



Travis County Commissioners Court Agenda Request

Meeting Date: July 15, 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 Davis, Commissioner Todd, and Commissioner Daugherty

AGENDA LANGUAGE: Receive the fiscal year 2013 compiled financial statements for Emergency Services District 13 and fiscal year 2013 financial audit reports for Emergency Services Districts 1, 8, and 11.

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
Commissioner Pct 4 Office	Margaret Gomez, 854-9444

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



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To: Commissioners Court

From: Kathryn Madden, Financial Audit Manager *KMM*

Date: July 3, 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. Chapter 775.0821, passed by the legislature last session and effective September 1, 2013, allows ESDs fulfilling specific criteria to submit compiled financial statements in lieu of an audit report. The following ESDs have submitted their audited financial statements or compiled financials statements to the County for fiscal year 2013.

We have reviewed the attached audit reports and compiled financial statements 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. 1	3	2013
No. 8	3	2013
No. 11	4	2013
No. 13	1	2013

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

Travis County Emergency
Services District No. 1
North Lake Travis Fire and Rescue
Financial Statements
September 30, 2013

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

For the year ending September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Travis County Emergency Services District No. 1

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 1, 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. 1, 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 7 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.

A handwritten signature in black ink that reads "Medack & Oltmann, LLP". The signature is written in a cursive, flowing style.

Medack & Oltmann, LLP
February 7, 2014



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #1

NORTH LAKE TRAVIS FIRE AND RESCUE

Sandra Igau, President
Genny Kercheville, Vice President
Greg Johnston, Treasurer
Ro Cass, Asst. Treasurer
Mark Evert, Secretary

P. O. Box 5278 • 18300 Park Dr. • Jonestown, TX 78645 • (512) 267-0080 • Fax (512) 267-2105

Raymond Tennison, Chief

As the Board of Commissioners of Travis County Emergency Services District No. 1 (the District), we present the following narrative overview and analysis of the financial activities of the District for the period October 1, 2012, to September 30, 2013.

Financial Highlights

Significant current year transactions include the following:

- General revenues from property taxes accounted for 99.1 percent of total revenues.
- The District entered into two new loan agreements with Governmental Capital for the fiscal year 2013.
 - The District received loan proceeds of \$653,750 to remodel Stations 3 & 4. As of year-end, \$27,037 was spent.
 - The District also received a loan approved up to \$270,382 for the purchase of 3 new brush trucks and to outfit these 3 trucks and an existing truck. As of year-end, \$117,795 was used to purchase the 3 new trucks.
- During the year, the District's total expenses were \$58,635 less than the \$2,178,202 generated in tax revenues, fees and other income.

Using this Annual Report

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

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

The District's basic financial statements now include adjustments to the statement of net assets and the statement of activities. The economic focus of these statements is similar to a private-sector business.

Government-Wide Financial Statements

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

Fund Financial Statements

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

Governmental Funds: The District's services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds provide a detail short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's emergency services program. We describe the relationship between governmental activities and governmental funds in the column titled "Adjustments" with narratives provided in Note 11.

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

Supplementary information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information which can be found on page 25.

The District as a Whole

The District total net assets changed from September 30, 2012, increasing from \$647,652 to \$826,874. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Table 1 – Net Assets

	September 30, 2012	September 30, 2013
Current and other assets	\$ 976,177	\$ 1,724,915
Bond refinance costs	22,852	20,446
Capital Assets-net	<u>1,706,121</u>	<u>1,618,930</u>
Total Assets	2,705,150	3,364,291
Long-term obligations	1,848,628	2,199,155
Other obligations	<u>208,870</u>	<u>338,262</u>
Total Liabilities	2,057,498	2,537,417
Net Assets		
Investment in capital assets, net of related debt	(119,655)	(792,511)
Restricted	13,109	14,758
Unrestricted	<u>754,198</u>	<u>1,604,627</u>
Total net assets	\$ <u><u>647,652</u></u>	\$ <u><u>826,874</u></u>

The net assets of the District's activities increased by \$58,635. Unrestricted net assets, the part of net assets that is used to finance day-to-day operations increased by \$850,429.

Table 2 – Change in Net Assets

	September 30, 2012	September 30, 2013
Revenues		
Property Taxes	\$ 2,129,464	\$ 2,157,764
Other revenues	30,725	20,438
Total Revenues	<u>2,160,189</u>	<u>2,178,202</u>
Expenses		
Current fire service expense	1,688,198	1,808,315
Depreciation	289,382	232,023
Amortization	1,203	2,405
Interest	74,367	76,824
Total Expense	<u>2,053,150</u>	<u>2,119,567</u>
Increase(decrease) in net assets	<u>\$ 107,039</u>	<u>\$ 58,635</u>

The District's Funds

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

Table 3 – Changes in Year-end Fund Balances

	September 30, 2012	September 30, 2013	Net Change
General Fund (restated)	\$ 782,753	\$ 1,502,770	\$ 720,017
Debt Service Fund	13,109	14,758	1,649
Total governmental funds	<u>\$ 795,862</u>	<u>\$ 1,517,528</u>	<u>\$ 721,666</u>

The District presents the variances of the general operating budget compared to the actual numbers for the year ended September 30, 2013. These variances were immaterial for the period ended September 30, 2013. This report is presented on page 25.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2013, the District held capital assets with a historical cost of \$5,581,441. The net value of the capital assets at the end of the year was \$1,618,930. See Note 3 for information on the capital assets.

Debt Administration

At year end, the District had \$1,495,000 in general obligation bonds payable, \$144,895 in capital lease commitments and \$771,545 in promissory notes. See Note 4 for information on the District's debt obligations.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Travis County Emergency Services District No. 1, Board of Commissioners, 18300 Park Drive, Jonestown, Texas 78645.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NORTH LAKE TRAVIS FIRE AND RESCUE
 GOVERNMENTAL FUNDS BALANCE SHEET AND
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Total	Adjustments (Note 11)	Statement of Net Assets
ASSETS					
Cash	\$ 668,734	\$ -	\$ 668,734	\$ -	\$ 668,734
Investments - Texpool	870,657	13,188	883,845	-	883,845
Taxes Receivable	134,847	13,174	148,021	-	148,021
Accounts Receivable	3,721	-	3,721	-	3,721
Prepaid Expenses	20,594	-	20,594	-	20,594
Due from Other Funds	-	1,570	1,570	(1,570)	-
Unamortized Bond Issue Costs	-	-	-	20,446	20,446
Capital Assets (net of accumulated depreciation)	-	-	-	1,618,930	1,618,930
TOTAL ASSETS	\$ 1,698,553	\$ 27,932	\$ 1,726,485	\$ 1,637,806	\$ 3,364,291
LIABILITIES					
Payroll Liabilities Payable	\$ 36,435	\$ -	\$ 36,435	\$ -	\$ 36,435
Accounts Payable	19,941	-	19,941	-	19,941
Due to Other Funds	1,570	-	1,570	(1,570)	-
Accrued Interest Payable	-	-	-	11,762	11,762
Deferred Revenues-Other	2,990	-	2,990	-	2,990
Deferred Revenues-Taxes	134,847	13,174	148,021	(148,021)	-
Long-term liabilities	-	-	-	-	-
Due within one year	-	-	-	267,134	267,134
Due after one year	-	-	-	2,199,155	2,199,155
TOTAL LIABILITIES	195,783	13,174	208,957	2,328,460	2,537,417
FUND BALANCES/NET ASSETS					
Fund balances:					
Nonspendable	20,594	-	20,594	(20,594)	-
Restricted	-	14,758	14,758	(14,758)	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	1,482,176	-	1,482,176	(1,482,176)	-
Total	1,502,770	14,758	1,517,528	(1,517,528)	-
Total fund balances	1,502,770	14,758	1,517,528	(1,517,528)	-
Total liabilities and fund balances	\$ 1,698,553	\$ 27,932	\$ 1,726,485		
Net assets:					
Invested in capital assets, net of related debt				(792,511)	(792,511)
Restricted Debt Service				14,758	14,758
Unrestricted				1,604,627	1,604,627
Total net assets				\$ 826,874	\$ 826,874

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NORTH LAKE TRAVIS FIRE AND RESCUE
 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 11)	Statement of Activities
EXPENDITURES/EXPENSES					
Administration Expenditures:					
Dispatch Fee	\$ 47,040	\$ -	\$ 47,040	\$ -	\$ 47,040
Computer/Website Maintance	4,510	-	4,510	-	4,510
Legal fees	1,462	-	1,462	-	1,462
Appraisal/assessor costs	33,594	-	33,594	-	33,594
Audit	7,000	-	7,000	-	7,000
Office Supplies & Repairs	6,269	-	6,269	-	6,269
Public Relations	1,638	-	1,638	-	1,638
Responder/Motivational	3,484	-	3,484	-	3,484
Telephone/Internet	15,504	-	15,504	-	15,504
Miscellaneous	621	-	621	-	621
Professional Services & Dues	2,565	-	2,565	-	2,565
Personnel Costs	1,351,762	-	1,351,762	4,148	1,355,910
Station facilities and fixtures	39,472	-	39,472	-	39,472
Apparatus/Operational Supplies	230,818	-	230,818	-	230,818
Insurance	50,576	-	50,576	-	50,576
Training and travel	7,852	-	7,852	-	7,852
Capital Outlay	144,832	-	144,832	(144,832)	-
Depreciation Expense	-	-	-	232,023	232,023
Debt Service:	-	-	-	-	-
Principal	73,733	135,000	208,733	(208,733)	-
Interest	10,310	54,751	65,061	11,763	76,824
Amortization of Bond Issue Costs	-	-	-	2,405	2,405
Total expenditures/expenses	<u>2,033,042</u>	<u>189,751</u>	<u>2,222,793</u>	<u>(103,226)</u>	<u>2,119,567</u>
GENERAL REVENUES					
Ad valorem taxes	1,960,906	191,570	2,152,476	5,288	2,157,764
Penalties & Interest on Taxes	-	-	-	-	-
Interest	1,128	17	1,145	-	1,145
FEMA/TIFMAS	11,606	-	11,606	-	11,606
Miscellaneous Income	7,687	-	7,687	-	7,687
Total general revenues	<u>1,981,327</u>	<u>191,587</u>	<u>2,172,914</u>	<u>5,288</u>	<u>2,178,202</u>
Excess (Deficiency) of Revenues over Expenditures	(51,715)	1,836	(49,879)	49,879	-
OTHER FINANCING SOURCES (USES):					
Financing Proceeds	771,545	-	771,545	(771,545)	-
Transfer in/(out)	187	(187)	-	-	-
Total Other Financing Sources(Uses)	<u>771,732</u>	<u>(187)</u>	<u>771,545</u>	<u>(771,545)</u>	<u>-</u>
Net Change in Fund Balance	720,017	1,649	721,666		
Net Change in Net Assets				58,635	58,635
Fund Balance/Net Assets					
Beginning of the year (as restated)	<u>782,753</u>	<u>13,109</u>	<u>795,862</u>	<u>(27,623)</u>	<u>768,239</u>
End of the year	<u>\$ 1,502,770</u>	<u>\$ 14,758</u>	<u>\$ 1,517,528</u>	<u>\$ (690,654)</u>	<u>\$ 826,874</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
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

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
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

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.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
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.

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 No 1
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. 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 \$ 1,000.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
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:

Buildings and Structures	39.5 years
Vehicles	10-15 years
Other Equipment	5-10 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.

EQUITY CLASSIFICATIONS

Government-wide Statements

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

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

Fund Statements

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
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 and any allowable carryover from prior periods.

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 AND INVESTMENTS

Deposits exceeded FDIC coverage at the end of the fiscal year. However, the bank has not pledged additional collateral. This resulted in uncollateralized deposits (Category 3) totaling \$433,251. At September 30, 2013, the carrying amount of the District's deposits was \$668,734 and the bank balance was \$683,251.

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.

The Public Funds Investment Act authorizes the District to invest 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 objective of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 2: CASH AND INVESTMENTS - continued

The District had investment of \$883,845 in two external local governmental investment pools, Texas Local Governmental Investment Pool \$721,153 ("TexPool"), and with Lone Star Investment Pool, \$162,692 ("First Public") at September 30, 2013. These investments had a weighted average maturity of one day and a Standard and Poor's rating of AAAM.

TexPool and First Public are external investment pools offered to local governments. Although neither is 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. They are 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 these pools. These pools also have advisory boards to advise them on investment policy; this board is made up equally of participants and nonparticipants who do not have a business relationship with either of them.

These pools use the amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools are the same as the value of the their shares. Their investment policy stipulates that they must invest in accordance with the Public Funds Investment Act.

Credit Risk-Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 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, the District's investments were with TexPool and First Public.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 3: 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
Governmental Activities:				
Capital assets not being depreciated:				
Land	35,000	-	-	35,000
Construction in Progress	-	27,037	-	27,037
Total capital assets not being depreciated	<u>35,000</u>	<u>27,037</u>	<u>-</u>	<u>62,037</u>
Capital assets, being depreciated				
Vehicles	2,300,656	117,795	-	2,418,451
Furniture & Fixtures	-	-	-	-
Equipment	1,482,301	-	-	1,482,301
Buildings and Structures	1,618,652	-	-	1,618,652
Total capital assets being depreciated	<u>5,401,609</u>	<u>117,795</u>	<u>-</u>	<u>5,519,404</u>
Less accumulated depreciation for:				
Vehicles	1,941,285	133,743	-	2,075,028
Furniture & Fixtures	-	-	-	-
Equipment	1,326,304	57,130	-	1,383,434
Buildings and Structures	462,899	41,150	-	504,049
Total accumulated depreciation	<u>3,730,488</u>	<u>232,023</u>	<u>-</u>	<u>3,962,511</u>
Total capital assets, being depreciated, net	<u>1,671,121</u>	<u>(114,228)</u>	<u>-</u>	<u>1,556,893</u>
Governmental activities capital assets, net	<u>1,706,121</u>	<u>30,604</u>	<u>-</u>	<u>1,618,930</u>

Depreciation was charged to the governmental activities of \$232,023.

As part of its capital assets, Stations 6 & 7, Trails End and Travis Peak, were deeded to the District by the respective Homeowners' Association for use as fire stations. Under the terms of this agreement, if these properties cease to be used as fire stations, the property will revert back to the Homeowners' Associations

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 4: LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the District for the period October 1, 2012, to September 30, 2013.

	Balance 9/30/2012	Additions	Retirements	Balance 9/30/2013	Due within one year
Wells Fargo	\$ 35,370	\$ -	\$ 35,370	\$ -	\$ -
Wells Fargo	146,305	-	26,623	119,682	27,882
Kansas State Bank	36,954	-	11,740	25,214	12,309
General Obligation Bonds (Independent Bank)	1,630,000	-	135,000	1,495,000	170,000
Government Capital #6364	-	653,750	-	653,750	32,748
Government Capital #6273	-	117,795	-	117,795	24,195
Compensated Absences Liability	50,700	4,148	-	54,848	-
Total Debt	\$ 1,899,329	\$ 775,693	\$ 208,733	\$ 2,466,289	\$ 267,134

The District refinanced existing bonds totaling \$1,630,000 with the Independent Bankers Bank in March 2012. Payment on the bonds is due serially through March 2022 with principal and interest due annually each March and an additional interest only payment due annually each September. The interest rate on the refinanced bonds is 1.99%. The District incurred refinancing costs totaling \$24,055 which are being amortized over the life of the bonds. The amortization expense for the year ended September 30, 2013 is \$1,203.

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

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

The District entered into two promissory note agreements with Government Capital Corporation. The first note, #6273, dated April 9, 2013, was for the purchasing of three new brush trucks and the outfitting of these three plus one existing truck. The total note was \$270,382, annual payments of \$31,737 for 10 years at 3.08%. As of September 30, 2013, only \$117,795 of this note was expended (purchase of the three trucks) the remaining \$152,587 will be spent in fiscal year September 2014 as trucks are completed.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 4: LONG-TERM DEBT (continued)

The second note, #6364, dated August 13, 2013, was for the remodel project of stations 3 & 4. The total note was \$653,700, annual payments of \$47,218 for 20 years at 3.984%.

Debt service requirements to maturity for the District are summarized as follow:

Fiscal Year	Principal	Interest	Total Requirement
2014	\$ 267,134	\$ 56,949	\$ 324,083
2015	263,736	61,914	325,650
2016	263,849	54,687	318,536
2017	266,992	47,862	314,854
2018	229,155	40,909	270,064
Thereafter	<u>1,120,575</u>	<u>218,305</u>	<u>1,338,880</u>
Total	\$ 2,411,441	\$ 480,626	\$ 2,892,067

NOTE 5: 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 \$2,136,059,214 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 \$ 1,449,857 and the tax rate was \$ 0.10 per \$100 assessed valuation (\$ 0.9110 M&O and \$ 0.0890 I&S).

NOTE 6: OPERATING LEASE

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 7: DEFERRED LIABILITIES

Beginning in the fiscal year ended September 30, 2009, The District has received worker's compensation insurance refunds totaling \$11,439. The Board of Commissioners approved designating these funds to be used in the implementation of a safety program rewards system. As of fiscal year ended September 30, 2013, the total balance remaining is \$2,990. Total safety awards that have been awarded for the year totals \$2,400.

NOTE 8: FUND BALANCE

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

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

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

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

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

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

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 8.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 8: FUND BALANCE (continued)

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.

NOTE 9: ANNEXATION OF DISTRICT LAND

The District could in the future face the possibility of annexation which could 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 any other entity to annex property.

NOTE 10: QUALIFIED RETIREMENT PLAN

On November 15, 2004, the District approved participation in the Texas County and District Retirement System (TCDRS) which is a qualified retirement plan under Section 401(a) of the Internal Revenue Code. The effective date of the plan is January 1, 2005. All persons who are employees of the District on the effective date are eligible to participate. Any new employee of the District subsequent to the effective date will become eligible on the date of employment. A participant will have the right to retire and receive a service retirement annuity when the years of service equals or exceeds twenty years. Each payroll period the participant shall make a mandatory contribution to TCDRS equal to 4.22% of compensation for which the participant is immediately vested. The District makes employer contributions actuarially determined by TCDRS. The contribution amount for the year ended September 30, 2013, is \$47,728 and is included in the Personnel Costs on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 11: 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.

Bond issue costs are amortized over the life of the bonds.

Unamortized loan issue costs	\$ 20,446
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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	\$ 5,581,441
Accumulated Depreciation	<u>(3,962,511)</u>
	<u>\$ 1,618,930</u>

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

\$ 11,672

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

Deferred revenue	\$ (148,021)
------------------	--------------

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	\$ 267,134
Due after one year	\$ 2,199,155

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 11: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
 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 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	\$ 4,148
----------------------------------	----------

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

Capital outlay	\$ (144,832)
Depreciation Expense	232,023

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

Payment of Principal	\$(208,733)
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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	\$ 11,763
------------------------------------	-----------

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 bond 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.

Amortization of Bond issue costs	\$ 2,405
Financing Proceeds	\$ (771,545)

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 1
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2013

NOTE 11: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
 AND GOVERNMENT-WIDE STATEMENTS - continued

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	\$ 5,288
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NOTE 12: PRIOR PERIOD ADJUSTMENT- CORRECTION OF ERROR

In performing the audit for the year ending September 30, 2013, an error in the year September 30, 2012, was discovered. These errors consisted of overstating Compensated Leave Liability and Deferred Property Tax Revenue, and understating Accrued Wages Payable, for the year ending September 30, 2012. The effects of these errors are reflected in the following:

Fund Balance Beginning of Year, as previously reported	\$ 767,307
Adjustment for overstating Compensated Leave Liability	50,701
Adjustment for understating Accrued Wages Payable	<u>(22,146)</u>
Fund Balance at beginning of year as restated	\$ 795,862
Net Asset Balance as previously reported	\$ 647,652
Adjustment for overstating Deferred Property Tax Revenue	142,733
Adjustment for understating Accrued Wages Payable	<u>(22,146)</u>
Net Asset Balance at beginning of year as restated	\$ 768,239

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 1
 NORTH LAKE TRAVIS FIRE AND RESCUE
 SCHEDULE OF REVENUE AND EXPENDITURES
 BUDGET vs ACTUAL GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS	VARIANCE FAVORABLE/ (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Ad valorem taxes	\$ 2,103,000	\$ 2,103,000	\$ 1,960,906	(142,094)
Penalties & Interest on Taxes	-	-	-	-
Interest	1,500	1,500	1,128	(372)
FEMA/TIFMAS Reimbursement	18,000	18,000	11,606	(6,394)
Contributions	2,500	2,500	-	(2,500)
Miscellaneous Income	2,000	2,000	7,687	5,687
TOTAL REVENUES	\$ 2,127,000	\$ 2,127,000	\$ 1,981,327	(145,673)
EXPENDITURES:				
Administration Expenditures:				
Bond Service/Bank Charges	\$ 2,000	\$ 2,000	-	2,000
Computer/Website Maintance	4,100	4,100	4,510	(410)
Legal fees	12,000	12,000	1,462	10,538
Appraisal/assessor costs	33,100	33,100	33,594	(494)
Professional Services & Dues	4,000	4,000	2,565	1,435
Audit	7,000	7,000	7,000	-
Dispatch	36,000	36,000	47,040	(11,040)
Office Equipement Capital	2,000	2,000	6,269	(4,269)
Public Relations	2,000	2,000	1,638	362
Responder/Motivational	8,000	8,000	3,484	4,516
Telephone/Internet	15,000	15,000	15,504	(504)
Office Supplies & Repairs	7,000	7,000	621	6,379
Personnel Costs	1,308,784	1,308,784	1,351,762	(42,978)
Station facilities and fixtures	48,000	48,000	39,472	8,528
Apparatus and Equipment	233,000	233,000	230,818	2,182
Insurance	48,100	48,100	50,576	(2,476)
Training and travel	13,000	13,000	7,852	5,148
Debt Service-Principal	308,345	308,345	73,733	234,612
Debt Service-Interest	-	-	10,310	(10,310)
Capital Outlay	-	-	144,832	(144,832)
TOTAL EXPENDITURES	\$ 2,091,429	\$ 2,091,429	\$ 2,033,042	58,387
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES and OTHER SOURCES/(USES)	\$ 35,571	\$ 35,571	\$ (51,715)	(87,286)
OTHER FINANCING SOURCES (USES):				
Financing Proceeds	-	-	771,545	771,545
Transfer In/(out)	-	-	187	187
Total Other Financing Sources(Uses)	-	-	771,732	771,732
Net change in fund balance	-	-	720,017	720,017
Beginning of year			\$ 782,753	
End of year			<u>\$ 1,502,770</u>	

See Accompanying Notes to the Financial Statements

Travis County Emergency
Services District No. 8
Financial Statements
September 30, 2013

rec'd 5/30/14

Travis County Emergency Services District No. 8
For the Year ending September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 8, 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. 8, 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.

A handwritten signature in black ink that reads "Medack & Oltmann, LLP". The signature is written in a cursive, flowing style.

Medack & Oltmann, LLP
December 10, 2013

Travis County Emergency Services District No. 8 Management's Discussion and Analysis

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 8 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 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 Assets and the Statement of Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Travis County Emergency Services District No. 8 (TCESD 8) transitioned into assuming the operations of the Pedernales Fire Department in the 2012-2013 budgetary year. Instead of contracting with the department, the TCESD 8 took over direct financial, personnel, and operational control of the fire department. TCESD 8 now has 23 employees, including the Fire Chief, the business operations Manager, and all firefighters and EMT's.
- ✓ A strategic plan was developed that included increasing tax revenue, staffing station 3 for the first time, addressing water shortages that exist throughout the district, and implementing pay raises for employees commencing in December 2013.
- ✓ There was a total revision of financial record keeping to more accurately reflect the operational expenses of the emergency operations, and to facilitate more accurate budget development.
- The TCESD 8's Board of Commissioners were appointed to represent greater geographical representation across TCESD 8, with strong professional backgrounds and skills among the serving Commissioners.
- ✓ The TCESD 8 presented community educational presentations to over 15 neighborhood groups, to strengthen the relationship of this governmental entity with the citizens it serves. These presentations included discussion and input regarding the strategic plan for the organization, and were conducted in tandem with an election to raise sales tax by 1% within TCESD 8. This election was successful, with 75% of the voters in favor of raising revenue for the TCESD 8 and the Pedernales Fire Department.
- All these efforts were conducted in the midst of the worst drought in the past seventy years, at least. The adjoining Lake Travis, the main source of water for fighting fires, is currently 25% full. For TCESD 8, this low level means there are no significant above ground water resources in the district to fill our tankers and trucks for firefighting purposes.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

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

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

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

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

The District as a Whole

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

STATEMENT OF NET ASSETS

	<u>9/30/2013</u>	<u>9/30/2012</u>
Assets:		
Current	\$ 815,307	\$ 946,256
Capital assets (net of accumulated depreciation)	<u>3,078,245</u>	<u>2,577,072</u>
TOTAL ASSETS	<u><u>3,893,552</u></u>	<u><u>3,523,328</u></u>
Liabilities:		
Current liabilities	264,728	200,562
Long-term liabilities	<u>2,259,000</u>	<u>1,870,518</u>
TOTAL LIABILITIES	<u><u>2,523,728</u></u>	<u><u>2,071,080</u></u>
Net Assets:		
Investment in capital assets, net of related debt	655,624	522,851
Unrestricted	<u>714,200</u>	<u>929,397</u>
TOTAL NET ASSETS	<u><u>\$ 1,369,824</u></u>	<u><u>\$ 1,452,248</u></u>

The District's total assets were approximately \$3,893,552 as of September 30, 2013. Of this amount, approximately \$3,078,245 is accounted for by capital assets. The District had outstanding liabilities of approximately \$2,524,000, of which \$2,445,000 represents notes payable obligations.

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

STATEMENT OF ACTIVITIES

	<u>9/30/2013</u>	<u>9/30/2012</u>
EXPENSES:		
Apparatus	\$ 70,796	\$ -
Support Equipment	46,293	-
Communications	51,511	-
Information Technology	13,772	-
Recruitment & Retention	11,324	-
Training	6,557	-
Stations	54,463	-
Clothing & Protective Gear	19,689	-
Personnel	1,347,033	-
Administrative	126,698	-
Debt Service	82,763	81,675
Depreciation	152,780	116,286
Service Operations	-	1,495,797
TOTAL EXPENSE	<u>1,983,679</u> ✓	<u>1,693,758</u>
Revenues:		
General	1,934,864 ✓	1,857,665
Loss on Disposal of Asset	<u>(33,609)</u> ✓	<u>-</u>
TOTAL REVENUES	<u>1,901,255</u> ✓	<u>1,857,665</u>
CHANGE IN NET ASSETS	\$ <u>(82,424)</u> ✓	\$ <u>163,907</u>

↓

General revenues increased by approximately \$77,000 to approximately \$1,935,000 for the fiscal year ended September 30, 2013, due to an increase in property and sales tax collections and contributions. Property taxes generated approximately \$1,446,000 in revenues. Total expenses increased by approximately \$290,000 to approximately \$1,984,000 for the fiscal year ended September 30, 2013. Net assets decreased approximately \$82,000 for the fiscal year ended September 30, 2013, compared to an increase of approximately \$164,000 for the fiscal year ended September 30, 2012.

The District Governmental Fund

At September 30, 2013, the District's governmental fund reported a fund balance of approximately \$707,000, which is a decrease of approximately \$197,000 from the prior year. This decrease in fund balance can be attributed to a deficiency of revenues under expenditures at September 30, 2013.

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 resources reported in governmental funds. Those fund balance classifications are described below.

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

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

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

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

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets

At September 30, 2013, and 2012, the District had the following capital assets in operation:

CAPITAL ASSETS AT YEAR END

	<u>9/30/2013</u>	<u>9/30/2012</u>
Buildings	\$ 2,158,094	\$ 2,158,094
Vehicles and Equipment	<u>1,613,330</u>	<u>1,145,565</u>
TOTAL CAPITAL ASSETS	3,771,424	3,303,659
Accumulated Depreciation	<u>(693,179)</u>	<u>(726,587)</u>
TOTAL NET CAPITAL ASSETS	\$ <u>3,078,245</u>	\$ <u>2,577,072</u>

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

Notes Payable

In 2005, the District entered into two notes payable agreements from a bank to finance the acquisition of the Pedernales Emergency Services' fire apparatus. The District made payments of \$111,418 during the year ended September 30, 2013, related to these notes payable agreements.

In 2008, the District entered into a note payable agreement from a bank to fund the construction of the District's new fire station. The District made principal payments of \$76,896 during the year ended September 30, 2013, related to this note payable agreement. In 2012, the District entered into a notes payable agreement from a bank to finance the acquisition of another fire apparatus for Pedernales Emergency Services. The District made principal payments of \$18,287 during the year ended September 30, 2013, on this agreement.

In 2013, the District entered into a note payable agreement from a bank to finance the purchase of 2 fire trucks for a total of \$575,000. No payments were made on this agreement during the year ending September 30, 2013.

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

Economic Factors, Next Year's Budgets and Rates

Travis County ESD 8 is located in an area of moderate to strong economic growth. Housing is expanding at a good pace; however, one factor is limiting a corresponding growth in property taxes that are historically the funding source of fire and emergency operations; state and local governments are committed to reducing property taxes on homeowners. The result is that there is little to no growth in revenue from property taxes, despite growing population in the area, an increase in housing locations, and accelerating demand for better service. In fact, in 2013 property owners paid significantly less in property taxes to TCESD 8 as compared to 2008. This relative decrease in property tax revenue, combined with the growth in population and corresponding growth in demand for services, severely restricts the financial resources available to improve fire and emergency services. Furthermore, the drought has greatly increased the concern citizens have for their safety, especially after the Labor Day fires of 2011.

Contacting the District's Financial Management

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO 8
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2013

	General Fund	Adjustments (Note 12)	Statement of Net Assets
ASSETS			
Cash	\$ 79,247	\$ -	\$ 79,247
Investments	623,828	-	623,828
Property Taxes Receivable	36,540	-	36,540
Sales Tax Receivable	56,972	-	56,972
Other Receivables	18,720	-	18,720
Capital Assets (net of accumulated depreciation)	-	3,078,245	3,078,245
TOTAL ASSETS	\$ 815,307	\$ 3,078,245	\$ 3,893,552
LIABILITIES			
Payroll Liabilities Payable	\$ 9,653	\$ -	\$ 9,653
Accounts Payable	62,585	-	62,585
Deferred Revenues	36,540	(36,540)	-
Accrued Interest	-	6,162	6,162
Long-term liabilities	-	-	-
Due within one year	-	186,328	186,328
Due after one year	-	2,259,000	2,259,000
TOTAL LIABILITIES	108,778	2,414,950	2,523,728
FUND BALANCES/NET ASSETS			
Fund balances:			
Assigned for:	-	-	-
Debt Service	256,487	-	-
Unassigned	450,042	(450,042)	-
Total fund balances	706,529	(450,042)	-
Total liabilities and fund balances	\$ 815,307		
Net assets:			
Invested in capital assets, net of related debt		655,624	655,624
Restricted		-	-
Unrestricted		714,200	714,200
Total net assets		1,369,824	\$ 1,369,824

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO 8
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note 12)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Apparatus	\$ 70,796	\$ -	\$ 70,796
Support Equipment	46,293	-	46,293
Communications	51,511	-	51,511
Information Technology	13,772	-	13,772
Recruitment & Retention	11,324	-	11,324
Training	6,557	-	6,557
Stations	54,463	-	54,463
Clothing & Protective Gear	19,689	-	19,689
Personnel	1,324,326	22,707	1,347,033
Administrative	126,698	-	126,698
Miscellaneous	-	-	-
Capital Outlay	687,564	(687,564)	-
Debt Service:			
Principal	206,601	(206,601)	-
Interest	83,646	(883)	82,763
Depreciation Expense	-	152,780	152,780
Total expenditures/expenses	<u>2,703,240</u>	<u>(719,561)</u>	<u>1,983,679</u>
GENERAL REVENUES			
Property Taxes	1,441,441	4,516	1,445,957
Sales Taxes	281,355	-	281,355
Interest	11,384	-	11,384
Miscellaneous Income	15,043	-	15,043
FEMA	52,099	-	52,099
Contributions	104,416	-	104,416
Services	24,610	-	24,610
Total general revenues	<u>1,930,348</u>	<u>4,516</u>	<u>1,934,864</u>
Excess (Deficiency) of revenues over expenditures	(772,892)	772,892	-
Other Sources/Uses:			
Financing Proceeds	575,000	(575,000)	-
Loss on Disposal of Assets		(33,609)	(33,609)
Excess of Revenues and Other Sources over Expenditures	<u>(197,892)</u>	<u>197,892</u>	<u>(0)</u>
Change in net assets	<u>-</u>	<u>(82,424)</u>	<u>(82,424)</u>
Fund Balance/Net Assets			
Beginning of the year	✓ 904,421	✓ 547,827	✓ 1,452,248
End of the year	\$ <u>706,529</u>	\$ <u>1,238,295</u>	\$ <u>1,369,824</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
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. 8 (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. It was approved by voters of the District in a general election on November 5, 1985. The District was legally converted to a district operating under the Health & Safety Code Chapter 775 by an election of the voters and effectively became known as Travis County Services District No 8 on December 2, 1999.

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 No 8
NOTES TO THE FINANCIAL STATEMENTS
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 No 8
NOTES TO THE FINANCIAL STATEMENTS
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	39.5 years
Vehicles	10-15 years
Other Equipment	5-10 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 No 8
NOTES TO THE FINANCIAL STATEMENTS
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.

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 and any allowable carryover from prior periods.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
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: CASH AND INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2013, such deposits were entirely covered by Federal Deposit Insurance Corporation insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest 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 objective of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

The District had investment of \$623,828 in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), at September 30, 2013. The investments in TexPool had a weighted average maturity of one day and a Standard and Poor's rating of AAAM.

TexPool is an external investment pool offered to local governments. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy; this board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 2: CASH AND INVESTMENTS - continued

Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of the TexPool shares. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Credit Risk-Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 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.

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 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, being depreciated				
Vehicles	1,111,314	727,563	(259,798)	1,579,079
Equipment	34,251	-	-	34,251
Buildings and Structures	2,158,094	-	-	2,158,094
Total capital assets being depreciated	<u>3,303,659</u>	<u>727,563</u>	<u>(259,798)</u>	<u>3,771,424</u>
Less accumulated depreciation for:				
Vehicles	548,924	92,780	(186,189)	455,515
Equipment	9,416	5,365	-	14,781
Buildings and Structures	168,248	54,635	-	222,883
Total accumulated depreciation	<u>726,588</u>	<u>152,780</u>	<u>(186,189)</u>	<u>693,179</u>
Governmental activities capital assets, net	<u>2,577,071</u>	<u>574,783</u>	<u>(73,609)</u>	<u>3,078,245</u>

Depreciation was charged to the governmental activities of \$152,780. The additions of \$727,563 include a trade-in value of \$40,000 from a vehicle disposed during the year.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

NOTE 6: LONG-TERM DEBT

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

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at 9/30/2013</u>	<u>Due Within One Year</u>
8/28/2008	\$ 2,000,000	2028	4.26%	\$ 1,646,133	\$ 80,222
9/14/2012	219,775	2022	4.00%	201,488	18,958
6/27/2013	575,000	2021	4.29%	575,000	64,441
	<u>\$ 2,794,775</u>			<u>\$ 2,422,621</u>	<u>\$ 163,621</u>

	<u>Balance October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30</u>	<u>Due within one year</u>
<u>Governmental Activities</u>					
Notes Payable	2,054,221	575,000	206,601	2,422,621	163,621
Compensated Absences	-0-	22,707	-0-	22,707	22,707
Total Governmental Activities	\$ 2,054,221	\$ 597,707	\$ 206,601	\$ 2,445,328	\$ 186,328

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2014	\$ 163,621	\$ 92,866	\$ 256,487
2015	170,019	87,008	257,027
2016	176,450	80,578	257,028
2016	183,166	73,861	257,027
2017	190,107	66,901	257,008
Thereafter	1,539,258	302,155	1,841,413
Total	\$ 2,422,621	\$ 703,369	\$ 3,125,990

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
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 \$1,449,856,724 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 \$ 1,449,857 and the tax rate was \$ 0.10 per \$100 assessed valuation.

NOTE 8: OPERATING LEASE

In addition to the capital lease, the District also has entered into an operating lease agreement. Such lease agreement is for a copy machine. This lease is fixed and not subject to increase without renegotiating the agreement. The amount expended for this lease for the year ending September 30, 2013, was \$ 2,612. Future lease payments are \$2,436/year through June 2018.

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 \$ 19,944.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 10: 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.

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.

NOTE 11: ANNEXATION OF DISTRICT LAND

The District could in the future face the possibility of annexation which could 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 any other entity to annex property.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

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

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

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

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

Cost of capital assets	\$ 3,771,424
Accumulated Depreciation	<u>(693,179)</u>
	<u>\$ 3,078,245</u>

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

Deferred revenue	\$ (36,540)
------------------	-------------

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

	\$ 6,162
--	----------

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	\$ 186,328
Due after one year	2,259,000

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	\$ 22,707
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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

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

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	\$ (687,564)
Depreciation Expense	152,780

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

Payment of Principal	\$(206,601)
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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	\$ (883)
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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	\$ 4,516
--	----------

In the statement of activities, only the loss on the sale of equipment is reported, whereas in the governmental funds, the 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.

Disposal of equipment	\$ (73,609)
Trade-in value of capital asset	<u>40,000</u>
	\$ (33,609)

NOTE 13: CONTRACTUAL AGREEMENTS

The District has also entered into a 2 year contract with Sales Tax Assurance LLC. Under this contract the company searches for organizations that do business in the District's boundaries and have not or do not remit sales tax to the ESD. Under the terms of the contract, the company receives a commission of 50% for all sales taxes found and is collected. For the current year, the ESD paid \$37,007.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 14: EMPLOYEE BENEFITS

The District provided its employees a group health insurance plan, under this plan an employee is eligible who works at least 30 hours per week. The plan pays 100% of employee coverage and allows the employee to pay for dependent coverage with pre-tax monies under a Cafeteria Plan (Sec 125). For the year ending total health cost paid by the District was \$98,412.

The District also offers its employees a 457 deferred compensation plan. Under this plan an employee is eligible to participate immediately upon employment and all contributions are 100% vested. The District will match employee contributions up to 6% of gross payroll. For the year ending September 30, 2013, employee and employer contributions were \$36,500 and \$36,500 respectively.

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
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>	
REVENUES:				
Property Taxes	\$ 1,457,715	\$ 1,457,715	\$ 1,441,441 ✓	(16,274)
Sales Taxes	270,000	270,000	281,355 ✓	11,355
Interest	-	-	11,384 ✓	11,384
Miscellaneous Income	-	-	15,043 ✓	15,043
FEMA			52,099 ✓	
Contributions			104,416 ✓	
Services			24,610 ✓	
TOTAL REVENUES	<u>\$ 1,727,715</u>	<u>\$ 1,727,715</u>	<u>\$ 1,930,348</u>	<u>202,633</u>
EXPENDITURES:				
Apparatus	\$ -	\$ -	\$ 70,796 ✓	(70,796)
Support Equipment	-	-	46,293 ✓	(46,293)
Communications	-	-	51,511 ✓	(51,511)
Information Technology	-	-	13,772 ✓	(13,772)
Recruitment & Retention	-	-	11,324 ✓	(11,324)
Training	-	-	6,557 ✓	(6,557)
Stations	-	-	54,463 ✓	(54,463)
Clothing & Protective Gear			19,689 ✓	
PFD Operating Budget	1,444,674	1,444,674	-	1,444,674
Personnel	72,000	72,000	1,324,326 ✓	(1,252,326)
Administrative	15,000	15,000	126,698 ✓	(111,698)
Miscellaneous	-	-	-	-
Capital Outlay	-	-	687,564 ✓	(687,564)
Debt Service:				
Principal	275,522	275,522	206,601 ✓	68,921
Interest	-	-	83,646 ✓	(83,646)
TOTAL EXPENDITURES	<u>\$ 1,807,196</u>	<u>\$ 1,807,196</u>	<u>\$ 2,703,240</u>	<u>(896,044)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (79,481)</u>	<u>\$ (79,481)</u>	<u>\$ (772,892)</u> ✓	<u>(693,411)</u>
Other Sources/Uses:				
Financing Proceeds	<u>-</u>	<u>-</u>	<u>575,000</u> ✓	<u>575,000</u>
Excess of Revenues and Other Sources over Expenditures	<u>(79,481)</u>	<u>(79,481)</u>	<u>(197,892)</u> ✓	<u>(118,411)</u>
FUND BALANCE:				
Beginning of year			<u>904,421</u> ✓	
End of year			<u>\$ 706,529</u> ✓	

**TRAVIS COUNTY
EMERGENCY SERVICES
DISTRICT NO. 11**

**Financial Statements for the
Year Ended September 30, 2013 and
Independent Auditors' Report**

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Travis County Emergency Services District No. 11:

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. 11 (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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

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.

Correction of Error

As described in Note 11 to the financial statements, the District's government-wide and fund financial statements as of and for the year ended September 30, 2012 have been restated to correct a certain misstatement. Our opinions are not modified with respect to this matter.

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.

Maxwell Locke + Ritter LLP

Austin, Texas
June 10, 2014

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

MANAGEMENT'S DISCUSSION & ANALYSIS SEPTEMBER 30, 2013

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 11 (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

	<u>9/30/2013</u>	<u>9/30/2012</u>
Assets:		
Current assets, as restated	\$ 4,496,127	\$ 3,256,786
Capital assets (net of accumulated depreciation)	3,288,804	3,720,591
Total Assets, as restated	<u>7,784,931</u>	<u>6,977,377</u>
Liabilities:		
Current liabilities	481,599	517,745
Non-current liabilities	3,014,623	3,257,781
Total Liabilities	<u>3,496,222</u>	<u>3,775,526</u>
Net Position:		
Net investment in capital assets	31,022	226,479
Unrestricted, as restated	4,257,687	2,975,372
Total Net Position, as restated	<u>\$ 4,288,709</u>	<u>\$ 3,201,851</u>

The District's total assets were \$7,784,931 as of September 30, 2013. Of this amount, \$3,288,804 is accounted for by capital assets. The District had outstanding liabilities of \$3,496,222 as of September 30, 2013 which represents current and non-current liabilities.

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

Statement of Activities

	<u>9/30/2013</u>	<u>9/30/2012</u>
Expenses		
Service operations and capital outlay	\$ 2,817,370	\$ 2,334,699
Depreciation	444,687	188,853
Debt service	145,183	120,539
Total Expenses	<u>3,407,240</u>	<u>2,644,091</u>
Revenues		
General revenues	4,122,644	3,474,370
Program revenues	371,454	1,277
Total Revenues	<u>4,494,098</u>	<u>3,475,647</u>
Change in Net Position	<u>\$ 1,086,858</u>	<u>\$ 831,556</u>

General revenues increased by \$648,274 for the fiscal year ended September 30, 2013 due to an increase in sales tax revenue of \$732,560. Property taxes generated \$720,539 in revenues. Program revenues increased by \$370,177 for the fiscal year ended September 30, 2013 due to an increase in service revenue from the District's contract with The Circuit of the Americas. Total expenses increased by \$763,149 for the fiscal year ended September 30, 2013 due to an increase in service operations expense and depreciation. Net position increased \$1,086,858 for the fiscal year ended September 30, 2013 compared to an increase of \$831,556 for the fiscal year ended September 30, 2012.

The District's Governmental Fund

At September 30, 2013, the District's governmental fund reported a fund balance of \$4,276,351, which is an increase of \$1,282,607 from the prior year.

General Fund Budgetary Highlights

The actual expenditures in the General Fund were \$402,323 more than the fund budgeted amounts primarily due to an increase in debt service expenditures, an increase in fire and emergency services expenditures due to the District's contract with The Circuit of the Americas, and an increase in general government expenditures for contributions to the District's retirement plans that were not budgeted. Resources available for appropriation were \$1,691,232 above the budgeted amounts due to a significant increase in sales tax revenue and service revenue from the District's contract with The Circuit of the Americas.

Capital Assets and Debt Administration

Capital Assets

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

Capital Assets at Year End

	<u>9/30/2013</u>	<u>9/30/2012</u>
Land	\$ 1,112,543	\$ 1,112,543
Fire trucks and vehicles	2,916,398	2,903,498
Equipment	201,277	201,277
Furniture and fixtures	21,135	21,135
Buildings and improvements	766,892	766,892
Total Capital Assets	<u>5,018,245</u>	<u>5,005,345</u>
Accumulated depreciation	(1,729,441)	(1,284,754)
Total Net Capital Assets	<u>\$ 3,288,804</u>	<u>\$ 3,720,591</u>

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

Debt Administration

At September 30, 2013, the District had debt comprised of the following:

Debt at Year End

	<u>9/30/2013</u>	<u>9/30/2012</u>
Notes payable	\$ 2,314,961	\$ 2,499,112
Capital lease payable	942,821	995,000
Total Debt	<u>\$ 3,257,782</u>	<u>\$ 3,494,112</u>

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

Compensated Absences

As of September 30, 2013, the District had \$62,877 of compensated absences outstanding, which represents the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination.

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the fiscal year budget, tax rates, and necessary expenses to be incurred in the next fiscal year's activities. The District's budgetary growth has mirrored its residential growth and economy. 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 decrease of approximately \$66,000.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at Travis County Emergency Services District No. 11, Attn: Treasurer, PO Box 1043, Del Valle, Texas 78617.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET SEPTEMBER 30, 2013

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS:			
Cash	\$ 41,592	-	41,592
Investments	3,807,141	-	3,807,141
Receivables:			
Property taxes, net	112,759	-	112,759
Sales taxes	490,893	-	490,893
Other	26,295	-	26,295
Prepaid assets	17,447	-	17,447
Capital assets (net of accumulated depreciation):			
Land	-	1,112,543	1,112,543
Buildings and improvements	-	549,869	549,869
Equipment	-	2,078	2,078
Fire trucks and vehicles	-	1,624,314	1,624,314
TOTAL ASSETS	\$ 4,496,127	3,288,804	7,784,931
LIABILITIES:			
Accounts payable	\$ 64,582	-	64,582
Payroll liabilities payable	42,435	-	42,435
Accrued interest payable	-	68,546	68,546
Long-term liabilities:			
Due within one year	-	306,036	306,036
Due after one year	-	3,014,623	3,014,623
TOTAL LIABILITIES	107,017	3,389,205	3,496,222
DEFERRED INFLOWS OF RESOURCES-			
Deferred revenue - property taxes	112,759	(112,759)	-
FUND BALANCE/NET POSITION-			
Fund balance:			
Assigned for subsequent year's budget deficit	65,933	(65,933)	-
Unassigned	4,210,418	(4,210,418)	-
Total fund balance	4,276,351	(4,276,351)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 4,496,127		
Net position:			
Net investment in capital assets		31,022	31,022
Unrestricted		4,257,687	4,257,687
TOTAL NET POSITION		\$ 4,288,709	4,288,709

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2013**

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:			
Service operations:			
Fire and emergency services	\$ 2,509,592	10,050	2,519,642
General government	274,215	-	274,215
Capital outlay	36,413	(12,900)	23,513
Depreciation	-	444,687	444,687
Debt service:			
Principal payments	236,330	(236,330)	-
Interest payments	147,140	(1,957)	145,183
Total expenditures/expenses	<u>3,203,690</u>	<u>203,550</u>	<u>3,407,240</u>
REVENUES:			
Program revenues:			
Services	370,454	-	370,454
Donations	1,000	-	1,000
Total program revenues	<u>371,454</u>	<u>-</u>	<u>371,454</u>
General revenues:			
Property taxes, including penalties and interest	712,738	7,801	720,539
Sales taxes	3,398,285	-	3,398,285
Interest income	2,971	-	2,971
Miscellaneous	849	-	849
Total general revenues	<u>4,114,843</u>	<u>7,801</u>	<u>4,122,644</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,282,607	(1,282,607)	-
Change in net position	-	1,086,858	1,086,858
FUND BALANCE/NET POSITON:			
Beginning of year, as restated	<u>2,993,744</u>	<u>208,107</u>	<u>3,201,851</u>
End of year	<u>\$ 4,276,351</u>	<u>12,358</u>	<u>4,288,709</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
Property taxes, including penalties and interest	\$ 714,065	712,738	(1,327)
Sales taxes	2,080,000	3,398,285	1,318,285
Services	-	370,454	370,454
Donations	-	1,000	1,000
Interest income	1,000	2,971	1,971
Miscellaneous	-	849	849
Total revenues	<u>2,795,065</u>	<u>4,486,297</u>	<u>1,691,232</u>
EXPENDITURES:			
Service operations:			
Fire and emergency services	2,433,302	2,509,592	(76,290)
General government	70,120	274,215	(204,095)
Capital outlay	-	36,413	(36,413)
Debt service:			
Principal payments	209,560	236,330	(26,770)
Interest payments	88,385	147,140	(58,755)
Total expenditures	<u>2,801,367</u>	<u>3,203,690</u>	<u>(402,323)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(6,302)	1,282,607	1,288,909
FUND BALANCE:			
Beginning of year, as restated	<u>2,993,744</u>	<u>2,993,744</u>	<u>-</u>
End of year	<u>\$ 2,987,442</u>	<u>4,276,351</u>	<u>1,288,909</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 11

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis County Emergency Services District No. 11 (the “District”) was created by conversion from Travis County Rural Fire Prevention District No. 8 to an Emergency Services District operating under Chapter 775 of the Texas Health & Safety Code at a local election held on November 7, 1995. The District is one of many emergency service districts located in Travis County, Texas. The District’s staff provides fire protection, first response and rescue services to a service area of approximately 120 square miles east of the City of Austin, Texas. The District is a 24 hour a day operation, providing service from three fire stations and answering approximately 2,400 incidents a year.

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. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income and sales taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred 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

Investments - The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District is authorized to invest in obligations of, or guaranteed by, government entities other than the United States of America or one of its agencies or instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, and mutual funds to the extent authorized by Section 2256 of the Government Code ("Public Funds Investment Act") and only upon the Board's adoption of a separate resolution authorizing such investment. The District's investment policies and types of investments are governed by the 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 and improvements, equipment, fire trucks and vehicles, and furniture and fixtures 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 \$2,000. 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 and improvements	10-20
Equipment	5
Fire trucks and vehicles	5-7
Furniture and fixtures	5-7

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. As of September 30, 2013, the District had an allowance for uncollectible accounts of \$27,240.

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

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

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	\$ 4,276,351
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	3,288,804
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	112,759
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Notes payable	(2,314,961)
Capital lease payable	(942,821)
Accrued interest payable	(68,546)
Compensated absences	(62,877)
Total net position	<u>\$ 4,288,709</u>

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

Excess of revenues over expenditures	\$ 1,282,607
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	12,900
Depreciation expense	(444,687)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	7,801
Note and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	
Repayment of note principal	184,151
Repayment of capital lease principal	52,179
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in interest payable	1,957
Change in compensated absences	(10,050)
Change in net position	<u>\$ 1,086,858</u>

3. CASH AND TEMPORARY INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2013, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance.

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

The District had investments of \$3,807,141 in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), at September 30, 2013. The investments in TexPool had a weighted average maturity of one day and a Standard and Poor's rating of AAAM.

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 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.

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

4. CAPITAL ASSETS

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

	Balance September 30, 2012	Additions	Retirements and Transfers	Balance September 30, 2013
Capital assets not being depreciated-				
Land	\$ 1,112,543	-	-	1,112,543
Capital assets being depreciated:				
Buildings and improvements	766,892	-	-	766,892
Equipment	201,277	-	-	201,277
Fire trucks and vehicles	2,903,498	12,900	-	2,916,398
Furniture and fixtures	21,135	-	-	21,135
Total capital assets being depreciated	<u>3,892,802</u>	<u>12,900</u>	<u>-</u>	<u>3,905,702</u>
Less accumulated depreciation for:				
Buildings and improvements	(156,098)	(60,925)	-	(217,023)
Equipment	(196,221)	(2,978)	-	(199,199)
Fire trucks and vehicles	(911,300)	(380,784)	-	(1,292,084)
Furniture and fixtures	(21,135)	-	-	(21,135)
Total accumulated depreciation	<u>(1,284,754)</u>	<u>(444,687)</u>	<u>-</u>	<u>(1,729,441)</u>
Total capital assets being depreciated, net	<u>2,608,048</u>	<u>(431,787)</u>	<u>-</u>	<u>2,176,261</u>
Capital assets, net	<u>\$ 3,720,591</u>	<u>(431,787)</u>	<u>-</u>	<u>3,288,804</u>

5. LONG-TERM LIABILITES

Long-term liabilities transactions for the year ended September 30, 2013, are summarized as follows:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013	Due Within One Year
Notes payable	\$ 2,499,112	-	(184,151)	2,314,961	190,582
Capital lease	995,000	-	(52,179)	942,821	52,577
Compensated absences	52,827	10,050	-	62,877	62,877
Total governmental activities	<u>\$ 3,546,939</u>	<u>10,050</u>	<u>(236,330)</u>	<u>3,320,659</u>	<u>306,036</u>

Notes payable consisted of the following at September 30, 2013:

Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at September 30, 2013	Due Within One Year
June 30, 2007	\$ 825,000	2027	5.75%	\$ 664,428	\$ 32,173
October 10, 2008	535,000	2029	5.64%	469,205	18,830
February 18, 2011	163,312	2024	5.72%	143,583	9,733
November 10, 2011	437,797	2018	3.68%	313,294	58,215
June 21, 2012	795,000	2022	2.89%	724,451	71,631
	<u>\$ 2,756,109</u>			<u>\$ 2,314,961</u>	<u>\$ 190,582</u>

The notes payable agreements were entered into by the District to finance the acquisition of land, improvements and vehicles and are secured by ad valorem taxes, sales taxes, and the vehicles acquired.

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

Fiscal Year	Principal	Interest	Total Requirement
2014	\$ 190,582	105,334	295,916
2015	198,261	97,655	295,916
2016	206,277	89,639	295,916
2017	214,648	81,268	295,916
2018	223,387	72,529	295,916
2019-2023	794,338	243,972	1,038,310
2024-2028	444,607	81,261	525,868
2029	42,861	2,416	45,277
Total	<u>\$ 2,314,961</u>	<u>774,074</u>	<u>3,089,035</u>

The District financed the purchase of a fire truck through a capital lease agreement with a bank. The purchase price of the fire truck was \$995,000 which equates to the capital lease principal amount. The fire truck had accumulated depreciation of \$142,143 and a net book value of \$852,857 at September 30, 2013. Under the terms of the capital lease agreement, principal and interest payments of \$87,556 are due annually on June 1 beginning on June 1, 2013 through June 1, 2027. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase the fire truck for one dollar. The effective interest rate on the lease is 3.69%. Lease payment requirements are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2014	\$ 52,577	34,979	87,556
2015	54,527	33,029	87,556
2016	56,550	31,006	87,556
2017	58,648	28,908	87,556
2018	60,824	26,732	87,556
2019-2023	339,692	98,087	437,779
2024-2027	320,003	30,219	350,222
Total	\$ 942,821	282,960	1,225,781

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

6. PROPERTY TAXES

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

In September 2012, the District levied a tax rate of \$0.0978 per \$100 of assessed valuation to finance operating expenditures. The total 2012 tax levy was \$705,203 based on a taxable valuation of \$723,267,167.

7. FUND BALANCE

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

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

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

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

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

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

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

8. CONTRACTED SERVICES

The District entered into an agreement with Circuit of the Americas, LLC ("COTA") that was effective September 1, 2012 for a period of three years in the initial term, with successive one year terms available. The District agreed to provide COTA with emergency services including track safety and public safety in exchange for consideration paid by COTA as outlined in the agreement.

9. RETIREMENT PLANS

The District offers its employees a voluntary deferred compensation plan consistent with Internal Revenue Code Section 457(b) as well as a retirement plan consistent with Internal Revenue Code Section 401(a). All employees are eligible to participate in the plans after the minimum level of service requirements have been met. Employee contributions are vested immediately and funds under the plans are available to an employee upon termination, retirement, death, loan or unforeseeable emergency as allowed by the documents of the plans. Employer contributions are fully vested after the predetermined number of years of service has been met. The District made contributions of \$154,553 to the plans during the year ended September 30, 2013.

10. RISK MANAGEMENT

The District is exposed to various risks of losses including property, casualty, automobile, comprehensive liability and workers' compensation. 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. The District also participates in a public entity risk pool, the TML Intergovernmental Risk Pool, for various risk areas, wherein member entities pool risks and funds and share in the costs of losses. Claims against the District are expected to be paid in full by the public entity risk pool, but the District may be responsible to pay for claims if the public entity risk pool becomes insolvent. There is no liability due to any claim or suit having been filed within the last three years.

11. PRIOR PERIOD ADJUSTMENT

In the prior year, the accrual for sales tax revenue received within sixty days of year-end was not recorded by the District. As a result of this error, the fund balance for the General Fund and net position balance, as previously reported, have been restated as follows:

Fund balance, General Fund - September 30, 2012	\$ 2,277,000
Correction of sales tax revenue	<u>716,744</u>
Fund balance, General Fund - September 30, 2012, as restated	<u><u>2,993,744</u></u>
Net position - September 30, 2012	\$ 2,485,107
Correction of sales tax revenue	<u>716,744</u>
Net position - September 30, 2012, as restated	<u><u>\$ 3,201,851</u></u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13
PO BOX 1017
MANOR, TX 78653

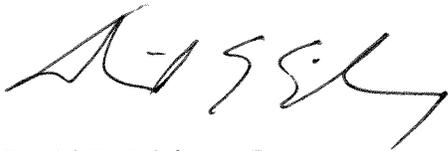
June 16, 2014

Ms. Sharon Martindale
Travis County Auditor Office
P.O. Box 1748
Austin, Texas 78767

Dear Ms. Martindale:

Attached is a copy of the reviewed financial statements of Travis County Emergency Services District No. 13 for the year ended September 30, 2013. I hereby attest to the accuracy and authenticity of the attached financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Erickson, Jr.", written in a cursive style.

David E. Erickson, Jr.
Asst. Treasurer

keid 6/20/14

Travis County Emergency Services District No. 13

Financial Review

For the Year Ending

September 30, 2013

JANSEN AND GREGORCZYK

Telephone
(512) 268-2749

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

Fax
(512) 268-5057

Independent Accountant's Review Report

To the Board of Commissioners

Travis County Emergency Services District #13

We have reviewed the accompanying financial statements of the governmental activities of Travis County Emergency Services District #13 (District), as of and for the years ended September 30, 2013, which collectively comprise the District's basic financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression on an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended September 30, 2012 were audited by us, and we expressed an unqualified opinion on them in our report dated February 27, 2013, but we have not performed any auditing procedures since that date.



Jansen and Gregorczyk
May 28, 2014

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2013

Our discussion and analysis of the Travis County Emergency Services District #13 (the District's) financial performance provides an overview of the District's financial activities for the year ended September 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- During the year, the District had expenses of \$38,350 compared to total revenues of \$49,748 resulting in an increase in net assets of \$11,398 for the year ended September 30, 2013.
- The District's cash balance was \$97,607 for the fiscal year.

USING THIS ANNUAL REPORT

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

Reporting the District as a Whole

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

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

THE DISTRICT AS A WHOLE

The District's total net assets increased by \$11,398 in the year ended September 30, 2013. Our analysis of the District's activities below focuses on net assets (Table 1) and the changes in net assets (Table 2).

Table 1

Assets:	9/30/13	9/30/12
Current and Other Assets	\$ 102,573	\$ 91,175
Non Current and Capital Assets	-	-
Total Assets	<u>102,573</u>	<u>91,175</u>
Current and Other Liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Unrestricted	<u>102,573</u>	<u>91,175</u>
Total Net Assets	<u>\$ 102,573</u>	<u>\$ 91,175</u>

Table 2

Ad Valorem Tax Revenues	\$ 49,748	\$ 48,331
Total Revenues	<u>49,748</u>	<u>48,331</u>
Expenses:		
Administrative	5,686	6,362
Public Safety - Firefighting	31,579	21,814
Tax Services	1,085	251
Total Expenses	<u>38,350</u>	<u>28,427</u>
Increase in Net Position	11,398	19,904
Net Position - beginning of year	<u>91,175</u>	<u>71,271</u>
Net Position - end of year	<u>\$ 102,573</u>	<u>\$ 91,175</u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$102,573 at September 30, 2013.

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

General Fund Budgetary Highlights

The Board of Commissioners did not make any changes to the budget during the year. The analysis of the budget is reflected on the Budgetary Comparison Schedule – General Fund following the Notes to the Financial Statements.

The actual General Fund revenues over expenditures increased by \$11,716 during the year. Revenues budgeted were \$8,466 less than the actual amount received. Expenses were \$3,250 less than budget primarily due to increase in firefighting operations and \$9,800 for contingency purposes which were not expended.

Economic Factors and Future Years Budgets and Rates

The District's appointed officials considered many factors when setting the fiscal year 2013 budget and tax rates. Some of those factors include the economy and the anticipated needs of the District for operations in the next year.

Contacting the District's Financial Management

This financial report is designed to provide the taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at:

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2013 (Unaudited) and 2012 (Audited)

	2013 (Unaudited)		2012 (Audited)	
	General Fund	Adjustments (Note 6)	Statement of Net Position	Statement of Net Position
ASSETS				
Current assets:				
Cash	\$ 97,607		\$ 97,607	\$ 85,391
Total current assets	<u>97,607</u>		<u>97,607</u>	
Other assets:				
Taxes receivable	<u>4,966</u>	-	<u>4,966</u>	<u>5,784</u>
Total assets	<u>\$ 102,573</u>		<u>\$ 102,573</u>	<u>\$ 91,175</u>
LIABILITIES				
Noncurrent liabilities:				
Deferred Income	<u>4,966</u>	(4,966)	-	-
Total liabilities	<u>4,966</u>		<u>-</u>	<u>-</u>
FUND BALANCES/NET POSITION				
FUND BALANCES				
Fund balance - unassigned	<u>97,607</u>	(97,607)	-	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 102,573</u>		<u>-</u>	<u>-</u>
NET POSITION				
Unassigned		-	<u>102,573</u>	<u>91,175</u>
			<u>\$ 102,573</u>	<u>\$ 91,175</u>

See accompanying notes and independent accountant's review report.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 (Unaudited) and 2012 (Audited)

	<u>2013 (Unaudited)</u>		<u>2012 (Audited)</u>	
	<u>General</u>	<u>Adjustments</u>	<u>Statement</u>	<u>Statement</u>
	<u>Fund</u>	<u>(Note 6)</u>	<u>of Activities</u>	<u>of Activities</u>
Expenses:				
Administrative	\$ 1,640		\$ 1,640	\$ 1,341
Training	1,579		1,579	-
Firefighting Operations	30,000		30,000	21,814
Legal and Audit Expense	1,941		1,941	3,065
Insurance	2,105		2,105	1,956
Tax Services	1,085		1,085	251
Total Expenses	<u>38,350</u>		<u>\$ 38,350</u>	<u>\$ 28,427</u>
General Revenues:				
Ad Valorem Tax Revenues	50,566	(818)	49,748	48,331
Total General Revenues	<u>50,566</u>		<u>49,748</u>	<u>48,331</u>
Change in Net position/fund balance	12,216		11,398	19,904
Net position/fund balance - beginning	<u>85,391</u>	-	<u>91,175</u>	<u>71,271</u>
Net position/fund balance - ending	<u><u>\$ 97,607</u></u>		<u><u>\$ 102,573</u></u>	<u><u>\$ 91,175</u></u>

See accompanying notes and independent accountant's review report.

Travis County Emergency Services District #13
Notes to the Financial Statements
For The Year Ending September 30, 2013

Note 1- Summary of Significant Accounting Policies

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

A. The Reporting Entity

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

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

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

B. Government-Wide Financial and Fund Financial Statements

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the

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

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

D. Cash and Cash Equivalents

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

E. Net Position

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

F. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

G. Deferred Revenue

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

NOTE 2 – Deposits

The District's deposits exposed to concentrations of credit risk consist of cash, which is deposited in one major financial institution. At September 30, 2013, the carrying amount of the District's cash deposits was \$97,607 and the bank balance was \$97,649. The District had no deposits in excess of FDIC insurance.

NOTE 3 – Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on October 1 and are payable in full by the following January 31. The District employs the services of the Travis County Appraisal District for assessing and billing its property taxes and employs the services of the Travis County Tax Assessor/Collectors for the collection of its taxes. Revenues are recognized when received by the District. The tax rate was \$0.10 per \$100 of assessed valuation.

NOTE 4 – Concentration of Expenditures

For the current audit period, the District paid Bastrop/Travis County ESD #1, \$30,000 for providing services.

NOTE 5 – Risk Management

The District is exposed to various risks and losses related to theft of assets, damage and destruction of assets, error and omissions, injuries to firefighters, lawsuits and natural disasters. Insurance coverage is provided for property,

casualty, errors and omissions. The district pays premiums proportionately for coverage which is shared with several other districts.

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

Unrestricted fund balance - governmental fund	\$ 97,607
Taxes receivables deferred in the fund financial statements and in the government-wide financial statements	<u>4,966</u>
Net position - governmental activities	<u>\$ 102,573</u>
Net change in fund balance - governmental fund	12,216
Net increase in tax receivable deferred in the fund financial statements and not in the government-wide financial statements	<u>(818)</u>
Change in net position - governmental activities	<u>\$ 11,398</u>

NOTE 7 – Subsequent Events

The District has evaluated subsequent events as of May 28, 2014, the date the financial statements were issued and determined there are no items that would affect the financial statements.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #13
 Budgetary Comparison Schedule
 General Fund
 For the Year ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad Valorem Tax Revenues	\$ 42,100	\$ 42,100	\$ 50,566	\$ 8,466
Total General Revenue	<u>42,100</u>	<u>42,100</u>	<u>50,566</u>	<u>8,466</u>
Expenditures:				
Firefighting Operations	20,300	20,300	31,579	(11,279)
Administrative	10,500	10,500	5,686	4,814
Tax Services	1,000	1,000	1,085	(85)
Contingency	9,800	9,800	-	9,800
	<u>41,600</u>	<u>41,600</u>	<u>38,350</u>	<u>3,250</u>
Excess of Revenues Over Expenditures	<u>500</u>	<u>500</u>	<u>12,216</u>	<u>11,716</u>
Fund Balances - Beginning	<u>85,391</u>	<u>85,391</u>	<u>85,391</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 85,891</u>	<u>\$ 85,891</u>	<u>\$ 97,607</u>	<u>\$ 11,716</u>

See independent accountant's review report.