Note 7 – Sale of Undeveloped Land

In 2011, Travis County Emergency Services District #5 entered into a sales contract to sell 5.1 acres of undeveloped land with a basis of \$311,369.80 for \$348,975.00. The Organization received \$174,487.50 (\$174,214.03 after fees) down and a note receivable for \$174,487.50. The note is payable in 10 annual installments of \$17,448.75 plus interest at 4.5%. During 2012 the Organization received the full principle balance and accrued interest of \$6,107.05 to satisfy the note.

Note 8 – Note Payables

Travis County Emergency Services District #5 has two secured note payables requiring annual payments of principal and interest. The first loan, which was funded in October of 2009 in the amount of \$801,134.79 with an interest rate of 4.53%, was used to purchase a 2009 Crimson Fire Pumper and a 2009 Super Vac Rescue Truck. Annual payments of \$101,366.69 started in November of 2009 and will continue for 10 years. The second loan, which was funded in December of 2009 in the amount of \$3,000,000 with an interest rate of 5.72%, was used to purchase land and will be used to build a new fire station. Annual payments of \$255,563.07 started in December of 2010 and will continue for 20 years.

Travis County Emergency Services District # 5
Notes to the Financial Statements
 For the Year Ending December 31, 2012

Note 8 – Note Payables (...continued)

The balances on the two loans at December 31, 2012 are presented below:

	Note Payable, Trucks	Note Payable, Land & Building	Total
Due within one year	\$ 101,366.69	\$ 255,563.07	\$ 356,929.76
Due after one year	421,239.29	2,476,853.96	2,898,093.25
	\$ 522,605.98	\$ 2,732,417.03	\$ 3,255,023.01

Note 9 – Subsequent Events

Subsequent events were evaluated through August 15, 2013, which is the date the financial statements were available to be issued.

MILLAN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

In planning and performing our audit of the financial statements of Southwest Travis County Emergency Services District #5 for the year ended December 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a matter that presents an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated August 15, 2013, on the financial statements of Travis County Emergency Services District #5.

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

Bank Reconciliations

The checking and savings bank cash accounts were not reconciled for the entire year of 2012. Proper internal controls procedures call for all bank accounts to be reconciled monthly and that those reconciliations be reviewed by management. We recommend the bank accounts are reconciled on a monthly basis to ensure that all transactions have been recorded and/or have been recorded correctly so that the financial statements are accurate.

Access Controls

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

Accounting Software

The Organization uses Quicken to maintain the accounting records. The Quicken program is best suited in maintain personal financial records. We recommend investing in a program such as QuickBooks which is more suited to the accounting and reporting needs of the Organization.

Millan & Co, P.C.

Austin, Texas
August 15, 2013



Montemayor Hill & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**TRAVIS COUNTY EMERGENCY
SERVICES DISTRICT #10**

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

SEPTEMBER 30, 2012



Arturo Montemayor III
President & CEO

Stacy Britton
Shareholder

Pamela Hill
Shareholder

Montemayor Hill & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Sean Bender
Shareholder

Board of Fire Commissioners
Travis County Emergency Services District #10

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and general fund of the Travis County Emergency Services District #10 (District) as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on the 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 our audit provides a reasonable basis for our opinion.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 and the budgetary comparison information and on page 13 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.

30 August 2013
Austin, Texas

Montemayor Hill & Company, P.C.

3001 SOUTH LAMAR BOULEVARD
SUITE 320
AUSTIN, TEXAS 78704
PHONE: 512.442.0380
FAX: 512.442.0817
www.montemayorhill.com

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the Travis County Emergency Services District #10 ("the District") for the year ended September 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District's property tax rate remained at 10¢ per \$100 of assessed valuation for the year ended September 30, 2012. The statutory limit, as established by the State of Texas constitution, is 10¢ per \$100 of assessed valuation.
- The District incurred an increase in fund balance of \$21,361 for the year, due to expenses being slightly less than tax revenues.
- Cash and current taxes receivable amounted to \$349,426 at September 30, 2012, which represented a decrease compared to the \$392,793 for cash, advances and current taxes receivable at September 30, 2011.
- Capital assets decreased by \$132,863 compared to September 30, 2011, entirely due to depreciation expense for the 2012 fiscal year.
- The District's capital lease balance decreased by \$183,435 in the current fiscal year, as a result of principal payments.
- Contract services expense under the Ce-BAR contract was \$1,075,000 for the year ended September 30, 2012 compared to \$1,008,000 for the year ended September 30, 2011.

Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The *basic financial statements* include two kinds of statements that present different views of the District. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

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

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District has improved or deteriorated.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 (example: uncollected property taxes).

Because the District's principal source of revenue is property taxes, the government-wide financial statements are grouped into one function that is supported by taxes (governmental activities).

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Financial Statements

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

Governmental Funds: The General Fund is 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, the governmental funds financial statements focus on current fiscal year cash inflows and outflows, as well as balances of resources available for spending at the end of the fiscal year. Such information may be useful in evaluating the District's recent financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's recent financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Fund and government-wide financial statements.

Government-Wide Financial Analysis

Net assets may serve as a useful indicator of the District's financial position. The District's net assets (assets less liabilities) were \$784,342 as of September 30, 2012. Capital assets, net of depreciation and related debt, accounted for \$420,760 or 54% of the total net assets. Capital assets reflect the large investments in facilities and equipment that are necessary to provide adequate fire suppression services to the community. The remaining balance of net assets of \$363,582 is unrestricted and available to meet the District's ongoing obligations to citizens and creditors. Governmental activities account for all of the changes in net assets at the government-wide reporting level because the District engages in no business-type activities. The tables below summarize the financial position of the District at September 30, 2011 and 2012 and the results of operations for the years ended September 30, 2011 and 2012.

<u>Assets</u>	<u>9/30/2012</u>	<u>9/30/2011</u>
Current assets	\$349,426	\$378,678
Non current and capital assets	1,260,807	1,393,629
Total assets	<u>\$1,610,233</u>	<u>\$1,772,307</u>
<u>Liabilities</u>		
Current maturities of long-term debt	\$188,075	\$179,715
Long-term debt	637,816	829,611
Total liabilities	<u>825,891</u>	<u>1,009,326</u>
Net assets:		
Invested in capital assets, net of debt	420,760	370,188
Unrestricted	363,582	392,793
Total net assets	<u>784,342</u>	<u>762,981</u>
Total liabilities and net assets	<u>\$1,610,233</u>	<u>\$1,772,307</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Property taxes	\$1,290,580	\$1,251,953
Interest and other income	<u>10,686</u>	<u>2,096</u>
Total revenues	<u>1,301,266</u>	<u>1,254,049</u>
<u>Expenses</u>		
Contract funding - Ce-BAR	1,075,000	1,008,000
Depreciation	132,863	168,436
Interest expense	41,410	49,202
Other	<u>30,632</u>	<u>15,099</u>
Total expenses	<u>1,279,905</u>	<u>1,240,737</u>
Change in net assets	21,361	13,312
Net assets, beginning	<u>762,981</u>	<u>749,669</u>
Net assets, ending	<u>\$784,342</u>	<u>\$762,981</u>

Financial Analysis of the Governmental Fund

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

During the fiscal year ending September 30, 2012, the District's only Governmental Fund was the General Fund, and it reported ending current assets of \$343,542, a decrease of \$29,616 from September 30, 2011. The District's ending unassigned fund balance of \$343,542 was unencumbered and available for spending at the District's discretion.

General Fund Budgetary Highlights

The General Fund an excess of expenditures over revenues of \$29,616. The reason for the budget variance is primarily due to the District approving additional contract funding of \$35,000 in excess of the original budget during the year, offset by unanticipated grant revenue.

Capital Assets

The District's investment in capital assets at September 30, 2012, net of accumulated depreciation, totaled \$1,246,651. The current year decrease of \$132,863 represented depreciation expense.

Long-Term Debt

The District's long-term debt at September 30, 2012, net of the current portion, totaled \$637,816 for capital leases. The current portion of the long-term debt was \$188,075. Fire stations and equipment are pledged as collateral on the leases. Activity during the year ended September 30, 2012 consisted of \$183,435 in principal payments and interest expense of \$41,410.

Economic Factors, Future Years' Budgets and Tax Rates

The October 2011 tax assessment increased by approximately 3% compared to the October 1, 2010 assessment. The tax rate of 10¢ per \$100 of assessed valuation for fiscal year 2011-2012 remained the same. The slight increase in tax revenues will allow for a slight increase in expected funding for future services contracted with Ce-BAR.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Request for Information

This financial report is designed to provide a general overview of the finances of the Travis County Emergency Services District #10 for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Travis County Emergency Services District #10
353 Commons Road
Austin, TX 78733

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2012

	General Fund	Adjustments (Note 9)	Statement of Net Assets
ASSETS			
Current assets:			
Cash	\$342,438		\$342,438
Property taxes receivable	<u>1,104</u>	5,884	<u>6,988</u>
	343,542		349,426
Property taxes receivable	20,040	(5,884)	14,156
Capital assets, net	<u>0</u>	1,246,651	<u>1,246,651</u>
	<u>\$363,582</u>		<u>\$1,610,233</u>
LIABILITIES			
Current liabilities:			
Current portion of capital leases	<u>\$0</u>	188,075	<u>\$188,075</u>
Noncurrent liabilities:			
Capital leases	0	637,816	637,816
Deferred property taxes	<u>20,040</u>	(20,040)	<u>0</u>
	<u>20,040</u>		<u>637,816</u>
	<u>20,040</u>		<u>825,891</u>
FUND BALANCES/NET ASSETS			
Unassigned fund balance	<u>343,542</u>	(343,542)	
	<u>\$363,582</u>	(363,582)	
NET ASSETS			
Invested in capital assets, net of debt			420,760
Unrestricted			<u>363,582</u>
			784,342
			<u>\$1,610,233</u>

The accompanying notes are an integral part of this financial statement presentation.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Contract funding - Ce-BAR VFD	\$1,075,000		\$1,075,000
Debt service	224,845	(183,435)	41,410
Depreciation	0	132,863	132,863
Other	<u>30,632</u>		<u>30,632</u>
	<u>1,330,477</u>		<u>1,279,905</u>
REVENUE			
General revenue:			
Property taxes	1,290,175	405	1,290,580
Interest and other income	<u>10,686</u>		<u>10,686</u>
	<u>1,300,861</u>		<u>1,301,266</u>
Change in net assets	(29,616)		21,361
Beginning fund balance/net assets	<u>373,158</u>		<u>762,981</u>
Ending fund balance/net assets	<u>\$343,542</u>		<u>\$784,342</u>

The accompanying notes are an integral part of this financial statement presentation.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Travis County Emergency Services District #10 (District) is a governmental unit that collects property taxes from the citizens of Travis County and disburses funds to Ce-BAR Volunteer Fire Department (Ce-BAR), a non-profit corporation. The District is not included in any other reporting entity.

The District operates under the provisions of Chapter 775 of the Health and Safety Code and was created to provide fire fighting services as well as emergency medical response services to a particular geographic portion of western Travis County. Funding for the District is primarily through the collection of property taxes billed annually in October.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to U.S. generally accepted accounting principles applicable to governments promulgated by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The following is a summary of the significant accounting policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The District is considered a special purpose government under GASB Statement No. 34. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements to be prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. The District services are supported primarily by property taxes. The Statement of Activities demonstrates how the District used revenue.

NET ASSETS/FUND BALANCE

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed. When both assigned and unassigned funds are available for expenditure, assigned funds are used first.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues available if they are collectible within 60 days after year-end. Expenditures are recognized in the accounting period in which the liability is incurred. Interest and tax revenues associated with the current fiscal year are considered susceptible to accrual and have been recognized as revenues in the current fiscal year. All other revenue is considered measurable and available only when cash is received by the District.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

DEFERRED REVENUE

The District reported unearned deferred revenue in the Statement of Net Assets. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within 60 days after year-end are considered to have been for prior year services.

CAPITAL ASSETS

All capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are recorded as expenses. Depreciation is calculated on a straight-line basis. Estimated useful lives are as follows:

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vehicles and engines	10 years
Furniture, fixtures and equipment	10 years
Building	39.5 years

NOTE 3: DEPOSITS

At September 30, 2012, the carrying amount and bank balance of the District's cash deposits was \$342,438. Of this amount, approximately \$92,000 was in excess of FDIC insurance coverage. The District has not experienced any losses due to this risk.

The District has adopted an investment strategy to pursue limited investment risk the objectives of which are safety of principal, maintenance of liquidity, and maximization of yield. The District is authorized to invest in money market mutual funds, certificates of deposit, commercial paper, public investment pools and governmental obligations or repurchase agreements.

NOTE 4: CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	<u>\$144,024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$144,024</u>
Capital assets being depreciated:				
Vehicles and engines	1,449,749	0	0	1,449,749
Buildings	1,215,400	0	0	1,215,400
Equipment	457,671	0	0	457,671
Furniture and fixtures	60,167	0	0	60,167
Accumulated depreciation	<u>(1,947,497)</u>	<u>(132,863)</u>	<u>0</u>	<u>(2,080,360)</u>
Net assets being depreciated	<u>1,235,490</u>	<u>(132,863)</u>	<u>0</u>	<u>1,102,627</u>
	<u>\$1,379,514</u>	<u>(\$132,863)</u>	<u>\$0</u>	<u>\$1,246,651</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

NOTES TO FINANCIAL STATEMENTS

NOTE 5: PROPERTY TAXES

The District has the authority to levy a tax to a maximum of \$0.10 per \$100 of value. Ad valorem taxes are levied each October 1 on the assessed valuation of all taxable property in the District. The tax rate for the October 1, 2011 levy was \$0.10 per \$100 of value. Taxes are due upon receipt of the bill and are delinquent if not paid before the first day of January in the year following levy. On February 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Taxes are billed and collected by the Travis County Tax Assessor-Collector.

NOTE 6: LONG-TERM DEBT

<u>Capital Leases</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Fire Station	\$1,162,671	2019	4.41%	\$676,425	\$0	\$81,379	\$595,046
Engine #1	334,206	2014	4.25%	106,395	0	37,265	69,130
Engine #2	325,182	2014	3.93%	93,586	0	36,340	57,246
Tanker	153,817	2015	3.93%	57,117	0	16,965	40,152
Brush Truck	<u>116,000</u>	2017	4.92%	<u>75,803</u>	<u>0</u>	<u>11,486</u>	<u>64,317</u>
	<u>\$2,091,876</u>			<u>\$1,009,326</u>	<u>\$0</u>	<u>\$183,435</u>	825,891
						Less Current	<u>(188,075)</u>
						Long-term	<u>\$637,816</u>

Maturities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$188,075	\$36,771	\$224,846
2014	166,689	28,115	194,804
2015	106,827	21,517	128,344
2016	107,347	16,300	123,647
2017	111,377	10,932	122,309
2018-2019	<u>145,576</u>	<u>6,844</u>	<u>152,420</u>
	<u>\$825,891</u>	<u>\$120,479</u>	<u>\$946,370</u>

The District's capital leases are secured by the underlying property and equipment financed. The capital lease agreements contain purchase options.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

NOTES TO FINANCIAL STATEMENTS

NOTE 7: RELATED PARTIES

The District executed a contract with Ce-BAR in 2011, effective January 1, 2011 through September 30, 2015. The District agreed to fund the operations of Ce-BAR quarterly, as funds are available, based on a budget for Ce-BAR that is approved by the District. In exchange for the funding provided by the District, Ce-BAR agreed to provide emergency services including fire fighting and first responder assistance to the geographic area served by the District. The District funded Ce-BAR \$1,075,000 for services provided during the year ended September 30, 2012.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, natural disasters, etc. The District maintains commercial insurance coverage for these types of risks.

NOTE 9: ADJUSTMENTS TO CONVERT FUND STATEMENTS TO GOVERNMENT-WIDE

Ending fund balance - governmental fund	\$343,542
Increase net assets for capital assets not reported in the governmental funds	1,246,651
Taxes receivables deferred in the fund financial statements and not in the government-wide financial statements	20,040
Capital lease liabilities not reported in the fund financial statements	<u>(\$25,891)</u>
Net assets - governmental activities	<u>\$784,342</u>
Net change in fund balance - governmental fund	(\$29,616)
Revenue recognized in the government-wide financial statements not reported in the fund financial statements	405
Depreciation expense not recognized in the fund financial statements	(132,863)
Long-term debt principal payments recognized as expenditures in the fund financial statements	<u>183,435</u>
Change in net assets - governmental activities	<u>\$21,361</u>

NOTE 10: BUDGET VARIANCES

The District adopts an annual budget for the General Fund and amends the budget as needed during the year. The budget was not amended for the year ended September 30, 2012. Certain revenue and expenses were different than budgeted, primarily additional contract funding of \$35,000 in excess of initial budget, which resulted in a slightly lower than budgeted fund balance.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

BUDGETARY COMPARISON - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2012

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$1,284,800	\$1,290,175	\$5,375
Interest and other	<u>2,000</u>	<u>10,686</u>	<u>8,686</u>
	<u>1,286,800</u>	<u>1,300,861</u>	<u>14,061</u>
EXPENDITURES			
Contract funding - Ce-BAR	1,040,000	1,075,000	(35,000)
Debt service	224,845	224,845	0
Other expenses	<u>19,500</u>	<u>30,632</u>	<u>(11,132)</u>
	<u>1,284,345</u>	<u>1,330,477</u>	<u>(46,132)</u>
REVENUES OVER EXPENDITURES	2,455	(29,616)	(32,071)
BEGINNING FUND BALANCE	<u>373,158</u>	<u>373,158</u>	<u>0</u>
ENDING FUND BALANCE	<u>\$375,613</u>	<u>\$343,542</u>	<u>(\$32,071)</u>

See independent auditor's report.

