



## Travis County Commissioners Court Agenda Request

**Meeting Date:** April 29, 2014, 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 Sponsors:** Commissioner Daugherty and  
Commissioner Davis

**AGENDA LANGUAGE:** Receive fiscal year 2013 financial audit reports  
for Emergency Services Districts 4, 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 3 Office	Gerald Daugherty, 854-9333

TRAVIS COUNTY  
AUDITOR'S OFFICE

NICKI RILEY, CPA  
COUNTY AUDITOR



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To: Commissioners Court  
From: *KM* Kathryn Madden, Financial Audit Manager  
Date: April 17, 2014  
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 2013.

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. 4	1 & 3	2013
No. 9	3	2013
No. 12	1	2013
No. 14	3	2013

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

**Travis County**  
**Emergency Service District #4**  
**Financial Statements**  
**September 30, 2013**

RECEIVED

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TRAVIS COUNTY  
AUDITORS OFFICE

Travis County Emergency  
Services District No. 4  
Financial Statements  
September 30, 2013

Travis County Emergency Services District No. 4  
For the Year ending September 30, 2013

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Texas Society of  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Travis County Emergency Services District No. 4

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 4, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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 Travis County Emergency Services District No. 4, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 25 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.

*Medack & Oltmann, LLP*

Medack & Oltmann, LLP  
January 28, 2014

# Travis County Emergency Services District #4

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

For the Year Ending September 30, 2013

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily, readable analysis of the financial activities of Travis County Emergency Services District #4 (the "District") for the year ending September 30, 2013. The analysis is based on currently know facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- Total Net Assets equaled \$4,111,349
  - Invested in Capital Assets, net of related debt \$2,120,556
  - Unrestricted Net Assets \$ 1,990,793
- Total Fund Expenditures were \$3,131,230 while Revenue was \$2,579,183 resulting in a (Deficiency) of Revenue over Expenditures of \$(552,047).
- The District entered into a loan agreement with Regions Bank for \$385,000 the proceeds of which are to be used in part for the remodel project of one of it's stations. This note bears an interest rate of 2.79%.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: **1) Government-wide financial statements; 2) Fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.**

### Government-Wide Financial Statements

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

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's general fund. Travis County ESD 4 has a General Fund and a Capital Projects Fund.

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

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### Using this Annual Report

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

The District presents the governmental funds in the first column. The next column is an adjustment column which reconciles the amounts reported in the first column to indicate how each line item would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements. For governmental activities, this last column tells us how these services were financed in the short term as well as what remains for future spending.

### Reporting the District as a Whole

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

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

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

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

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

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

The District currently has no business-type activities.

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District (ESD #4), like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

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

All of the District's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called Modified Accrual Accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the adjustments column of the financial statements and in Note 12 of the financial statements.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

Travis County ESD 4  
 Management's Discussion and Analysis

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**The District as a Whole**

Governmental activities decreased the District's net assets by \$ 211,141. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the District's governmental activities:

**Table 1  
 Governmental Activities  
 Net Assets**

<b>Assets</b>	<b>9/30/2012</b>	<b>9/30/2013</b>
Current Assets	<u>2,127,824</u>	<u>2,147,082</u>
Other Assets	250	35,250
Capital Assets	<u>2,306,717</u>	<u>2,505,556</u>
<b>Total Assets</b>	<u>4,434,791</u>	<u>4,687,888</u>
<b>Liabilities</b>		
Current Liabilities	112,301	226,539
Long-Term Liabilities	-	350,000
<b>Total Liabilities</b>	<u>\$ 112,301</u>	<u>576,539</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,306,717	2,120,556
Restricted	-	-
Unrestricted	<u>2,015,773</u>	<u>1,990,793</u>
<b>Total Net Assets</b>	<u>\$ 4,322,490</u>	<u>4,111,349</u>

**Overall this represents a year to year decrease of 4.88 % in Net Assets.**

Travis County ESD 4  
Management's Discussion and Analysis

Table 2  
Changes in Net Assets

<b>Expenditures</b>	<u>9/30/2012</u>	<u>9/30/2013</u>
Apparatus	109,573	98,748
Equipment	226,971	59,297
Communications	36,353	49,437
EMS	21,211	7,172
Insurance	145,632	153,714
Training	48,982	38,715
Stations	110,556	100,643
District Office	29,414	38,049
Personnel	2,115,582	2,004,214
Administrative	85,743	116,240
Miscellaneous	1,480	1,754
Miscellaneous	-	-
Capital Outlay	-	-
Depreciation Expense	124,070	166,447
Debt Service:	-	-
Principal	-	-
Interest	-	-
<b>Total Expenditures</b>	<u>\$ 3,055,567</u>	<u>\$ 2,834,430</u>
<b>Program Revenues</b>		
Fire Academy	96,000	96,000
<b>Sub Total</b>	<u>\$ 96,000</u>	<u>\$ 96,000</u>
<b>Net Program expense (Income)</b>	<u>\$ 2,959,567</u>	<u>\$ 2,738,430</u>
<b>General Revenues</b>		
Property Taxes	1,430,455	1,394,819
Sales Taxes	758,605	954,038
Interest	8,662	12,949
Miscellaneous Income	8,307	41,929
FEMA Grant/Matching Funds	163,486	46,750
Contract Services	20,000	33,367
	-	-
<b>Total General Revenues</b>	<u>\$ 2,389,515</u>	<u>\$ 2,483,852</u>
Gain on Disposal of Assets	<u>\$ -</u>	<u>\$ 43,437</u>
<b>Change in Net Assets</b>	<u>\$ (570,052)</u>	<u>\$ (211,141)</u>
Fund Balance/Net Assets Beginning of year	4,892,542	4,322,490
Fund Balance/Net Assets End of year	<u>4,322,490</u>	<u>4,111,349</u>

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

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### Budgetary Highlights

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

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

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

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

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

#### **The District's 2013 Planned Budget (including amendments as recorded)**

The District's FY 9/30/2013 budget resulted in actual revenue of \$ 2,579,183

The District's FY 9/30/2013 budget resulted in actual expenditures of \$ 3,131,230

Total District Excess (Deficiency) of Revenues over Expenditures was (\$ 552,047)

Variance with Final Budget Favorable (Unfavorable) \$ 29,076

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

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**Capital Asset and Debt Administration**

**Capital Assets:**

At the end of the fiscal year FY 09/30/2013, capital assets are as follows:

	<u>09/30/2012</u>	<u>09/30/2013</u>
<b>Capital Assets - Please see Note 5</b>		
Governmental Activities:		
Capital assets not being depreciated:		
Land	\$ 134,064	\$ 324,645
Total capital assets not being depreciated:	<u>134,064</u>	<u>324,645</u>
Capital assets being depreciated:		
Vehicles	1,411,693	1,155,615
Equipment	189,973	206,337
Buildings and Structures	1,655,977	1,655,977
Construction in Progress		32,872
Total Capital Assets being depreciated:	<u>3,257,643</u>	<u>3,050,801</u>
Less accumulated depreciation for:		
Vehicles	719,179	454,161
Equipment	124,561	131,641
Buildings and Structures	241,250	284,088
Total accumulated depreciation	<u>1,084,990</u>	<u>869,890</u>
Total capital assets, being depreciated, net	<u>2,172,653</u>	<u>2,180,911</u>
Government activities capital assets, net	<u>2,306,717</u>	<u>2,505,556</u>

**Depreciation was charged to the governmental activities of \$166,447**

	<u>09/30/2012</u>	<u>09/30/2013</u>
<b>Long-Term Debt - Please see Note 6</b>		
Governmental Activities	Due within 1 yr	Due within 1 yr
Regions Bank	\$ -	\$ 35,000
Compensated Absences	37,686	36,288
Total Governmental Activities	<u>\$ 37,686</u>	<u>\$ 71,288</u>

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

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### **Organization**

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

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

### **Financial**

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

### **Capital Expense**

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

### **Grants**

The TCESD 4 fire department received a grant of \$96,000 from Travis County Social Services to conduct a Firefighter and EMT-B Academy. 2011 marked the 11<sup>th</sup> year of the successful completion of the academy program. This unique program recruits a diverse group of young adults from throughout Travis County and provides them an opportunity to become state certified and enter into the fire service profession. Additionally, TCESD 4 received a grant for \$5950 from the Texas Forest Service in support of the TCESD 4 Academy.

TCESD 4 submitted documentation to the Fire Management Assistance Grant (FMAG) program through Travis County Homeland Security for 75% reimbursement of approximately \$18,000 in costs incurred to support mitigation of the Labor Day Wildfires in western Travis County.

### **Annexations**

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

**Conclusion**

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

**Requests for Information**

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

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

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

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
 GOVERNMENTAL FUNDS BALANCE SHEET AND  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2013

	General Fund	Capital Project Fund	Total	Adjustments (Note 12)	Statement of Net Assets
<b>ASSETS</b>					
Cash	\$ 1,469,260	\$ 350,000	\$ 1,819,260	\$ -	\$ 1,819,260
Investments	-	-	-	-	-
Property Taxes Receivable	74,162	-	74,162	-	74,162
Accounts Receivable-Other	158,844	-	158,844	-	158,844
Due from Other Governments	93,216	-	93,216	-	93,216
Prepaid Expenses	1,600	-	1,600	-	1,600
Security Deposits	250	-	250	-	250
Unamortized Debt Issue Costs	-	-	-	35,000	35,000
Capital Assets (net of accumulated depreciation)	-	-	-	2,505,556	2,505,556
<b>TOTAL ASSETS</b>	<b>\$ 1,797,332</b>	<b>\$ 350,000</b>	<b>\$ 2,147,332</b>	<b>\$ 2,540,556</b>	<b>\$ 4,687,888</b>
<b>LIABILITIES</b>					
Payroll Liabilities Payable	\$ 55,864	\$ -	\$ 55,864	\$ -	\$ 55,864
Accounts Payable	99,387	-	99,387	-	99,387
Deferred Revenues	74,162	-	74,162	(74,162)	-
Long-term liabilities	-	-	-	-	-
Due within one year	-	-	-	71,288	71,288
Due after one year	-	-	-	350,000	350,000
<b>TOTAL LIABILITIES</b>	<b>229,413</b>	<b>-</b>	<b>229,413</b>	<b>347,126</b>	<b>576,539</b>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances:					
Nonspendable - Prepaid Expenses	1,600	-	1,600	(1,600)	-
Restricted - Construction Project	24,305	350,000	374,305	(374,305)	-
Unassigned	1,542,014	-	1,542,014	(1,542,014)	-
Total fund balances	1,567,919	350,000	1,917,919	(1,917,919)	-
Total liabilities and fund balances	\$ 1,797,332	\$ 350,000	\$ 2,147,332		
Net assets:					
Invested in capital assets, net of related debt				2,120,556	2,120,556
Restricted				-	-
Unrestricted				1,990,793	1,990,793
Total net assets				<u>4,111,349</u>	<u>\$ 4,111,349</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
 GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

EXPENDITURES/EXPENSES	General Fund	Capital Projects Fund	Total	Adjustments (Note 12)	Statement of Activities
Apparatus	\$ 98,748	\$	\$ 98,748	\$ -	\$ 98,748
Equipment	59,297		59,297	-	59,297
Communications	49,437		49,437	-	49,437
EMS	7,172		7,172	-	7,172
Insurance	153,714		153,714	-	153,714
Training	38,715		38,715	-	38,715
Stations	100,643		100,643	-	100,643
District Office	38,049		38,049	-	38,049
Personnel	2,005,612		2,005,612	(1,398)	2,004,214
Administrative	116,240		116,240	-	116,240
Miscellaneous	1,754		1,754	-	1,754
Capital Outlay	461,849		461,849	(461,849)	-
Debt Issue Costs	-	35,000	35,000	(35,000)	-
Amortization of Debt Issue Costs	-	-	-	-	-
Depreciation Expense	-	-	-	166,447	166,447
Total expenditures/expenses	<u>3,131,230</u>	<u>35,000</u>	<u>3,166,230</u>	<u>(331,800)</u>	<u>2,834,430</u>
<b>PROGRAM REVENUES</b>					
Charges for services:					
Fire Academy	96,000	-	96,000	-	96,000
Net program expense (income)					<u>2,738,430</u>
<b>GENERAL REVENUES</b>					
Property Taxes	1,394,150		1,394,150	669	1,394,819
Sales Taxes	954,038		954,038	-	954,038
Interest	12,949		12,949	-	12,949
Miscellaneous Income	41,929		41,929	-	41,929
Grants	46,750		46,750	-	46,750
Contract Services	33,367		33,367	-	33,367
Total general revenues	<u>2,483,183</u>	<u>-</u>	<u>2,483,183</u>	<u>669</u>	<u>2,483,852</u>
Excess (Deficiency) of revenues over expenditures	(552,047)	(35,000)	(587,047)	587,047	
<b>OTHER SOURCES/USES</b>					
Financing Proceeds	-	385,000	385,000	(385,000)	-
Proceeds from sale of assets	140,000	-	140,000	(140,000)	-
Gain on disposal of assets	-	-	-	43,437	43,437
Excess of Revenues and Other Sources over Expenditures	<u>140,000</u>	<u>385,000</u>	<u>525,000</u>	<u>(481,563)</u>	<u>43,437</u>
Net change in fund balances	<u>(412,047)</u>	<u>350,000</u>	<u>(62,047)</u>	62,047	-
Change in net assets				<u>(211,141)</u>	<u>(211,141)</u>
Fund Balance/Net Assets					
Beginning of the year	<u>1,979,966</u>	<u>-</u>	<u>1,979,966</u>	<u>2,342,524</u>	<u>4,322,490</u>
End of the year	<u>\$ 1,567,919</u>	<u>\$ 350,000</u>	<u>\$ 1,917,919</u>	<u>\$ 2,193,430</u>	<u>\$ 4,111,349</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

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

BASIS OF PRESENTATION

*Basic Financial Statements*

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**BASIS OF ACCOUNTING**

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

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

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

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

**BUDGETS**

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

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of an ordinance.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. During the current year, it was noted that some funds had expenditures in excess of revenues. These differences were compensated for with an accumulation of prior years' surpluses.
5. All annual appropriations lapse at fiscal year end.

CAPITAL ASSETS

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

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The capitalization policy, i.e. the dollar value above which asset acquisitions are added to the capital accounts, is \$ 5,000.

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

Buildings and Structures	40 years
Vehicles	7-20 years
Other Equipment	10-20 years

The Department does not own any infrastructure assets.

*Fund Financial Statements*

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 non-spendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

COMPENSATED ABSENCES

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

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2013, no claims or losses have been incurred that were not covered by insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Claims have not exceeded this insurance coverage in any of the past three fiscal years.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROGRAM REVENUES

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

USE OF ESTIMATES

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

NOTE 2: DEPOSITS AND INVESTMENTS

**Deposits**

Deposits for the District are being held by Wells Fargo Bank in interest-bearing accounts. As of year end, deposits with Wells Fargo exceeded FDIC coverage by \$1,572,557 this excess was fully secured by pledged securities consisting of US Government securities of \$1,931,078(Category 2). At September 30, 2013, the carrying amount of the District's deposits was \$1,819,260, and the bank balance was \$1,822,557.

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

- Category 1 -Insured or collateralized with securities held by the District or its agent in the District's name.
- Category 2 -Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 -Uncollateralized, including any bank balance that is collateralized or by its trust department or agent but not in the District's name.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2013, consist of:

Revenue Rescue	\$ 8,844
Travis County ESD #12	10,000
Brindlee Mountain Fire	<u>140,000</u>
Total	<u>\$ 158,844</u>

NOTE 4: DUE FROM OTHER GOVERNMENTS

This consists of sales tax collected but not yet remitted.

State Comptroller – Sales Tax	\$ 93,216
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NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/01/12	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2013
Governmental Activities:				
Capital assets not being depreciated:				
Land	134,064	190,581	-	324,645
Total capital assets not being depreciated	<u>134,064</u>	<u>190,581</u>	<u>-</u>	<u>324,645</u>
Capital assets, being depreciated				
Vehicles	1,411,693	222,032	(478,110)	1,155,615
Equipment	189,973	16,364	-	206,337
Buildings and Structures	1,655,977	-	-	1,655,977
Construction-in-Progress	-	32,872	-	32,872
Total capital assets being depreciated	<u>3,257,643</u>	<u>271,268</u>	<u>(478,110)</u>	<u>3,050,801</u>
Less accumulated depreciation for:				
Vehicles	719,179	116,529	(381,547)	454,161
Equipment	124,561	7,080	-	131,641
Buildings and Structures	241,250	42,838	-	284,088
Total accumulated depreciation	<u>1,084,990</u>	<u>166,447</u>	<u>(381,547)</u>	<u>869,890</u>
Total capital assets, being depreciated, net	<u>2,172,653</u>	<u>104,821</u>	<u>(96,563)</u>	<u>2,180,911</u>
Governmental activities capital assets, net	<u>2,306,717</u>	<u>295,402</u>	<u>(96,563)</u>	<u>2,505,556</u>

Depreciation was charged to the governmental activities of \$ 166,447.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 6: LONG-TERM DEBT

The District entered into a loan agreement with Regions Bank for \$385,000 the proceeds of which are to be used in part for the remodel project of one of its stations. This note bears an interest rate of 2.79% with annual payments of principal and interest having a maturity date of February 15, 2023. This note may be prepaid only on February 15, 2015, with 15 days written notice.

Transactions for the year ended September 30, 2013, are summarized as follows:

	Balance October 1	Additions	Reductions	Balance September 30	Due within one year
<u>Governmental Activities</u>					
Regions Bank	\$ -0-	385,000	-0-	385,000	35,000
Compensated Absences	37,686	-0-	1,398	36,288	36,288
Total Governmental Activities	\$ 37,686	\$ 385,000	\$ 1,398	\$ 421,288	\$ 71,288

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

Fiscal Year	Principal	Interest	Total Requirement
2014	\$ 35,000	\$ 9,090	\$ 44,090
2015	35,000	9,277	44,277
2016	35,000	8,300	43,300
2016	37,000	7,296	44,296
2017	38,000	6,250	44,250
Thereafter	205,000	14,577	219,577
Total	\$ 385,000	\$ 54,790	\$ 439,790

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, 2012, upon which the 2012 levy was based, was \$1,393,659,662 as certified by the Travis Central Appraisal District.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 7: PROPERTY TAXES (continued)

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 2012 levy was \$ 1,393,660 and the tax rate was \$ 0.10 per \$100 assessed valuation.

NOTE 8: OPERATING LEASES

In addition to the capital lease, the District also has entered into certain operating lease agreements. Such lease agreements are for administrative offices and a fire station. These leases are generally fixed and are not subject to increase without renegotiating agreements. The amount expended for these leases for the year ending September 30, 2013, was \$ 36,957.

NOTE 9: COMMITMENTS

The District has entered into an agreement with the City of Austin for its dispatching services with the fee structure based upon projected calls. For the year ending September 30, 2013, the District's fee for these services was \$ 30,024.

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

Travis County	(October 1, 2012 through September 30, 2013)	\$ 96,000
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The District entered into a lease/purchase agreement on September 12, 2013, totaling \$737,000 for the purchase of 2 new fire trucks. As of year-end, these vehicles had not been placed in service as they were still being constructed. The District expects to place these vehicles in service in 2014.

NOTE 10: FUND BALANCE CLASSIFICATION

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 10: FUND BALANCE CLASSIFICATION (continued)

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 non-spendable, 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 12.

As of September 30, 2013, the District has not adopted a minimum fund balance policy.

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

The City of Austin has the right to annex property within the District which could in the future result in a reduction of the total value of property within the District and therefore a reduction in the total tax revenue to be collected. For the year ending September 30, 2013, there were no plans by the City to annex property.

NOTE 12: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS

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

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

Debt issue costs are amortized over the life of the debt.

Unamortized debt issue costs     \$    35,000

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                     \$ 3,375,446  
Accumulated Depreciation                ( 869,890)  
   \$ 2,505,556

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 12: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
 AND GOVERNMENT-WIDE STATEMENTS (continued)

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

	Deferred revenue	\$ (74,162)
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Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of net assets.

	Due within one year	\$ 71,288
	Due after one year	350,000

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

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

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

	Adjustment for Compensated Leave	\$ (1,398)
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When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

	Capital outlay	\$ (461,849)
	Depreciation Expense	166,447

The issuance of long-term debt provides current financial resources to the governmental fund and has no effect on net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas the amount are deferred and amortized over the life of the note in the statement of activities.

	Debt Issue Costs	(35,000)
	Proceeds from Debt	(\$385,000)

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

	Adjustment for property taxes collected after year-end	\$ 669
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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 12: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS (continued)

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	\$	43,437
Proceeds from sale of assets		(140,000)

NOTE 13: CONTRACTUAL AGREEMENTS

The District has entered into an agreement with an adjoining ESD for Fire Chief and administrative services. The District will receive payment for these services totaling \$2,500 per month. For the year ending September 30, 2013, the total amount received was \$30,000.

NOTE 14: EMPLOYEE BENEFITS

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

As of September 30, 2013, the District reimbursed \$3,000 to its employees.

NOTE 15: GRANTS

The District received several grants from the Texas Forest Service and local organizations in support of District programs, totaling \$19,250.

The District also received a grant from the Lower Colorado River Authority totaling \$25,000 which can only be used for specified items on its Station 404 remodel project.

NOTE 16: 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.

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
<b>REVENUES:</b>				
Property Taxes	\$ 1,397,930	\$ 1,397,930	\$ 1,394,150	(3,780)
Sales Taxes	735,000	735,000	954,038	219,038
Interest	4,000	4,000	12,949	8,949
Miscellaneous Income	-	-	41,929	41,929
Fire Academy	96,000	96,000	96,000	-
Grants	20,000	45,000	46,750	1,750
Revenue Rescue	16,000	16,000	-	(16,000)
Contract Services	50,000	50,000	33,367	(16,633)
<b>TOTAL REVENUES</b>	<b>\$ 2,318,930</b>	<b>\$ 2,343,930</b>	<b>\$ 2,579,183</b>	<b>235,253</b>
<b>EXPENDITURES:</b>				
Apparatus	\$ 85,000	\$ 85,000	\$ 98,748	(13,748)
Equipment	25,500	25,500	59,297	(33,797)
Communications	58,000	58,000	49,437	8,563
EMS	17,540	27,540	7,172	20,368
Insurance	208,820	208,820	153,714	55,106
Training	24,500	24,500	38,715	(14,215)
Stations	95,150	95,150	100,643	(5,493)
District Office	10,200	10,200	38,049	(27,849)
Personnel	1,801,714	1,897,693	2,005,612	(107,919)
Administrative	78,844	105,844	116,240	(10,396)
Miscellaneous	-	-	1,754	(1,754)
Capital Outlay	-	386,806	461,849	(75,043)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,405,268</b>	<b>\$ 2,925,053</b>	<b>\$ 3,131,230</b>	<b>(206,177)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (86,338)</b>	<b>\$ (581,123)</b>	<b>\$ (552,047)</b>	<b>29,076</b>
Other financing sources (uses)				
Proceeds from sale of asset			140,000	
Total other financing sources (uses)			-	
<b>FUND BALANCE:</b>				
Beginning of year			1,979,966	
End of year			<u>\$ 1,567,919</u>	



Travis County Emergency  
Services District No. Nine  
Financial Statements  
September 30, 2013

Travis County Emergency Services District No. Nine  
For the year ending September 30, 2013

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# *Medack & Oltmann, LLP*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Travis County Emergency Services District No. 9

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 9, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

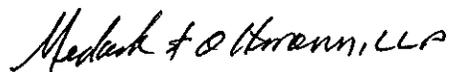
### **Opinions**

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 Travis County Emergency Services District No. 9, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Medack & Oltmann, LLP  
January 27, 2014



# **WESTLAKE FIRE DEPARTMENT**

Travis County ESD #9  
1301 S. Capital of Texas Hwy, Bldg B, Suite 123  
Austin, TX 78746

Headquarters 512-539-3400  
Facsimile 512-327-2780  
P O Box 162170 Austin, TX 78716-2170

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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, 2013. Please read this overview in conjunction with the Department's financial statements, which follow this section.

Travis County Emergency Services District No. 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, and 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 \$0.0845 per \$100 of assessed valuation.
- The Total Net Assets at the close of the most recent period were \$5,373,083.
- The District paid Debt Service in the amount of \$142,355.
- During the year, the General Funds Total Expenses were \$135,015 more than the \$4,392,478 generated in revenues from taxes, contract revenues, and fees.
- The District entered into a contract to purchase two new brush trucks for \$277,195 from committed reserve funds in FY 2014.
- The District purchased an office suite/training room for \$570,415 including remodeling and buildout costs. The District will reimburse itself from proceeds from a bond sale in FY 2013/14.
- 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 \$172,268. 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**

<b>Assets</b>	<u>9/30/12</u>	<u>9/30/13</u>
Current Assets	\$ 3,980,145	\$ 3,922,232
Other Assets	61,946	56,637
Capital Assets	<u>2,773,649</u>	<u>3,053,050</u>
Total Assets	<u>\$ 6,815,740</u>	<u>\$ 7,031,919</u>
 <b>Liabilities</b>		
Current Liabilities	\$ 79,569	\$ 154,544
Long-Term Liabilities	<u>1,535,356</u>	<u>1,504,292</u>
Total Liabilities	<u>\$ 1,614,925</u>	<u>\$ 1,658,836</u>
 <b>Net Assets:</b>		
Invested in Capital Assets, net of related debt	1,503,649	\$ 1,868,050
Restricted	-	41,149
Unrestricted	<u>3,697,166</u>	<u>3,463,884</u>
Total Net Assets	<u>\$ 5,200,815</u>	<u>\$ 5,373,083</u>

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

	<u>9/30/12</u>	<u>9/30/13</u>
<b>Revenues:</b>		
Ad Valorem Taxes	\$ 4,413,096	\$ 4,475,203
Penalties & Interest on Taxes	19,931	21,851
Interest	5,377	4,439
Contract Revenues	78,127	17,848
Miscellaneous Income	<u>24,286</u>	<u>17,320</u>
Total Revenues	4,540,817	4,536,691
<b>Expenses:</b>		
Board of Commissioner Expenditures	154,723	147,527
Personnel Costs	3,420,646	3,258,495
Station Facilities & Fixtures	76,133	72,130
Vehicles	118,812	100,521
Support Equipment	27,590	61,453
Training & Travel	40,966	37,404
Clothing	46,306	25,714
Recruiting & Retention	18,135	25,525
Administrative Expenditures	160,484	34,926
Communications	58,849	66,191
Programs	7,590	6,330
Information Technology	-0-	91,986
Dues & Subscriptions	10,310	13,972
Capital Outlay	-0-	-0-
Depreciation Expense	308,776	359,883
Debt Service Interest	60,540	57,123
Amortization of Bond Issue Cost	<u>5,243</u>	<u>5,243</u>
Total Expenses	<u>4,515,103</u>	<u>4,364,423</u>
Gain on Disposal of Assets	<u>143,840</u>	<u>-0-</u>
<b>Change in Net Assets:</b>		
Change in Net Assets	169,554	172,268
Net Assets – Beginning	<u>5,031,261</u>	<u>5,200,815</u>
Net Assets – Ending	<u>\$ 5,200,815</u>	<u>\$ 5,373,083</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, 2013, the District's total combined fund balance was \$3,668,960, which reflects a net combined fund balance decrease of \$125,637.

The General Fund (which is used to report the District's overall operations) reported a decrease of \$135,015. The decrease can be attributed to the purchase of a new office suite from committed reserves.

99% of all Department funds come from Ad Valorem taxes. The remaining minor revenues come from sources such as inspection income, 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 an eight-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 71% 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, 2013, the Net Taxable (Assessed) Valuation of the District increased by 5.19%. In the three years immediately prior, the AV

increased by 2.86%, 0.23%, and decreased -3.08% 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 one adjustment to the budget during the year.

The Board finalized implementing a Reserve Equity Policy that is designated funds for to meet legal and Board designated obligations. The Board will continue to analyze the Reserves Equity Policy annually and make adjustments as necessary.

### Capital Asset and Debt Administration

#### Capital Assets:

At the end of the fiscal year September 30, 2013, capital assets are as follows:

Table 3  
Capital Assets at Year-end

	<u>9/30/12</u>	<u>9/30/13</u>
Land	\$ 4,200	\$ 4,200
Vehicles	2,248,368	2,226,631
Equipment	429,448	487,331
Buildings	<u>1,819,092</u>	<u>2,375,140</u>
Total capital assets	<u>\$ 4,501,108</u>	<u>\$ 5,093,302</u>

This year's major additions included:

- The District purchased an office suite/training room for \$570,195 including remodeling and equipment and will reimburse itself in FY 2013/14
- ESD No.9 entered into a contract to replace two aging brush trucks in FY 2013/14.
- More detailed information about the District's Capital Assets and Depreciation is presented in Note 5 of the financial statements.

**Debt:**

At September 30, 2013, bonds payable consisted of the following:

\$1,714,999 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, 2013.

In December 2013, the Board authorized the sale of \$610,000 in bonds to reimburse itself for the purchase of an office suite / training room.

**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 4.0% for the Fiscal Year 2013-2014, according to the estimate provided by the Travis County Central Appraisal District. Historically, the assessed valuation of the District averages out to be 7.53% per year over the last twenty years.

The Board of Commissioners adopted a total tax rate for the forthcoming fiscal year tax rate of \$0.0808 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 \$0.0025 per \$100 A.V. The Board of Commissioners adopted an Operations and Maintenance budget tax rate of \$0.0783/\$100 A.V. (\$0.0808 - \$0.0025).

**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  
SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Total	Adjustments (Note 14)	Statement of Net Assets
<b>ASSETS</b>					
Cash	\$ 139,088	\$ 14,088	\$ 153,176	\$ -	\$ 153,176
Investments - Texpool	3,621,852	26,937	3,648,789	-	3,648,789
Taxes Receivable	100,527	2,655	103,182	-	103,182
Accounts Receivable	9,346	-	9,346	-	9,346
Prepaid Expenses	7,739	-	7,739	-	7,739
Due from Other Funds	-	124	124	(124)	-
Unamortized Bond Issue Costs	-	-	-	55,920	55,920
Unamortized Bond Discount	-	-	-	717	717
Capital Assets (net of accumulated depreciation)	-	-	-	3,053,050	3,053,050
<b>TOTAL ASSETS</b>	<b>\$ 3,878,552</b>	<b>\$ 43,804</b>	<b>\$ 3,922,356</b>	<b>\$ 3,109,563</b>	<b>\$ 7,031,919</b>
<b>LIABILITIES</b>					
Payroll Liabilities Payable	\$ 60,447	\$ -	\$ 60,447	\$ -	\$ 60,447
Accounts Payable	85,935	-	85,935	-	85,935
Due to Other Funds	124	-	124	(124)	-
Accrued Interest Payable	-	-	-	4,454	4,454
Deposits	3,708	-	3,708	-	3,708
Deferred Revenues	100,527	2,655	103,182	(103,182)	-
Long-term liabilities	-	-	-	-	-
Due within one year	-	-	-	85,000	85,000
Due after one year	-	-	-	1,419,292	1,419,292
<b>TOTAL LIABILITIES</b>	<b>250,741</b>	<b>2,655</b>	<b>253,396</b>	<b>1,405,440</b>	<b>1,658,836</b>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances:					
Nonspendable	7,739	-	7,739	(7,739)	-
Restricted	-	41,149	41,149	(41,149)	-
Committed	3,620,072	-	3,620,072	(3,620,072)	-
Assigned	-	-	-	-	-
<b>Total</b>	<b>3,627,811</b>	<b>41,149</b>	<b>3,668,960</b>	<b>(3,668,960)</b>	<b>-</b>
<b>Total fund balances</b>	<b>3,627,811</b>	<b>41,149</b>	<b>3,668,960</b>	<b>(3,668,960)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,878,552</b>	<b>\$ 43,804</b>	<b>\$ 3,922,356</b>		
Net assets:					
Invested in capital assets, net of related debt				1,868,050	1,868,050
Restricted				41,149	41,149
Unrestricted				3,463,884	3,463,884
<b>Total net assets</b>				<b>\$ 5,373,083</b>	<b>\$ 5,373,083</b>

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, 2013

	General Fund	Debt Service Fund	Total	Adjustments (Note 14)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>					
Board of Commissioners Expenditures:					
Insurance	\$ 24,589	\$ -	\$ 24,589	\$ -	\$ 24,589
Financial consultant	20,618	-	20,618	-	20,618
Legal fees	4,525	-	4,525	-	4,525
Appraisal/assessor costs	32,536	-	32,536	-	32,536
Audit	8,000	-	8,000	-	8,000
Leases	53,522	-	53,522	-	53,522
Miscellaneous	3,707	30	3,737	-	3,737
Service Agreement	-	-	-	-	-
Personnel Costs	3,204,560	-	3,204,560	53,935	3,258,495
Station facilities and fixtures	72,130	-	72,130	-	72,130
Vehicles	100,521	-	100,521	-	100,521
Support equipment	61,453	-	61,453	-	61,453
Training and travel	37,404	-	37,404	-	37,404
Clothing	25,714	-	25,714	-	25,714
Recruiting and retention	25,525	-	25,525	-	25,525
Administrative expenditures	34,926	-	34,926	-	34,926
Communications	66,191	-	66,191	-	66,191
Programs	6,330	-	6,330	-	6,330
Information Technology	91,986	-	91,986	-	91,986
Dues and subscriptions	13,972	-	13,972	-	13,972
Capital Outlay	639,284	-	639,284	(639,284)	-
Depreciation Expense	-	-	-	359,883	359,883
Debt Service:	-	-	-	-	-
Principal	-	85,000	85,000	(85,000)	-
Interest	-	57,355	57,355	(232)	57,123
Amortization of Bond Issue Costs	-	-	-	5,243	5,243
Total expenditures/expenses	<u>4,527,493</u>	<u>142,385</u>	<u>4,669,878</u>	<u>(305,455)</u>	<u>4,364,423</u>
<b>GENERAL REVENUES</b>					
Ad valorem taxes	4,344,889	137,864	4,482,753	(7,550)	4,475,203
Penalties & Interest on Taxes	21,240	611	21,851	-	21,851
Interest	4,359	80	4,439	-	4,439
Contract Revenues	17,878	-	17,878	-	17,878
Miscellaneous Income	4,112	13,208	17,320	-	17,320
Gain on Disposal of Assets	-	-	-	-	-
Total general revenues	<u>4,392,478</u>	<u>151,763</u>	<u>4,544,241</u>	<u>(7,550)</u>	<u>4,536,691</u>
Net Change in Fund Balances	(135,015)	9,378	(125,637)	125,637	-
Change in Net Assets				172,268	172,268
Fund Balance/Net Assets					
Beginning 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>
End of the year	<u>\$ 3,627,811</u>	<u>\$ 41,149</u>	<u>\$ 3,668,960</u>	<u>\$ 1,704,123</u>	<u>\$ 5,373,083</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

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  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

*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  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY CLASSIFICATIONS

*Government-wide Statements*

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

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

*Fund Statements*

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

INTERFUND TRANSACTIONS

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

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

NOTE 2: CASH

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 \$159,743 (Category 1). At September 30, 2013, the carrying amount of the District's deposits was \$153,176 and the bank balance was \$172,873.

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

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. The primary objective of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

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.

The District's investments as of September 30, 2013, are:

Investment	Fair Value	Effective Duration (in years)	Credit Risk
Local Government Investment Pool	\$3,648,789	0.0	AAA-m

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, 2013, 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, 2013, all of the District's investments were with TexPool.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 3: INVESTMENTS (continued)

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.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable totaled \$9,346 at September 30, 2013, consisting of:

Receivables from deployments	\$ 8,953
Receivables from other services	400
Receivables from employees for dependent insurance coverage	<u>(7)</u>
Total Accounts Receivable	\$ 9,346

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/1/2012	Additions/ Completions	Retirements/ Adjustments	Balance 9/30/2013
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 4,200	\$ -	\$ -	\$ 4,200
Total capital assets not being depreciated	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Capital assets, being depreciated				
Vehicles	2,248,368	-	(21,737)	2,226,631
Equipment	447,938	64,746	(25,353)	487,331
Buildings	1,800,602	574,538	-	2,375,140
Total capital assets being depreciated	<u>4,496,908</u>	<u>639,284</u>	<u>(47,090)</u>	<u>5,089,102</u>
Less accumulated depreciation for:				
Vehicles	(659,809)	(220,758)	21,737	(858,830)
Equipment	(268,272)	(45,690)	25,353	(288,609)
Buildings	(799,378)	(93,435)	-	(892,813)
Total accumulated depreciation	<u>(1,727,459)</u>	<u>(359,883)</u>	<u>47,090</u>	<u>(2,040,252)</u>
Total capital assets, being depreciated, net	<u>2,769,449</u>	<u>279,401</u>	<u>-</u>	<u>3,048,850</u>
Governmental activities capital assets, net	<u>2,773,649</u>	<u>279,401</u>	<u>-</u>	<u>3,053,050</u>

Depreciation was charged to the general fund of \$359,883.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 6: LONG-TERM DEBT

At September 30, 2013, bonds payable consisted of the following:

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

<u>Balance</u> <u>October 1, 2012</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>September 30, 2013</u>
\$1,270,000	-0-	\$ 85,000	\$1,185,000

The annual aggregate maturities for the bonds for the years subsequent to September 30, 2013, 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>
2014	85,000	57,743	142,743
2015	90,000	50,130	140,130
2016	95,000	46,305	141,305
2017	100,000	42,268	142,268
2018	100,000	37,868	137,868
Thereafter	715,000	118,969	833,969
<b>Total</b>	<u>\$1,185,000</u>	<u>\$ 353,283</u>	<u>\$ 1,538,283</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 6: LONG-TERM DEBT *(continued)*

*Changes in Outstanding Debt*

Transactions for the year ended September 30, 2013, are summarized as follows:

<u>Governmental Activities:</u>	Balance October 1	Additions	Reductions	Balance September 30	Due within one year
Tax Revenue Bonds	\$ 1,270,000	\$ -	\$ 85,000	\$1,185,000	\$ 85,000
Compensated Absences	265,356	53,936	-	319,292	-
Total Governmental Activities	\$ 1,535,356	\$ 53,936	\$ 85,000	\$1,504,292	\$ 85,000

Limited Tax Improvement and Refunding Bonds –

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

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, 2012, upon which the 2012 levy was based, was \$5,301,943,820 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 2012 levy was \$ 4,480,143 and the tax rate was \$ 0.0845 (.0819 M&O, .0026 I&S) per \$100 assessed valuation. Tax collections for the year ended September 30, 2013, were 99.8% of the 2012 tax levy.

NOTE 8: RETIREMENT PLAN

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

An additional feature of this plan is that the employer will match 100% of employee contributions up to 12% of that employee's compensation. Employer contributions are fully vested immediately to the employees' accounts. For the year ending September 30, 2013, contributions totaled \$479,011 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 also has entered into a lease agreement a copier for a 5 year period with monthly payments of \$231 plus excess charges and taxes.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 10: SUBSEQUENT EVENT

The District sold, subsequent to year end, \$610,000 of bonds. This sale came from remaining unsold bonds from a bond election approved by the voter in 2003. Funds from this sale are to reimburse the District for the purchase and remodeling of their administrative offices and training facilities.

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 \$4,767 for the fiscal year ending in 2013.

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 \$26,400 to the employees' HSAs in 2013.

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, 2013, there were no annexations by the City of Austin.

NOTE 13: 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 13: FUND BALANCE(continued)

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.

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.

As of September 30, 2013, the District has not adopted a minimum fund balance policy

Governmental Fund balances are as follows:

**Fund Balance:**

<u>Nonspendable</u>	
Prepaid Expenses	\$ 7,739
<u>Restricted</u>	
Debt Service	41,149
<u>Committed</u>	
Emergency Disaster	100,000
Severance	300,000
Operations	2,457,246
Vehicle Replacement	762,826
<u>Assigned</u>	
	-0-
<i>Total Fund Balance:</i>	<u>\$ 3,668,960</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

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	\$ 55,920
Unamortized bond discount	\$ 717

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	\$ 5,093,302
Accumulated Depreciation	(2,040,252)

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

\$ 4,454
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Taxes receivable are offset by deferred revenues in the governmental funds and thus are not Included in fund balance.

Deferred revenue	\$(103,182)
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Long-term liabilities applicable to the district's governmental activities are not due and payable in the Current period and accordingly are not reported as fund liabilities. All liabilities – both current and Long-term—are reported in the statement of net assets.

Due within one year	\$ 85,000
Due after one year	\$1,419,292

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 14: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND  
 AND GOVERNMENT-WIDE STATEMENTS (continued)

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	\$ 53,935
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When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ (639,284)
Depreciation Expense	\$ 359,883

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	\$ (85,000)
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Interest expense and bond discounts are recognized as expenditures in the governmental funds. The statement of activities includes only the interest expense for the current period and the amortized portion of bond discounts.

Change in Accrued Interest Payable	\$ (299)
Amortized portion of bond discount	\$ <u>67</u>
Total adjustment	\$ (232)

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
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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	\$ (7,550)
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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 15: COMMITMENTS

The District entered into a lease/purchase agreement on June 5, 2013, totaling \$277,195 for the purchase of 2 new fire trucks. As of year-end, these vehicles had not been placed in service as they were still being constructed. The District expects to place these vehicles in service in 2014.

The District entered into an agreement to pay for cloud software until March 28, 2015. Monthly payments are \$4,249.

The District pays a monthly fee \$1,912 for property management for its administrative and training facilities.

NOTE 16: 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.

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NINE  
SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET vs ACTUAL GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL	FINAL	
<b>REVENUES:</b>			
Ad valorem taxes	\$ 4,328,433	\$ 4,328,433	\$ 4,344,889
Penalties & Interest on Taxes	15,000	15,000	21,240
Interest	5,600	5,600	4,359
Contract Revenues	7,500	7,500	17,878
Miscellaneous Income	34,000	4,000	4,112
<b>TOTAL REVENUES</b>	<b>\$ 4,390,533</b>	<b>\$ 4,360,533</b>	<b>\$ 4,392,478</b>
<b>EXPENDITURES:</b>			
<b>Board of Commissioners Expenditures:</b>			
Insurance	\$ 35,350	\$ 35,350	\$ 24,589
Financial consultant	22,000	22,000	20,618
Legal fees	10,000	10,000	4,525
Appraisal/assessor costs	33,720	33,720	32,536
Audit	8,250	8,250	8,000
Leases	47,600	47,600	53,522
Service Agreements	-	-	-
Miscellaneous	5,300	5,300	3,707
Personnel Costs	3,340,039	3,340,039	3,204,560
Station facilities and fixtures	78,100	78,100	72,130
Vehicles	92,500	92,500	100,521
Support equipment	61,300	61,300	61,453
Training and travel	61,050	61,050	37,404
Clothing	44,800	44,800	25,714
Recruiting and retention	21,800	21,800	25,525
Administrative expenditures	37,750	37,750	34,926
Communications	72,400	72,400	66,191
Programs	6,200	6,200	6,330
Information Technology	99,100	99,100	91,986
Dues and subscriptions	8,800	8,800	13,972
Disaster Funds	-	-	-
Capital Outlay	214,000	220,000	639,284
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,300,059</b>	<b>\$ 4,306,059</b>	<b>\$ 4,527,493</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)</b>	<b>\$ 90,474</b>	<b>\$ 54,474</b>	<b>\$ (135,015)</b>
<b>FUND BALANCE:</b>			
Beginning of year			3,762,826
End of year			\$ 3,627,811

See Accompanying Notes to the Financial Statements

**Travis County**  
**Emergency Services District #12**  
**Financial Statement**  
**September 30, 2013**

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TRAVIS COUNTY  
AUDITORS OFFICE

Travis County Emergency  
Services District No. Twelve  
Financial Statements  
September 30, 2013

Travis County Emergency Services District No. Twelve  
For the year ending September 30, 2013

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Travis County Emergency Services District No. 12

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 12, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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 Travis County Emergency Services District No. 12, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 27 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.



Medack & Oltmann, LLP  
February 5, 2014



# 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, 2013. 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 \$1,143,526.
- Financial performance continued to improve for the ESD in FY 12-13 as expenditures continue to be closely monitored as well as management and personnel activities were stable.
- The ESD secured financing, of \$385,000 at 3% interest, as part of its continuing construction of station 1201.
- Staffing continued to be maintained with three persons per shift with employment reflecting a mix of full-time and part-time staff.
- ESD#12 has continued its 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 purchased additional property (land) costing \$46,897, which will be used for future station location.

## 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 13 to the financial statements.

## The District as a Whole

Governmental activities increased the Department's net assets by \$117,424. 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>2013</u>	<u>2012</u>
<b>Assets</b>		
Current Assets	\$ 1,167,201	\$ 908,241
Other Assets	68,300	-0-
Capital Assets	<u>1,643,145</u>	<u>\$ 1,604,024</u>
<b>Total Assets</b>	<b>\$ 2,878,646</b>	<b>\$ 2,512,265</b>
<b>Liabilities</b>		
Current Liabilities	\$ 238,003	\$ 208,095
Long Term Liabilities	<u>1,497,117</u>	<u>1,278,068</u>
<b>Total Liabilities</b>	<b>\$ 1,735,120</b>	<b>\$ 1,486,163</b>
<b>Net Assets</b>		
Invested in Capital Assets, net of related debt	\$ (19,923)	\$ 161,644
Unrestricted	<u>1,163,449</u>	<u>864,458</u>
<b>Total Net Assets</b>	<b><u>\$ 1,143,526</u></b>	<b><u>\$ 1,026,102</u></b>

**Table 2  
Changes in Net Assets**

	<u>9/30/2013</u>	<u>9/30/2012</u>
Revenues:		
Property Taxes	\$ 1,045,922	\$ 1,002,102
Interest Income	852	675
Other Income	185,693	129,826
Total Revenues	<u>\$ 1,232,467</u>	<u>\$ 1,132,603</u>
Expenses:		
Program Expenses		
General Government	\$ 1,010,571	\$ 869,172
Interest on Long-Term Debt	104,472	35,720
Total Expenses	<u>\$ 1,115,043</u>	<u>\$ 904,892</u>
Increase(Decrease) in Net Assets	\$ 117,424	\$ 227,711
Net Assets, beginning of the year	1,026,102	798,391
Net Assets, end of the year	<u><u>\$ 1,143,526</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, 2013, the District's total combined fund balance was \$1,014,876, which reflects a net combined fund balance increase of \$332,515.

85% 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, 2013, capital assets are as follows:

Table 3  
Capital Assets at Year-end

	<u>9/30/12</u>	<u>9/30/13</u>
Land	\$ 11,789	\$ 58,686
Vehicles	867,634	884,998
Furniture & Equipment	162,706	190,250
Building	1,204,984	1,204,984
Construction in Progress	<u>-0-</u>	<u>12,690</u>
Less accumulated depreciation	(643,089)	(708,463)
Total Capital Assets, net	\$ 1,604,024	\$ 1,643,145

Additions for the year ending September 30, 2013, consisted of land and vehicle purchases along with various rescue equipment.

### Debt:

At year-end, the District had \$1,663,068 in outstanding debt compared to \$1,442,380 last year. The District obtained a new loan during the year totaling \$385,000, for construction of 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:

- Increase Firefighters at Station 1201 (Downtown Manor)
- Open Fire Station 1202 near Hwy 290 & Voelker Ln., full Firefighter staffing.
- Open Fire Station 1203 and Fire Academy near Burleson-Manor Rd., full Firefighter staffing.
- Improve ISO Community Public Protection Classification rating.

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

### **Requests for Information**

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
 GOVERNMENTAL FUNDS BALANCE SHEET AND  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2013

ASSETS	General Fund	Debt Service Fund	Capital Projects Fund	Total Funds	Adjustments (Note 13)	Statement of Net Assets
Cash	\$ 27,383	\$ -	\$ -	\$ 27,383	\$ -	27,383
Investments - First Public	503,907	1,968	543,790	1,049,665	-	1,049,665
Taxes Receivable	80,957	9,196	-	90,153	-	90,153
Accounts Receivable	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Due from Other Funds	17,162	755	-	17,917	(17,917)	-
Unamortized Loan Issue Costs	-	-	-	-	68,300	68,300
Capital Assets (net of accumulated depreciation)	-	-	-	-	1,643,145	1,643,145
<b>TOTAL ASSETS</b>	<b>\$ 629,409</b>	<b>\$ 11,919</b>	<b>\$ 543,790</b>	<b>\$ 1,185,118</b>	<b>\$ 1,693,528</b>	<b>\$ 2,878,646</b>
<b>LIABILITIES</b>						
Payroll Liabilities Payable	\$ 14,879	\$ -	\$ -	\$ 14,879	\$ -	14,879
Bank Overdraft Payable	-	-	-	-	-	-
Accounts Payable	44,093	-	3,200	47,293	-	47,293
Due to Other Funds	-	15,162	2,755	17,917	(17,917)	-
Accrued Interest Payable	-	-	-	-	9,880	9,880
Deferred Revenues	80,957	9,196	-	90,153	(90,153)	-
Long-term liabilities	-	-	-	-	-	-
Due within one year	-	-	-	-	165,951	165,951
Due after one year	-	-	-	-	1,497,117	1,497,117
<b>TOTAL LIABILITIES</b>	<b>139,929</b>	<b>24,358</b>	<b>5,955</b>	<b>170,242</b>	<b>1,564,878</b>	<b>1,735,120</b>
<b>FUND BALANCES/NET ASSETS</b>						
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	(12,439)	-	(12,439)	12,439	-
Committed	-	-	537,835	537,835	(537,835)	-
Unassigned	489,480	-	-	489,480	(489,480)	-
Total fund balances	489,480	(12,439)	537,835	1,014,876	(1,014,876)	-
Total liabilities and fund balances	\$ 629,409	\$ 11,919	\$ 543,790	\$ 1,185,118		
Net assets:						
Invested in capital assets, net of related debt					(19,923)	(19,923)
Restricted					-	-
Unrestricted					1,163,449	1,163,449
Total net assets				\$	<u>1,143,526</u>	<u>1,143,526</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, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Funds	Adjustments (Note 14)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>						
Apparatus	\$ 58,717	\$ -	\$ -	\$ 58,717	\$ -	\$ 58,717
Equipment	50,483	-	-	50,483	-	50,483
Communications	64,280	-	-	64,280	-	64,280
EMS	2,149	-	-	2,149	-	2,149
Insurance	41,483	-	-	41,483	-	41,483
Training & Prevention	10,180	-	-	10,180	-	10,180
Stations	23,556	-	-	23,556	-	23,556
Supplies Operations	11,139	-	-	11,139	-	11,139
Bad Debt	26,471	-	-	26,471	-	26,471
Administrative Expenditures:	-	-	-	-	-	-
Annual Financial Audit	8,500	-	-	8,500	-	8,500
Legal Fees	10,628	-	-	10,628	-	10,628
Appraisal District/Assessor Fees	17,176	-	-	17,176	-	17,176
Administrative Contract	32,267	-	-	32,267	-	32,267
Miscellaneous Administrative Expenditures	6,526	-	-	6,526	-	6,526
Contract Labor	1,333	-	-	1,333	-	1,333
Personnel Costs	548,366	-	-	548,366	-	548,366
Capital Outlay	69,571	-	69,571	136,438	(136,438)	-
Loan Issue Cost	66,867	-	30,500	30,500	(30,500)	-
Depreciation Expense	-	-	-	-	97,317	97,317
Debt Service:	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest	75,312	89,000	-	164,312	(164,312)	-
Amortization of Loan Issue Cost	9,807	30,846	-	40,653	61,719	102,372
Total expenditures/expenses	<u>1,065,240</u>	<u>119,846</u>	<u>100,071</u>	<u>1,285,157</u>	<u>(170,114)</u>	<u>1,115,043</u>
<b>GENERAL REVENUES</b>						
Ad valorem taxes	939,475	106,652	-	1,046,127	(205)	1,045,922
Penalties & Interest on Taxes	16,517	-	-	16,517	-	16,517
Sales Tax	83,578	-	-	83,578	-	-
Interest	626	-	226	852	-	852
Grants	28,110	-	-	28,110	-	28,110
Miscellaneous Income	57,488	-	-	57,488	-	57,488
Gain from Sale of Asset	-	-	-	-	-	-
Total general revenues	<u>1,125,794</u>	<u>106,652</u>	<u>226</u>	<u>1,232,672</u>	<u>(205)</u>	<u>1,232,467</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Financing Proceeds	-	-	385,000	385,000	(385,000)	-
Other Financing Proceeds - Refunding Loans	-	-	-	-	-	-
Transfer in/(out)	(2,634)	-	2,634	-	-	-
Proceeds from Sale of Asset	-	-	-	-	-	-
Total Other Financing Sources(Uses)	<u>(2,634)</u>	<u>-</u>	<u>387,634</u>	<u>385,000</u>	<u>(385,000)</u>	<u>-</u>
Net Change in Fund Balances	57,920	(13,194)	287,789	332,515	(332,515)	-
Change in Net Assets	-	-	-	-	117,424	117,424
Fund Balance/Net Assets	431,560	755	250,046	682,361	343,741	1,026,102
Beginning of the year	489,480	(12,439)	537,835	1,014,876	128,650	1,143,526
End of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

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 TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

*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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

*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.

**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 TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 \$ 1,000.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

The Department does not own any infrastructure assets.

*Fund Financial Statements*

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

EQUITY CLASSIFICATIONS

*Government-wide Statements*

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

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

*Fund Statements*

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2013, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

USE OF ESTIMATES

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

NOTE 2: CASH

Deposits for the District are being held by Wells Fargo Bank and Independent Bank. As of year end, deposits with both banks were fully secured by FDIC coverage (Category 1). At September 30, 2013, the carrying amount of the District's deposits was \$27,383, and the bank balance was \$37,232.

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

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, 2013, are:

Investment	Fair Value	Effective Duration (in years)	Credit Risk
Lone Star Investment Pool	\$1,049,665	0.0	AAA

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.

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, 2013, all of the District's investments were with Lone Star (First Public)

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 9/30/2012	Additions	Retirements	Balance 9/30/2013
<b><u>Non-Depreciable Assets</u></b>				
Land	11,789	46,897	-	58,686
Total Non-Depreciable Assets	11,789	46,897	-	58,686
<b><u>Depreciable Assets</u></b>				
Vehicles	\$ 867,634	\$ 44,738	\$ (27,374)	\$ 884,998
Buildings & Improvements	1,204,984	-	-	1,204,984
Furniture & Equipment	162,706	32,113	(4,569)	190,250
Construction in Progress	-	12,690	-	12,690
Total Depreciable Assets	2,235,324	89,541	(31,943)	2,292,922
<b><u>Less: Accumulated Depreciation</u></b>				
Vehicles	(407,965)	(50,534)	27,374	(431,125)
Buildings & Improvements	(80,332)	(40,166)	-	(120,498)
Furniture & Equipment	(154,792)	(6,617)	4,569	(156,840)
Total Accumulated Depreciation	(643,089)	(97,317)	31,943	(708,463)
Total Capital Assets, Net	\$ 1,604,024	\$ 39,121	\$ -	\$ 1,643,145

Depreciation was charged to the general fund of \$97,317.

NOTE 5: LONG-TERM DEBT

Transactions for the year ended September 30, 2013, are summarized as follows:

	Balance 9/30/12	Additions	Reductions	Balance 9/30/13	Due within one year
<b><u>Governmental Activities</u></b>					
Note Payable	\$ 1,442,380	\$ 385,000	\$ 164,312	\$ 1,663,068	\$ 165,951
Compensated Leave Payable	-	-	-	-	-
Total Governmental Activities	\$ 1,442,380	\$ 385,000	\$ 164,312	\$ 1,663,068	\$ 165,951

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 5: LONG-TERM DEBT - continued

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, 2013, was \$147,068.

The District entered into a loan agreement 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 loan may be prepaid on any interest payment date with 15 days advanced written notice, in whole only plus accrued interest and a 1% prepayment penalty. The outstanding balance at September 30, 2013, was \$1,131,000

The District obtained a loan from a bank to be used for the construction of a new fire station.. The terms are as follows:

Loan amount: \$385,000  
Maturity date: February 15, 2025  
Interest rate: 3.00% annum  
Payment terms: Payments are due and payable in annual installments of principal with semi-annual payments of interest beginning in February 15, 2014 and ending February 15, 2025. The loan is collateralized by property tax revenue. The loan may be prepaid, in full only, on August 15, 2019, with 15 days written notice. The outstanding balance at September 30, 2013, was \$385,000.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 5: LONG-TERM DEBT - continued

The annual aggregate maturities for years subsequent to September 30, 2013, are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2014	\$ 165,951	\$ 44,773	\$ 210,724
2015	169,993	40,229	210,222
2016	175,124	34,955	210,079
2017	127,000	29,509	156,509
2018	129,000	26,223	155,223
Thereafter	<u>896,000</u>	<u>84,025</u>	<u>980,025</u>
Total	\$ <u>1,663,068</u>	\$ <u>259,714</u>	\$ <u>1,922,782</u>

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

NOTE 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, 2012, upon which the 2012 levy was based, was \$1,039,232,150 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 2012 levy was \$ 1,039,232 and the tax rate was \$ 0.10 per \$100 assessed valuation (\$.0898 M&O, \$.0102 I&S). Tax collections for the year ended September 30, 2013, were 100.6% of the 2012 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 7: RETIREMENT PLAN - continued

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, 2013, contributions totaled \$11,350 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, 2013. During the fiscal year, the District paid \$53,424 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. The District paid a total of \$32,267 for the year ending September 30, 2013.

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

For the fiscal year ending September 30, 2013 there were no annexations.

NOTE 10: 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 purpose pursuant to approval by formal action by the Board.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 10: FUND BALANCE - continued

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 10.

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.

As of September 30, 2013, the District has not adopted a minimum fund balance policy

The Debt Service Fund balance has a negative balance due to an insufficient allocation of the ad valorem tax rate.

NOTE 11: 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 12: 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 12: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND  
 AND GOVERNMENT-WIDE STATEMENTS - continued

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

Unamortized loan issue costs	\$ 68,300
------------------------------	-----------

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	\$ 2,351,608
Accumulated Depreciation	<u>(708,463)</u>
Total	\$ 1,643,145

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

\$ 9,880
----------

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

Deferred revenue	\$ (90,153)
------------------	-------------

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	\$ 165,951
Due after one year	\$ 1,497,117

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.

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	\$ (136,438)
Depreciation Expense	\$ 97,317

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT TWELVE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 12: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND  
 AND GOVERNMENT-WIDE STATEMENTS - continued

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	\$ (164,312)
---------------------------	--------------

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	\$ (777)
Change in Deferred Charges (refunding)	<u>62,496</u>
	\$ 61,719

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	\$ (205)
--	----------

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.

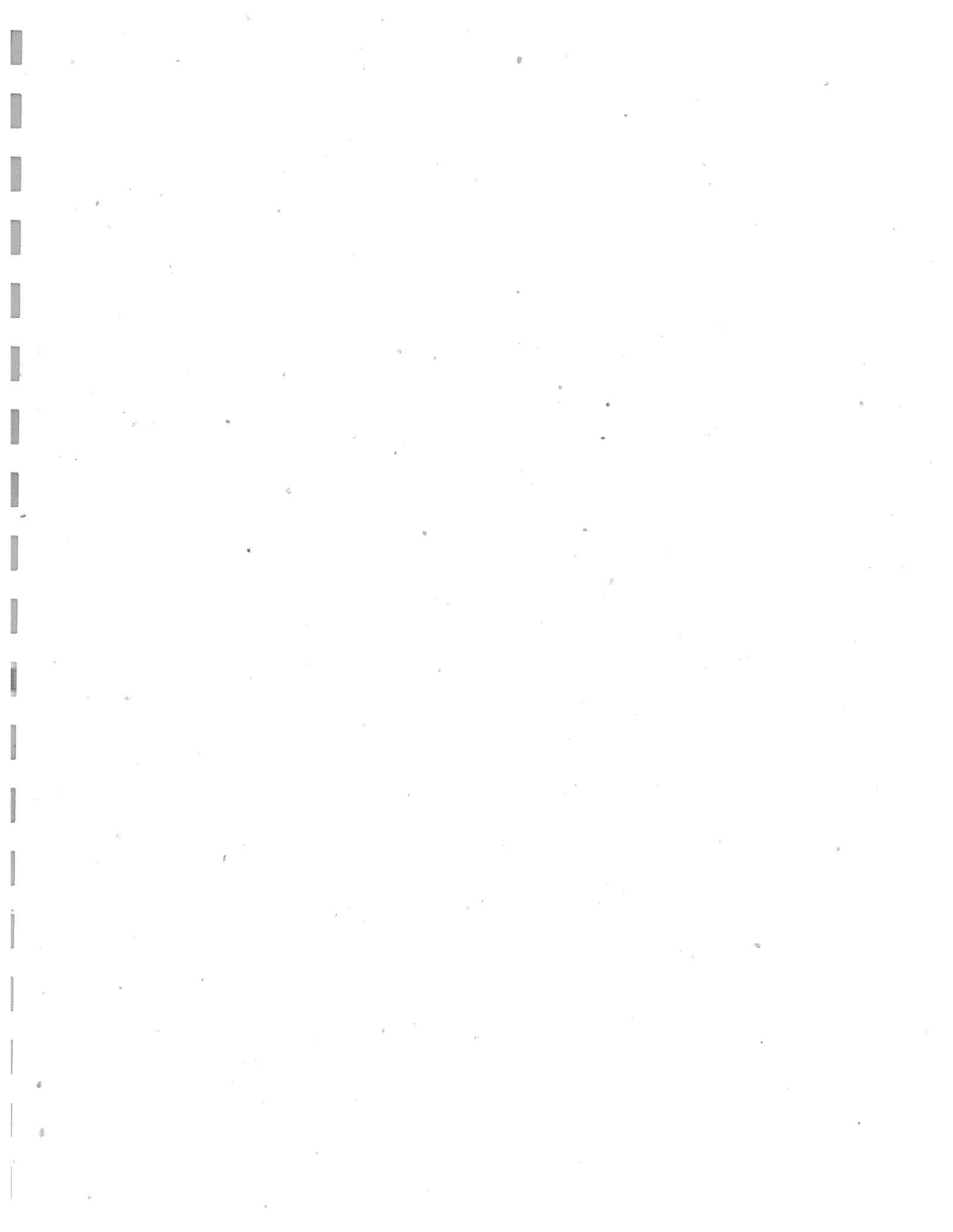
Loan proceeds	(\$ 385,000)
Loan issuance cost	(30,500)

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 12  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 BUDGET vs ACTUAL - GENERAL FUND  
 YEAR ENDED SEPTEMBER 30, 2013

	BUDGETED AMOUNTS			ACTUAL AMOUNTS	VARIANCE FAVORABLE/ UNFAVORABLE)
	ORIGINAL	FINAL			
<b>REVENUES:</b>					
Ad valorem taxes	\$ 1,019,584	\$ 1,019,584	\$	939,475	(80,109)
Penalties & Interest on Taxes	-	-		16,517	16,517
Sales Tax	50,000	50,000		83,578	
Interest	-	-		626	626
Grants	3,000	3,000		28,110	25,110
Contract Revenues	-	20,000		-	(20,000)
Miscellaneous Income	17,300	25,200		57,488	32,288
<b>TOTAL REVENUES</b>	<b>\$ 1,089,884</b>	<b>\$ 1,117,784</b>	<b>\$ 1,125,794</b>		<b>8,010</b>
<b>EXPENDITURES:</b>					
Apparatus	\$ 53,700	\$ 53,700	\$	58,717	(5,017)
Equipment	13,500	31,562		50,483	(18,921)
Communications	60,546	60,546		64,280	(3,734)
EMS	6,250	6,250		2,149	4,101
Insurance	48,800	48,800		41,483	7,317
Training & Prevention	9,300	9,300		10,180	(880)
Stations	33,450	33,450		23,556	9,894
Supplies/Operational	12,500	17,500		11,139	6,361
Bad Debt	-	-		26,471	(26,471)
Administrative expenditures:					
Annual Financial Audit	8,000	8,500		8,500	-
Legal Fees	15,000	15,000		10,628	4,372
Administrative Services	30,000	30,000		32,267	(2,267)
Consultants Legal/Design	-	-		-	-
Appraisal District/Assessor Fees	16,000	16,000		17,176	(1,176)
Miscellaneous Administrative Expenditures	14,020	14,020		6,526	7,494
Contract Labor	1,200	1,200		1,333	(133)
Loan Issue Cost	-	-		-	-
Personnel Costs	524,702	524,702		548,366	(23,664)
Capital Outlay	29,074	29,074		66,867	(37,793)
Debt Service Expenditures	-	-		-	-
Principal	192,639	223,392		75,312	148,080
Interest	-	-		9,807	(9,807)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,068,681</b>	<b>\$ 1,122,996</b>	<b>\$ 1,065,240</b>		<b>57,756</b>
<b>OTHER SOURCES/(USES)</b>					
Financing Proceeds	-	-		-	-
Transfer In/(Out)	-	-		(2,634)	(2,634)
Total Other Sources/(Uses)	-	-		(2,634)	(2,634)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)</b>	<b>\$ 21,203</b>	<b>\$ (5,212)</b>	<b>\$ 57,920</b>		<b>63,132</b>
<b>FUND BALANCE:</b>					
Beginning of year				431,560	
End of year				489,480	

See Accompanying Notes to the Financial Statements





**TRAVIS COUNTY  
EMERGENCY SERVICES  
DISTRICT NO. 14  
Financial Statements for the  
Year Ended September 30, 2013 and  
Independent Auditors' Report**



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:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Travis County Emergency Services District No. 14 (the "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of September 30, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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.

*McConnell Tschala + Ritter LLP*

Austin, Texas  
February 4, 2014

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, 2013. 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 Position 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 Position 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 Position 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 position 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 Position 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 position for the years ending September 30, 2013 and 2012 are shown in the table below. Our analysis below focuses on the net position and changes in the net position of the District's governmental activities as reported in the accrual basis of accounting.

**Statement of Net Position**

	9/30/2013	9/30/2012
<b>Assets:</b>		
Current	\$ 802,605	\$ 827,151
Capital assets (net of accumulated depreciation)	626,695	675,000
<b>Total Assets</b>	<b>\$ 1,429,300</b>	<b>\$ 1,502,151</b>
<b>Liabilities-</b>		
Current liabilities	\$ 82,445	\$ 79,668
<b>Total Liabilities</b>	<b>82,445</b>	<b>79,668</b>
<b>Net Position:</b>		
Net investment in capital assets	626,695	675,000
Unrestricted	720,160	747,483
<b>Total Net Position</b>	<b>\$ 1,346,855</b>	<b>\$ 1,422,483</b>

The District's total assets were \$1,429,300 as of September 30, 2013. Of this amount, \$626,695 is accounted for by capital assets. The District had outstanding liabilities of \$82,445 as of September 30, 2013 which represents current liabilities.

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

**Statement of Activities**

	9/30/2013	9/30/2012
<b>Expenses:</b>		
Service operations	\$ 771,347	\$ 783,563
Depreciation	48,305	54,735
<b>Total Expenses</b>	<b>819,652</b>	<b>838,298</b>
<b>Revenues-</b>		
General revenues	744,024	1,009,215
<b>Total Revenues</b>	<b>744,024</b>	<b>1,009,215</b>
<b>Change in Net Position</b>	<b>\$ (75,628)</b>	<b>\$ 170,917</b>

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 2014 for the District's governmental fund projects a fund balance increase of approximately \$1,000. During May 2013, the voters of the District approved and adopted a sales and use tax in the District at the rate of one percent. This sales and use tax will be effective as of October 1, 2013.

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

*Statements:*

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

	9/30/2013	9/30/2012
Land	\$ 252,997	\$ 252,997
Vehicles	654,994	654,994
Equipment	85,978	85,978
Buildings	43,049	43,049
<b>Total Capital Assets</b>	<b>1,037,018</b>	<b>1,037,018</b>
Accumulated depreciation	(410,323)	(362,018)
<b>Total Net Capital Assets</b>	<b>\$ 626,695</b>	<b>\$ 675,000</b>

**Capital Assets at Year End**

At September 30, 2013, the District had the following capital assets in operation:

**Capital Assets**

The actual expenditures in the General Fund were \$156,368 less than the fund budgeted amounts primarily due to the decrease in payments made to the Volente Volunteer Fire Department. Resources available for appropriation were \$5,528 below the budgeted amounts. The reason for the decrease was due to the property tax collections being less than budgeted.

**General Fund Budgetary Highlights**

At September 30, 2013, the District's governmental fund reported a fund balance of \$698,390, which is a decrease of \$27,093 from the prior year.

**The District's Governmental Fund**

General revenues decreased by \$265,191 to \$744,024 for the fiscal year ended September 30, 2013 due to a decrease in property tax revenue because of a subdivision annexation by the City of Cedar Park. Property taxes generated \$743,009 in revenues. Total expenses decreased by \$18,646 to \$819,652 for the fiscal year ended September 30, 2013. Net position decreased \$75,628 for the fiscal year ended September 30, 2013 compared to an increase of \$170,917 for the fiscal year ended September 30, 2012.

**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 POSITION AND GOVERNMENTAL FUND BALANCE SHEET  
 SEPTEMBER 30, 2013

STATEMENT OF NET POSITION	GENERAL FUND	ADJUSTMENTS (NOTE 2)	OF NET POSITION
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 779,605	-	779,605
Taxes receivable	23,000	-	23,000
Capital assets (net of accumulated depreciation):			
Land	-	252,997	252,997
Vehicles	-	295,891	295,891
Equipment	-	44,746	44,746
Buildings	-	33,061	33,061
<b>TOTAL ASSETS</b>	<b>\$ 802,605</b>	<b>626,695</b>	<b>1,429,300</b>
<b>LIABILITIES-</b>			
Accounts payable	\$ 82,445	-	82,445
<b>DEFERRED INFLOWS OF RESOURCES-</b>			
Deferred revenue - property taxes	21,770	(21,770)	-
<b>FUND BALANCE/NET POSITION-</b>			
Fund balance-			
Unassigned	698,390	(698,390)	-
Total fund balance	698,390	(698,390)	-
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 802,605</b>		
Net position:			
Net investment in capital assets		626,695	626,695
Unrestricted		720,160	720,160
<b>TOTAL NET POSITION</b>	<b>\$ 1,346,855</b>		<b>1,346,855</b>

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, 2013**

STATEMENT OF ACTIVITIES	GENERAL FUND	ADJUSTMENTS (NOTE 2)	ACTIVITIES
<b>EXPENDITURES/EXPENSES:</b>			
Service operations:			
Volente Volunteer Fire Department funding	\$ 733,821	-	733,821
Legal fees	9,749	-	9,749
Special election	8,222	-	8,222
Tax appraisal/collection fees	6,532	-	6,532
Membership dues	1,000	-	1,000
Audit fees	9,000	-	9,000
Insurance	1,533	-	1,533
Training and travel	1,345	-	1,345
Bank fees	30	-	30
Other expenses	115	-	115
Depreciation	-	48,305	48,305
Total expenditures/expenses	771,347	48,305	819,652
<b>REVENUES:</b>			
General revenues:			
Property taxes, including penalties and interest	743,239	(230)	743,009
Interest	1,015	-	1,015
Total revenues	744,254	(230)	744,024
<b>DEFICIT OF REVENUES UNDER EXPENDITURES</b>			
	(27,093)	27,093	-
Change in net position	-	(75,628)	(75,628)
<b>FUND BALANCE/NET POSITION:</b>			
Beginning of year	725,483	697,000	1,422,483
End of year	\$ 698,390	648,465	1,346,855

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, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>				
General revenues:				
Property taxes, including	\$ 762,484	748,782	743,239	(5,543)
Penalties and interest	1,000	1,000	1,015	15
Interest	763,484	749,782	744,254	(5,528)
Total revenues	763,484	749,782	744,254	(5,528)
<b>EXPENDITURES:</b>				
Service operations:				
Volente Volunteer	881,690	881,690	733,821	147,869
Fire Department funding	10,000	10,000	9,749	251
Legal fees	10,000	10,000	8,222	1,778
Special election	8,900	8,900	6,532	2,368
Tax appraisal/collection fees	1,100	1,100	1,000	100
Membership dues	8,750	8,750	9,000	(250)
Audit fees	2,225	2,225	1,533	692
Insurance	1,600	1,600	1,345	255
Training and travel	500	500	30	470
Bank fees	2,950	2,950	115	2,835
Other expenses	927,715	927,715	771,347	156,368
Total expenditures	(164,231)	(177,933)	(27,093)	150,840
<b>DEFICIT OF REVENUES UNDER EXPENDITURES</b>				
				150,840
<b>FUND BALANCE:</b>				
Beginning of year	725,483	725,483	725,483	-
End of year	\$ 561,252	\$ 547,550	698,390	150,840

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

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. In addition, there are no component units which are included in the District's reporting entity.

**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 position 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.

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 inflows of resources.

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

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

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

Asset	Years
Buildings	39.5
Vehicles	10-20
Equipment	10

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

Fund Equity - The District 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 6 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes 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 recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

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

	Governmental fund total fund balance	\$ 698,390
Capital assets used in governmental activities are not current financial resources and are therefore not reported in the governmental fund balance sheet		
Capital assets, net of accumulated depreciation	626,695	
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	21,770	
	\$ 1,346,855	

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

	Deficit of revenues under expenditures	\$ (27,093)
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	(48,305)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(230)	
Change in deferred tax revenue	(75,628)	
	\$ (75,628)	

**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, 2013, 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, 2013 was as follows:

Balance September 30, 2013	Retirements and Transfers	Additions	Balance September 30, 2012	Capital assets not being depreciated- Land
252,997	-	-	\$ 252,997	Capital assets being depreciated:
654,994	-	-	654,994	Vehicles
85,978	-	-	85,978	Equipment
43,049	-	-	43,049	Buildings
784,021	-	-	784,021	Total capital assets being depreciated
				Less accumulated depreciation for:
(359,103)	-	(38,617)	(320,486)	Vehicles
(41,232)	-	(8,598)	(32,634)	Equipment
(9,988)	-	(1,090)	(8,898)	Buildings
(410,323)	-	(48,305)	(362,018)	Total accumulated depreciation
373,698	-	(48,305)	422,003	Total capital assets being depreciated, net
626,695	-	(48,305)	\$ 675,000	Capital assets, net

5. 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 2012, the District levied a tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures. The total 2012 tax levy was \$746,600 based on a taxable valuation of \$738,782,037.

6. **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 7.

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.

7. **CONTRACTED SERVICES**

The District entered into an agreement with the Volente Volunteer Fire Department ("VVFDD") 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 VVFDD monthly, as funds are available, based on a budget for the VVFDD that is approved by the District. In exchange for the funding provided by the District, the VVFDD agreed to provide emergency services including fire fighting and first responder assistance in the geographic area served by the District. Expenditures of \$733,821, 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, 2013.

**8. 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 WFD, purchases its insurance from regular commercial companies. As of September 30, 2013, 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.