



## Travis County Commissioners Court Agenda Request

**Meeting Date:** September 23, 2014, 9:00AM Voting Session

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

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

**Commissioners Court Sponsors:** Commissioner Daugherty

**AGENDA LANGUAGE:** Receive the fiscal year 2013 financial audit reports for Emergency Services Districts 5 and 10.

### **BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:**

See attachments

### **STAFF RECOMMENDATIONS:**

Please approve

### **ISSUES AND OPPORTUNITIES:**

None

### **FISCAL IMPACT AND SOURCE OF FUNDING:**

None

### **REQUIRED AUTHORIZATIONS:**

Auditor's Office

Nicki Riley, 854-9125

Commissioner Pct 3 Office

Gerald Daugherty, 854-9333

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

TRAVIS COUNTY  
AUDITOR'S OFFICE

NICKI RILEY, CPA  
COUNTY AUDITOR



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

---

To: Commissioners Court

From: Kathryn Madden, Financial Audit Manager *KM*

Date: September 15, 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 are placing them on the agenda to be formally received by the Commissioners Court. We have included an agenda request for the reports listed below.

<u>Emergency Services District</u>	<u>Precinct</u>	<u>Fiscal Year</u>
No. 5	3	2013
No. 10	3	2013

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

**TRAVIS COUNTY  
EMERGENCY SERVICES  
DISTRICT NO. 5**

**Financial Statements for the  
Year Ended December 31, 2013 and  
Independent Auditors' Report**

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

## TABLE OF CONTENTS

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	9
Notes to Basic Financial Statements	10



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250  
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100  
Austin, TX 78701

Round Rock: 303 East Main Street  
Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners of  
Travis County Emergency Services District No. 5:

We have audited the accompanying financial statements of the governmental activities and the General Fund of Travis County Emergency Services District No. 5 (the "District"), as of and for the year ended December 31, 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 December 31, 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 10 to the financial statements, the District's government-wide and General Fund financial statements as of and for the year ended December 31, 2012 have been restated to correct certain misstatements. 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  
August 25, 2014

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

## MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2013

---

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 5 (the "District") offers the following narrative on the financial performance of the District for the year ended December 31, 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 government-wide and fund financial 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*.

### Prior Period Adjustments

The District's government-wide and General Fund financial statements as of December 31, 2012 have been restated to correct certain misstatements. As a result of accounting errors, net position as of December 31, 2012 has been corrected from a balance of \$3,036,342 to a balance of \$3,334,599, as restated. The General Fund fund balance as of December 31, 2012 has been corrected from a balance of \$1,819,369 to a balance of \$1,684,232, as restated. Because of these restatements, only one year of financial information is presented in management's discussion and analysis. More detailed information about the prior period adjustments is presented in the *Notes to Basic Financial Statements*.

### The District as a Whole

The District's combined net position for the year ended December 31, 2013 is 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>12/31/2013</u>
<b>Assets:</b>	
Current assets	\$ 2,765,200
Capital assets (net of accumulated depreciation)	<u>4,460,058</u>
<b>Total Assets</b>	<b><u>7,225,258</u></b>
<b>Liabilities:</b>	
Current liabilities	197,016
Non-current liabilities	<u>2,891,842</u>
<b>Total Liabilities</b>	<b><u>3,088,858</u></b>
<b>Net Position:</b>	
Net investment in capital assets	1,382,054
Unrestricted	<u>2,754,346</u>
<b>Total Net Position</b>	<b><u>\$ 4,136,400</u></b>

The District's total assets were \$7,225,258 as of December 31, 2013. Of this amount, \$4,460,058 is accounted for by capital assets. The District had outstanding liabilities of \$3,088,858 as of December 31, 2013, which represents current and non-current liabilities.

The change in net position for the year ended December 31, 2013 is shown in the table below.

### Statement of Activities

	<u>12/31/2013</u>
<b>Expenses</b>	
Service operations	\$ 1,198,898
Depreciation	278,232
Debt service	190,819
<b>Total Expenses</b>	<u><b>1,667,949</b></u>
<b>Revenues and Other Financing Sources</b>	
General revenues	1,922,143
Gain on disposal	547,607
<b>Total Revenues and Other Financing Sources</b>	<u><b>2,469,750</b></u>
<b>Change in Net Position</b>	<u><u><b>\$ 801,801</b></u></u>

General revenues totaled \$1,922,143 for the year ended December 31, 2013, of which \$1,026,492 (53%) was generated by sales tax revenue and \$895,160 (47%) was generated by property tax revenue. Expenses totaled \$1,667,949 for the year ended December 31, 2013, of which \$1,062,514 (64%) represents payments made to the Manchaca Volunteer Fire Department. Net position increased \$801,801 for the year ended December 31, 2013.

#### The District's Governmental Fund

At December 31, 2013, the District's General Fund reported a fund balance of \$2,707,952, which is an increase of \$1,023,720 from prior year fund balance, as restated.

#### General Fund Budgetary Highlights

The actual expenditures in the General Fund were \$173,828 more than the fund budgeted amounts primarily due to an increase in funds paid to the Manchaca Volunteer Fire Department, offset by a decrease in general government operations expenditures. Resources available for appropriation were \$268,603 above the budgeted amounts due to an increase in sales tax revenue and property tax revenue. Other financing sources were \$656,945 above budget due to unbudgeted gains from the disposal of assets.

## Capital Assets and Long-Term Debt Administration

### Capital Assets

At December 31, 2013, the District had the following capital assets in operation:

#### Capital Assets at Year End

	<u>12/31/2013</u>
Land	\$ 530,170
Buildings and improvements	3,455,202
Equipment	33,364
Fire trucks and vehicles	<u>1,195,554</u>
<b>Total Capital Assets</b>	<b><u>5,214,290</u></b>
Accumulated depreciation	<u>(754,232)</u>
<b>Total Net Capital Assets</b>	<b><u>\$ 4,460,058</u></b>

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

### Long-Term Debt Administration

At December 31, 2013, the District had debt comprised of the following:

#### Long-Term Debt at Year End

	<u>12/31/2013</u>
2008 Trucks Note	\$ 444,913
2009 Fire Station Note	<u>2,633,091</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 3,078,004</u></b>

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

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

The District's Board of Commissioners considered various factors when setting the 2014 budget, tax rates, and necessary expenditures for the next year's activities. The District's budgetary growth has mirrored its residential growth and the economy. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap. The adopted budget for the year ended December 31, 2014 for the District's governmental fund projects a fund balance increase of approximately \$310,000.

### 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. 5, Attn: Art Gurley, Board Treasurer, P.O. Box 117, Manchaca, Texas 78652.

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET DECEMBER 31, 2013

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,271,400	-	1,271,400
Investments	905,174	-	905,174
Receivables:			
Property taxes	399,533	-	399,533
Sales taxes	189,093	-	189,093
Capital assets (net of accumulated depreciation):			
Land	-	530,170	530,170
Buildings and improvements	-	3,229,352	3,229,352
Equipment	-	6,171	6,171
Fire trucks and vehicles	-	694,365	694,365
<b>TOTAL ASSETS</b>	<b>\$ 2,765,200</b>	<b>4,460,058</b>	<b>7,225,258</b>
<b>LIABILITIES:</b>			
Accrued interest payable	\$ -	10,854	10,854
Long-term liabilities:			
Due within one year	-	186,162	186,162
Due after one year	-	2,891,842	2,891,842
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,088,858</b>	<b>3,088,858</b>
<b>DEFERRED INFLOWS OF RESOURCES-</b>			
Deferred revenue - property taxes	57,248	(57,248)	-
<b>FUND BALANCE/NET POSITION-</b>			
Fund balance-			
Unassigned	2,707,952	(2,707,952)	-
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 2,765,200</b>		
<b>NET POSITION:</b>			
Net investment in capital assets		1,382,054	1,382,054
Unrestricted		2,754,346	2,754,346
<b>TOTAL NET POSITION</b>		<b>\$ 4,136,400</b>	<b>4,136,400</b>

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE YEAR ENDED DECEMBER 31, 2013

	GENERAL FUND	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
<b>EXPENDITURES/EXPENSES:</b>			
Service operations:			
Manchaca Volunteer Fire Department	\$ 1,062,514	-	1,062,514
General government operations	136,384	-	136,384
Depreciation	-	278,232	278,232
Debt service:			
Principal payments	176,965	(176,965)	-
Interest payments	179,965	10,854	190,819
Total expenditures/expenses	1,555,828	112,121	1,667,949
<b>REVENUES -</b>			
General revenues:			
Sales taxes	1,026,492	-	1,026,492
Property taxes, including penalties and interest	895,620	(460)	895,160
Interest income	491	-	491
Total general revenues	1,922,603	(460)	1,922,143
<b>OTHER FINANCING SOURCES -</b>			
Proceeds from sale of capital assets/gain on disposal	656,945	(109,338)	547,607
Total revenues and other financing sources	2,579,548	(109,798)	2,469,750
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>			
	1,023,720	(1,023,720)	-
Change in net position	-	801,801	801,801
<b>FUND BALANCE/NET POSITON:</b>			
Beginning of year, as restated	1,684,232	1,650,367	3,334,599
End of year	\$ 2,707,952	1,428,448	4,136,400

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

## TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED DECEMBER 31, 2013

---

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>			
Sales taxes	\$ 830,000	1,026,492	196,492
Property taxes, including penalties and interest	820,000	895,620	75,620
Interest income	4,000	491	(3,509)
Total revenues	1,654,000	1,922,603	268,603
<b>EXPENDITURES:</b>			
Service operations:			
Manchaca Volunteer Fire Department	750,000	1,062,514	(312,514)
General government operations	275,000	136,384	138,616
Debt service:			
Principal payments	176,965	176,965	-
Interest payments	180,035	179,965	70
Total expenditures	1,382,000	1,555,828	(173,828)
<b>OTHER FINANCING SOURCES -</b>			
Proceeds from sale of capital assets	-	656,945	656,945
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>			
	272,000	1,023,720	751,720
<b>FUND BALANCE:</b>			
Beginning of year, as restated	1,684,232	1,684,232	-
End of year	\$ 1,956,232	2,707,952	751,720

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 5

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2013

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis County Emergency Services District No. 5 (the “District”) was organized in the State of Texas under Article III, Section 48-e of the Texas Constitution for the protection of human life and health. The District is one of many emergency service districts located in Travis County, Texas. The District provides fire suppression, emergency medical and rescue first response, hazardous materials incident response, and other emergency incident response that may arise within its boundaries. The District serves a 15 square mile area just south of the City of Austin to the Travis County boundary line, and includes the subdivisions of Bear Creek, Onion Creek Meadows, the City of San Leanna, and Shady Hollow. The District is a 24 hour a day operation, providing service from two fire stations and answering approximately 800 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 property and sales taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

The District reports the following major governmental fund:

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

## **Budgets and Budgetary Accounting**

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

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

## **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

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

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. Though the District has not adopted a written investment policy, the District's management believes that it complied with the investment requirements of 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, and fire trucks and vehicles 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 \$500. 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	10-25
Equipment	5-7
Fire trucks and vehicles	5-10

Ad Valorem Property Taxes - Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of December 31, 2013, the District had no allowance for uncollectible accounts.

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

Subsequent Events - The District has evaluated subsequent events through August 25, 2014, the date the basic financial statements were available to be issued, and other than the renewal of the certificate of deposit through November 23, 2014 as discussed in Note 3, no events have occurred through that date that would impact the basic financial statements.

## 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	\$ 2,707,952
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	
Capital assets, net of accumulated depreciation	4,460,058
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	57,248
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Notes payable	(3,078,004)
Accrued interest payable	<u>(10,854)</u>
Total net position	<u>\$ 4,136,400</u>

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

Excess of revenues and other financing sources over expenditures	\$ 1,023,720
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(278,232)
Disposal of capital assets	(109,338)
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	(460)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	
Repayment of notes principal	176,965
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in interest payable	<u>(10,854)</u>
Change in net position	<u>\$ 801,801</u>

### **3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At December 31, 2013, the District's cash and cash equivalents balances deposited in banks were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy to be approved annually by the Board. Though the Board has not formally adopted a written investment policy, the District believes its deposits and investments are invested in accordance with criteria outlined in the Public Funds Investment Act. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and yield.

At December 31, 2013, the District had investments of \$905,174 in a fixed term certificate of deposit. The funds were invested at an interest rate of 0.30% and were scheduled to mature on February 23, 2014, at which time the certificate of deposit was renewed through November 23, 2014.

Custodial Credit Risk - Custodial 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 December 31, 2013, all of the District's investments were in a certificate of deposit.

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. As of December 31, 2013, all of the District's investments were in a certificate of deposit.

### **4. 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 2013, the District levied a tax rate of \$0.0988 per \$100 of assessed valuation to finance operating expenditures. The total 2013 tax levy was \$883,030 based on a taxable valuation of \$881,039,037.

## 5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended December 31, 2013 was as follows:

	Balance December 31, 2012, as restated	Additions	Disposals	Balance December 31, 2013
Capital assets not being depreciated-				
Land	\$ 570,508	-	(40,338)	530,170
Capital assets being depreciated:				
Buildings and improvements	3,455,202	-	-	3,455,202
Equipment	33,364	-	-	33,364
Fire trucks and vehicles	1,655,554	-	(460,000)	1,195,554
Total capital assets being depreciated	5,144,120	-	(460,000)	4,684,120
Less accumulated depreciation for:				
Buildings and improvements	(88,431)	(137,419)	-	(225,850)
Equipment	(25,136)	(2,057)	-	(27,193)
Fire trucks and vehicles	(753,433)	(138,756)	391,000	(501,189)
Total accumulated depreciation	(867,000)	(278,232)	391,000	(754,232)
Total capital assets being depreciated, net	4,277,120	(278,232)	(69,000)	3,929,888
Capital assets, net	\$ 4,847,628	(278,232)	(109,338)	4,460,058

## 6. LONG-TERM LIABILITES

Long-term liabilities transactions for the year ended December 31, 2013, are summarized as follows:

	Balance December 31, 2012, as restated	Additions	Retirements	Balance December 31, 2013
Notes payable:				
2008 Trucks Note	\$ 522,606	-	(77,693)	444,913
2009 Fires Station Note	2,732,363	-	(99,272)	2,633,091
Total notes payable	\$ 3,254,969	-	(176,965)	3,078,004

Notes payable consisted of the following at December 31, 2013:

<u>Date of Issue</u>	<u>Amounts of Original Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at December 31, 2013</u>	<u>Due Within One Year</u>
October 2008	\$ 801,135	2018	4.53%	\$ 444,913	\$ 81,212
December 2009	3,000,000	2029	5.72%	2,633,091	104,950
	<u>\$ 3,801,135</u>			<u>\$ 3,078,004</u>	<u>\$ 186,162</u>

The notes payable agreements were entered into by the District to finance the acquisition of land, building construction and improvements, and emergency response 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2014	\$ 186,162	170,768	356,930
2015	195,844	161,086	356,930
2016	206,037	150,893	356,930
2017	216,766	140,164	356,930
2018	228,420	128,869	357,289
2019-2023	776,956	500,859	1,277,815
2024-2028	1,026,083	251,732	1,277,815
2029	241,736	13,827	255,563
Total	<u>\$ 3,078,004</u>	<u>1,518,198</u>	<u>4,596,202</u>

## 7. COMMITMENTS

The District leases a fire station under an operating lease agreement which expires in 2032. Lease payments under this operating lease are \$4,167 per month and total rent expense was \$50,000 for the year ended December 31, 2013. Future minimum annual lease payments required under this operating lease as of December 31, 2013 were as follows:

2014	\$ 50,000
2015	50,000
2016	50,000
2017	50,000
2018	50,000
2019-2023	250,000
2024-2028	250,000
2029-2032	170,833
Total minimum lease payments	<u>\$ 920,833</u>

## 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 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.

## 9. 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 December 31, 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.

## 10. PRIOR PERIOD ADJUSTMENTS

In the prior year, the accrual for sales tax revenue received within sixty days of year end was not recorded by the District. Further, the District was not properly accounting for property taxes receivable and property taxes collected within sixty days of year end. In addition, certain capital assets were omitted from the financial statements, notes payable were not correctly stated, and certain District expenditures were not accrued for and expensed in the proper period. As a result of these errors, the General Fund fund balance and net position, as previously reported, have been restated as follows:

Fund balance, General Fund - December 31, 2012	\$ 1,819,369
Correction of sales tax revenue	97,271
Correction of property tax revenues and receivables	(199,380)
Correction of expenditures to proper period as incurred	<u>(33,028)</u>
Fund balance, General Fund - December 31, 2012, as restated	<u><u>1,684,232</u></u>
Net position - December 31, 2012	\$ 3,036,342
Correction of sales tax revenue	97,271
Correction of property tax revenues and receivables	(141,212)
Correction of expenditures to proper period as incurred	(33,028)
Correction of capital assets	375,632
Correction of notes payable	<u>(406)</u>
Net position - December 31, 2012, as restated	<u><u>\$ 3,334,599</u></u>



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

RECEIVED

2014 AUG 29 PM 12:35

TRAVIS COUNTY  
AUDITORS OFFICE

**TRAVIS COUNTY EMERGENCY  
SERVICES DISTRICT #10**  
  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
  
SEPTEMBER 30, 2013



Arturo Montemayor III  
President & CEO

Stacy Britton  
Shareholder

Pamela Hill  
Shareholder

## Montemayor Hill & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Sean Bender  
Shareholder

Board of Fire Commissioners  
Travis County Emergency Services District #10

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and general fund of the Travis County Emergency Services District #10 (District) as of and for the year ended September 30, 2013, which collectively comprise the District's basic financial statements and the related notes to the financial statements.

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

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

2525 WALLINGWOOD DRIVE  
BUILDING 1, SUITE 200  
AUSTIN, TEXAS 78746  
PHONE: 512.442.0380  
FAX: 512.442.0817  
[www.montemayorhill.com](http://www.montemayorhill.com)



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 changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 6 and on page 15 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.

*Martinez Hill + Company, P.C.*

27 August 2014  
Austin, Texas

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

The following is a narrative overview and analysis of the financial activities of the Travis County Emergency Services District #10 ("the District") for the year ended September 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

### **Financial Highlights**

- The District's property tax rate remained at 10¢ per \$100 of assessed valuation for the year ended September 30, 2013. The statutory limit, as established by the State of Texas constitution, is 10¢ per \$100 of assessed valuation.
- The District incurred an increase in net position of \$37,932 for the year, due to expenses being slightly less than tax revenues.
- Cash and current taxes receivable amounted to \$321,892 at September 30, 2013, which represented a decrease compared to the \$349,426 for cash and current taxes receivable at September 30, 2012.
- Capital assets decreased by \$28,386 compared to September 30, 2012, due to depreciation expense of \$125,355 offset by the acquisition of SCBA equipment for \$96,969 during the 2013 fiscal year.
- The District's capital lease balance decreased by \$93,852 in the current fiscal year, as a result of principal payments on existing debt of \$192,369, offset by a new capital lease of \$98,517.
- Contract services expense under the Ce-BAR contract was \$1,080,000 for the year ended September 30, 2013 compared to \$1,075,000 for the year ended September 30, 2012.

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

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

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: uncollected property taxes).

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

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

**Fund Financial Statements**

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

**Governmental Funds:** The General Fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on current fiscal year cash inflows and outflows, as well as balances of resources available for spending at the end of the fiscal year. Such information may be useful in evaluating the District's recent financing requirements.

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

**Government-Wide Financial Analysis**

Net position may serve as a useful indicator of the District's financial position. The District's net position (assets less liabilities) was \$822,274 as of September 30, 2013. Capital assets, net of depreciation and related debt, accounted for \$486,226 or 59% of the total net assets. Capital assets reflect the large investments in facilities and equipment that are necessary to provide adequate fire suppression services to the community. The remaining balance of net position of \$336,048 is unrestricted and available to meet the District's ongoing obligations to citizens and creditors. Governmental activities account for all of the changes in net position at the government-wide reporting level because the District engages in no business-type activities. The tables below summarize the financial position of the District at September 30, 2012 and 2013 and the results of operations for the years ended September 30, 2012 and 2013.

<b><u>Assets</u></b>	<b><u>9/30/2013</u></b>	<b><u>9/30/2012</u></b>
Current assets	\$321,892	\$349,426
Non current and capital assets	<u>1,232,421</u>	<u>1,260,807</u>
Total assets	<u>\$1,554,313</u>	<u>\$1,610,233</u>
<b><u>Liabilities</u></b>		
Current maturities of long-term debt	\$185,606	\$188,075
Long-term debt	<u>546,433</u>	<u>637,816</u>
Total liabilities	<u>732,039</u>	<u>825,891</u>
Net position:		
Invested in capital assets, net of debt	486,226	420,760
Unrestricted	<u>336,048</u>	<u>363,582</u>
Total net position	<u>822,274</u>	<u>784,342</u>
Total liabilities and net assets	<u>\$1,554,313</u>	<u>\$1,610,233</u>

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

	<u>2013</u>	<u>2012</u>
<b><u>Revenues</u></b>		
Property taxes	\$1,308,725	\$1,290,580
Interest and other income	<u>7,727</u>	<u>10,686</u>
Total revenues	<u>1,316,452</u>	<u>1,301,266</u>
<b><u>Expenses</u></b>		
Contract funding - Ce-BAR	1,080,000	1,075,000
Depreciation	125,355	132,863
Interest expense	32,476	41,410
Fire station expense	15,532	0
Other District expense	<u>25,157</u>	<u>30,632</u>
Total expenses	<u>1,278,520</u>	<u>1,279,905</u>
Change in net position	37,932	21,361
Net position, beginning	<u>784,342</u>	<u>762,981</u>
Net position, ending	<u>\$822,274</u>	<u>\$784,342</u>

**Financial Analysis of the Governmental Fund**

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

During the fiscal year ending September 30, 2013, the District's only Governmental Fund was the General Fund, and it reported ending current assets of \$320,308, a decrease of \$23,234 from September 30, 2012. The District's ending unassigned fund balance of \$320,308 was unencumbered and available for spending at the District's discretion.

**General Fund Budgetary Highlights**

The General Fund an excess of expenditures over revenues of \$23,234. The excess was \$30,566 less than budgeted. The budget variance is primarily due to the less than anticipated expenses for the fire station, as well as the receipt of a FEMA grant for \$5,403 that was not budgeted.

**Capital Assets**

The District's investment in capital assets at September 30, 2013, net of accumulated depreciation, totaled \$1,218,265. The current year decrease of \$28,386 reflected depreciation expense of \$125,355 offset by capital outlay of \$96,969.

**Long-Term Debt**

The District's long-term debt at September 30, 2013, net of the current portion, totaled \$546,433 for capital leases. The current portion of the long-term debt was \$185,606. Fire stations, equipment, and property tax revenues are pledged as collateral on the leases. Activity during the year ended September 30, 2013 consisted of \$192,369 in principal payments, interest expense of \$32,476, and a new capital lease for \$98,517.

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

**Economic Factors, Future Years' Budgets and Tax Rates**

The October 2012 tax assessment increased by approximately 2% compared to the October 1, 2011 assessment. The tax rate of 10¢ per \$100 of assessed valuation for fiscal year 2012-2013 remained the same. The slight increase in tax revenues will allow for a slight increase in expected funding for future services contracted with Ce-BAR.

**Request for Information**

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

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

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$314,905		\$314,905
Property taxes receivable	<u>5,403</u>	1,584	<u>6,987</u>
	320,308		321,892
Property taxes receivable	15,740	(1,584)	14,156
Capital assets, net	<u>0</u>	1,218,265	<u>1,218,265</u>
	<u>\$336,048</u>		<u>\$1,554,313</u>
<b>LIABILITIES</b>			
Current liabilities:			
Current portion of capital leases	<u>\$0</u>	185,606	<u>\$185,606</u>
Noncurrent liabilities:			
Capital leases	0	546,433	546,433
Deferred property taxes	<u>15,740</u>	(15,740)	<u>0</u>
	<u>15,740</u>		<u>546,433</u>
	<u>15,740</u>		<u>732,039</u>
<b>FUND BALANCES/NET POSITION</b>			
Unassigned fund balance	<u>320,308</u>	(320,308)	
	<u>\$336,048</u>	(336,048)	
<b>NET POSITION</b>			
Invested in capital assets, net of debt			486,226
Unrestricted			<u>336,048</u>
			<u>822,274</u>
			<u>\$1,554,313</u>

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

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note 9)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Contract funding - Ce-BAR VFD	\$1,080,000		\$1,080,000
Debt service	224,845	(192,369)	32,476
Capital outlay	96,969	(96,969)	0
Depreciation	0	125,355	125,355
Other	<u>40,689</u>		<u>40,689</u>
	<u>1,442,503</u>		<u>1,278,520</u>
REVENUE			
General revenue:			
Property taxes	1,313,025	(4,300)	1,308,725
Interest and other income	<u>7,727</u>		<u>7,727</u>
	<u>1,320,752</u>		<u>1,316,452</u>
Revenue over/(under) expenses/expenditures	(121,751)		37,932
OTHER FINANCING SOURCES			
Proceeds from debt	<u>98,517</u>	(98,517)	<u>0</u>
Change in fund balance/net position	(23,234)		37,932
Beginning fund balance/net position	<u>343,542</u>		<u>784,342</u>
Ending fund balance/net position	<u>\$320,308</u>		<u>\$822,274</u>

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: ORGANIZATION

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

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

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

#### NET POSITION/FUND BALANCE

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

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

#### ESTIMATES

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

#### DEFERRED REVENUE

The District reported unearned deferred revenue in the Statement of Net 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 60 days after year-end are considered to have been for prior year services.

#### CAPITAL ASSETS

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

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3: DEPOSITS**

At September 30, 2013, the carrying amount and bank balance of the District's cash deposits was \$314,905. Of this amount, approximately \$65,000 was in excess of FDIC insurance coverage. The District has not experienced any losses due to this risk.

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

**NOTE 4: CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	<u>\$144,024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$144,024</u>
Capital assets being depreciated:				
Vehicles and engines	1,449,749	0	0	1,449,749
Buildings	1,215,400	0	0	1,215,400
Equipment	457,671	96,969	0	554,640
Furniture and fixtures	60,167	0	0	60,167
Accumulated depreciation	<u>(2,080,360)</u>	<u>(125,355)</u>	<u>0</u>	<u>(2,205,715)</u>
Net position being depreciated	<u>1,102,627</u>	<u>(28,386)</u>	<u>0</u>	<u>1,074,241</u>
	<u>\$1,246,651</u>	<u>(\$28,386)</u>	<u>\$0</u>	<u>\$1,218,265</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: PROPERTY TAXES**

The District has the authority to levy a tax to a maximum of \$0.10 per \$100 of value. Ad valorem taxes are levied each October 1 on the assessed valuation of all taxable property in the District. The tax rate for the October 1, 2012 levy was \$0.10 per \$100 of value. Taxes are due upon receipt of the bill and are delinquent if not paid before the first day of January in the year following levy. On February 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Taxes are billed and collected by the Travis County Tax Assessor-Collector.

**NOTE 6: LONG-TERM DEBT**

<u>Capital Leases</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Fire Station	\$1,162,671	2019	4.41%	\$595,046	\$0	\$85,028	\$510,018
Engine #1	334,206	2014	4.25%	69,130	0	38,872	30,258
Engine #2	325,182	2014	3.93%	57,246	0	37,759	19,487
Tanker	153,817	2015	3.93%	40,152	0	17,112	23,040
Brush Truck	116,000	2017	4.92%	64,317	0	13,598	50,719
SCBA's	<u>98,517</u>	2022	3.92%	<u>0</u>	<u>98,517</u>	<u>0</u>	<u>98,517</u>
	<u>\$2,190,393</u>			<u>\$825,891</u>	<u>\$98,517</u>	<u>\$192,369</u>	732,039
						Less Current	<u>(185,606)</u>
						Long-term	<u>\$546,433</u>

Maturities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$185,606	\$32,808	\$218,414
2015	116,194	24,639	140,833
2016	116,354	19,082	135,436
2017	119,202	13,361	132,563
2018	113,752	7,913	121,665
2019-2022	<u>80,931</u>	<u>5,278</u>	<u>86,209</u>
	<u>\$732,039</u>	<u>\$103,081</u>	<u>\$835,120</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

NOTES TO FINANCIAL STATEMENTS

**NOTE 7: RELATED PARTIES AND SUBSEQUENT EVENTS**

The District executed a contract with Ce-BAR in 2011, effective January 1, 2011 through September 30, 2015. The District agreed to fund the operations of Ce-BAR quarterly, as funds are available, based on a budget for Ce-BAR that is approved by the District. In exchange for the funding provided by the District, Ce-BAR agreed to provide emergency services including fire fighting and first responder assistance to the geographic area served by the District. The District funded Ce-BAR \$1,080,000 for services provided during the year ended September 30, 2013. Effective January 1, 2014, the service agreement between District and Ce-BAR was terminated, and the District assumed the operational responsibilities and the employees of Ce-BAR.

**NOTE 8: RISK MANAGEMENT**

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

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

Ending fund balance - governmental fund	\$320,308
Increase net position for capital assets not reported in the governmental funds	1,218,265
Taxes receivables deferred in the fund financial statements and not in the government-wide financial statements	15,740
Capital lease liabilities not reported in the fund financial statements	<u>(732,039)</u>
Net position - governmental activities	<u>\$822,274</u>
Net change in fund balance - governmental fund	(\$23,234)
Revenue recognized in the government-wide financial statements not reported in the fund financial statements	(4,300)
Proceeds from the issuance of debt recognized as revenue in the fund financial statements	(98,517)
Capital outlays recognized as expenditures in the fund financial statements	96,969
Depreciation expense not recognized in the fund financial statements	(125,355)
Long-term debt principal payments recognized as expenditures in the fund financial statements	<u>192,369</u>
Change in net position - governmental activities	<u>\$37,932</u>

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: BUDGET VARIANCES**

The District adopts an annual budget for the General Fund and amends the budget as needed during the year. The budget was not amended for the year ended September 30, 2013. Certain revenue and expenses were different than budgeted, primarily fire station expenses of \$15,532 being approximately \$20,000 less than budget as well as the receipt of \$5,403 in unanticipated FEMA grant funding. Additionally, there was an unbudgeted purchase of SCBA equipment with debt financing. The difference between the debt proceeds and the capital outlay was \$1,548. The overall variance was a change in fund balance that was \$30,566 greater than budgeted.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #10

BUDGETARY COMPARISON - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2013

	Original and Final <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$1,314,000	\$1,313,025	(\$975)
Proceeds from debt	0	98,517	98,517
Interest and other	<u>1,200</u>	<u>7,727</u>	<u>6,527</u>
	<u>1,315,200</u>	<u>1,419,269</u>	<u>104,069</u>
EXPENDITURES			
Contract funding - Ce-BAR	1,080,000	1,080,000	0
Fire station expense	36,000	15,532	20,468
Other District expense	28,155	25,157	2,998
Debt service	224,845	224,845	0
Capital outlay	<u>0</u>	<u>96,969</u>	<u>(96,969)</u>
	<u>1,369,000</u>	<u>1,442,503</u>	<u>(73,503)</u>
REVENUES OVER EXPENDITURES	(53,800)	(23,234)	30,566
BEGINNING FUND BALANCE	<u>343,542</u>	<u>343,542</u>	<u>0</u>
ENDING FUND BALANCE	<u>\$289,742</u>	<u>\$320,308</u>	<u>\$30,566</u>

See independent auditor's report.

