

Travis County Emergency
Services District No. 8
Financial Statements
September 30, 2014

Travis County Emergency Services District No. 8
For the Year ending September 30, 2014

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (unaudited)	3 - 9
Basic Financial Statements:	
Governmental Funds Balance Sheet and Statement of Position	10
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities	11
Notes to Basic Financial Statements	12 - 24
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	25

Medack & Oltmann, LLP

Certified Public Accountants

JAMES E. MEDACK, CPA
jmedack@bluebon.net

MELODI J. OLTMANN, CPA
melodi@centexcpas.com

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
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, 2014, 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, 2014, 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
January 15, 2015

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, 2014. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Travis County ESD 8 officially acquired the Pedernales Fire Department on October 1, 2013. On January 1st, 2014 the ESD began staffing of Station 803 in the western sector of the district. For the year, that station has two man staffing, with 12 hour shifts for seven days per week. TC ESD 8 now has 24.5 employees.
- In the 2013-2014 budgetary year, ESD 8 became two ESD's (ESD 8 and ESD 8A) on October 1st with the implementation of the new sales tax rate in the majority of the district. The district was very fortunate to increase sales tax revenue by \$120,000 for that budget year, thanks to the support of our citizens for this increase in taxation. As promised to our residents, this growth in funds was used a) to staff station 803, b) to begin the process of raising pay for our employees with significant raises in December and May of the budget year, and c) to continue the upgrade of equipment and operations to better serve the emergency needs of our citizens.
- A main concern for the ESD at this time is continued lack of water resources needed for firefighting purposes. With Lake Travis currently at 34% capacity, surface water is extremely limited within ESD 8. An analysis of our resources has indicated that the department has lost 16 fill points for our trucks and tankers on the lake, and that the only reliable water source in the 54 square mile area is the Village of Briarcliff water system. As a result, in many parts of the district the refill of tanker trucks (tenders) could take up to one hour in travel time. The Pedernales Fire Department Auxiliary is stepping into this situation with substantial financial contributions to install rainwater collection systems, including 20,000 gallons of water storage capacity at our fire stations. The system at station 803 is nearing completion, with plans for the installation of systems at our other stations as well. Furthermore, a grant application has been submitted to the Pedernales Electric Coop to complement funding from our Auxiliary.

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 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 *Statements 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, 2014, and 2013 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>9/30/2014</u>	<u>9/30/2013</u>
Assets:		
Current	\$ 870,638	\$ 815,307
Capital assets (net of accumulated depreciation)	<u>2,912,075</u>	<u>3,078,245</u>
TOTAL ASSETS	<u><u>3,782,713</u></u>	<u><u>3,893,552</u></u>
Liabilities:		
Current liabilities	252,229	264,728
Long-term liabilities	<u>2,139,966</u>	<u>2,259,000</u>
TOTAL LIABILITIES	<u><u>2,392,195</u></u>	<u><u>2,523,728</u></u>
Net position:		
Net investment in capital assets	653,076	655,624
Unrestricted	<u>737,442</u>	<u>714,200</u>
TOTAL NET POSITION	<u><u>\$ 1,390,518</u></u>	<u><u>\$ 1,369,824</u></u>

The District's total assets were \$3,782,713 as of September 30, 2014. Of this amount, \$2,912,075 is accounted for by capital assets. The District had outstanding liabilities of \$2,371,036, of which \$2,259,000 represents notes payable obligations.

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

STATEMENT OF ACTIVITIES

	<u>9/30/2014</u>	<u>9/30/2013</u>
EXPENSES:		
Apparatus	\$ 72,640	\$ 70,796
Support Equipment	28,834	46,293
Communications	59,686	51,511
Information Technology	25,757	13,772
Recruitment & Retention	6,861	11,324
Training	11,038	6,557
Stations	59,122	54,463
Clothing & Protective Gear	25,944	19,689
Personnel	1,514,206	1,347,033
Administrative	71,589	126,698
Debt Service	93,091	82,763
Depreciation	172,205	152,780
Miscellaneous	18,720	-
TOTAL EXPENSE	<u>2,159,693</u>	<u>1,983,679</u>
Revenues:		
General	2,180,387	1,934,864
Loss on Disposal of Asset	-	(33,609)
TOTAL REVENUES	<u>2,180,387</u>	<u>1,901,255</u>
CHANGE IN NET POSITION	<u>\$ 20,694</u>	<u>\$ (82,424)</u>
Beginning Net Position	\$ 1,369,824	\$ 1,452,248
Ending Net Position	<u>\$ 1,390,518</u>	<u>\$ 1,369,824</u>

General revenues increased by approximately \$245,523 to \$2,180,387 for the fiscal year ended September 30, 2014, due to an increase in property and sales tax collections. Property taxes generated \$1,492,567 in revenues. Total expenses increased by \$154,855 to \$2,138,534 for the fiscal year ended September 30, 2014. Net position increased \$41,853 for the fiscal year ended September 30, 2014, compared to a decrease of \$82,424 for the fiscal year ended September 30, 2013.

The District Governmental Fund

At September 30, 2014, the District's governmental fund reported a fund balance of \$753,906, which is an increase of \$47,377 from the prior year. This increase in fund balance can be attributed to an excess of revenues under expenditures at September 30, 2014.

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 \$108,865 more than the budgeted amounts primarily due to an increase in personnel cost incurred during the fiscal year that were not included in the budget. The actual revenues in the General Fund were approximately \$153,705 more than budgeted amounts primarily due to higher than expected sales tax revenue.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2014, and 2013, the District had the following capital assets in operation:

	9/30/2013	9/30/2014
Buildings	\$ 2,158,094	\$ 2,158,094
Vehicles and Equipment	1,613,330	1,619,365
TOTAL CAPITAL ASSETS	3,771,424	3,777,459
Accumulated Depreciation	<u>(693,179)</u>	<u>(865,384)</u>
TOTAL NET CAPITAL ASSETS	\$ 3,078,245	\$ 2,912,075

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

Notes Payable

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 \$80,223 during the year ended September 30, 2014, 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 \$18,958 during the year ended September 30, 2014, 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. The District made principal payments of \$64,440 during the year ending September 30, 2014.

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 strong economic growth. Housing is expanding at a good pace, with projections of an increase in property tax of approximately \$60,000 this fiscal year. Business expansion is occurring as well, which should positively impact sales tax. The largest adverse factor economically is the decreasing price of crude oil nationally, which may have a very significant impact on the Texas economy and ESD 8. As a growing suburban and tourism community, discretionary income and prosperity of Texans and are important factors for growth in our area.

The adopted property tax rate for the ESD is \$0.0998 per \$100 evaluation, which is estimated to result in \$1,571,816.00 in property tax collections. Total Sales Tax receipts are estimated at \$705,900.00. Donations and miscellaneous revenue for the ESD are estimated at \$21,000, making total budgeted revenue anticipated to be \$2,298,716.00.

This budgetary year finances will be very tight, but it is anticipated that growing commercial and residential activity will allow the District to meet financial needs and to meet service demands. There are positive economic forces in place. The challenge we face as a responsible governmental organization is balancing our financial resources with the demands for improved service coming from a growing population, and the corresponding demands for improved service coming from local and state governmental entities. At the same time, the District must continue to raise wages in order to maintain and to attract the strongest work force possible. There is no doubt the citizens of ESD 8 support both financial restraint and improved services. We do intend to make the most of our citizens' support to provide consistently outstanding fire and emergency services in every sector of Travis County Emergency Services District 8.

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 POSITION
SEPTEMBER 30, 2014

	General Fund	Adjustments (Note 10)	Statement of Net Position
ASSETS			
Cash	\$ 40,159	\$ -	\$ 40,159
Investments	717,465	-	717,465
Property Taxes Receivable	40,368	-	40,368
Sales Tax Receivable	60,443	-	60,443
Other Receivables	4,498	-	4,498
Prepays	7,705	-	7,705
Capital Assets (net of accumulated depreciation)	-	2,912,075	2,912,075
 TOTAL ASSETS	 \$ 870,638	 \$ 2,912,075	 \$ 3,782,713
LIABILITIES			
Payroll Liabilities Payable	\$ 31,629	\$ -	\$ 31,629
Accounts Payable	44,734	-	44,734
Deferred Revenues	40,369	(40,369)	-
Accrued Interest		5,847	5,847
Long-term liabilities			-
Due within one year	-	170,019	170,019
Due after one year	-	2,139,966	2,139,966
 TOTAL LIABILITIES	 116,732	 2,275,463	 2,392,195
FUND BALANCES/NET POSITION			
Fund balances:			
Assigned for:	-	-	-
Debt Service	257,027		
Unassigned	496,879	(496,879)	-
Total fund balances	753,906	(496,879)	-
Total liabilities and fund balances	\$ 870,638		
Net position:			
Net investment in capital assets		653,076	653,076
Restricted		-	-
Unrestricted		737,442	737,442
 Total net position	 	 1,390,518	 \$ 1,390,518

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, 2014

	General Fund	Adjustments (Note 10)	Statement of Activities
EXPENDITURES/EXPENSES			
Apparatus	\$ 72,640	\$ -	\$ 72,640
Support Equipment	28,834	-	28,834
Communications	59,686	-	59,686
Information Technology	25,757	-	25,757
Recruitment & Retention	6,861	-	6,861
Training	11,038	-	11,038
Stations	59,122	-	59,122
Clothing & Protective Gear	25,944	-	25,944
Personnel	1,485,928	28,278	1,514,206
Administrative	71,589	-	71,589
Miscellaneous	18,720	-	18,720
Capital Outlay	6,035	(6,035)	-
Debt Service:			
Principal	163,621	(163,621)	-
Interest	93,406	(315)	93,091
Depreciation Expense	-	172,205	172,205
Total expenditures/expenses	2,129,181	30,512	2,159,693
GENERAL REVENUES			
Property Taxes	1,488,738	3,829	1,492,567
Sales Taxes	641,767	-	641,767
Interest	12,397	-	12,397
Miscellaneous Income	10,967	-	10,967
FEMA	-	-	-
Contributions	20,829	-	20,829
Services	1,860	-	1,860
Total general revenues	2,176,558	3,829	2,180,387
Excess (Deficiency) of revenues over expenditures	47,377	(47,377)	
Change in net position		20,694	20,694
Fund Balance/Net Position			
Beginning of the year	706,529	663,295	1,369,824
End of the year	\$ 753,906	\$ 636,612	\$ 1,390,518

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014

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 fund (within the fund financial statements). In the government-wide Statement of Net Position, 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, 2014

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, 2014

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 Position. 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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

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

COMPENSATED ABSENCES

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. As of the year end, the liability for accrued vacation reflects that time earned by the employees in the current year 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, 2014, 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, 2014

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, 2014, such deposits, reported as Cash totaling \$40,159, 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 an investment of \$717,465 in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), at September 30, 2014. 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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2: CASH AND INVESTMENTS - continued

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 position 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, 2014, 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, 2014, 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/01/13	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2014
Governmental Activities:				
Capital assets, being depreciated				
Vehicles	1,579,079	6,035	-	1,585,114
Equipment	34,251	-	-	34,251
Buildings and Structures	2,158,094	-	-	2,158,094
Total capital assets being depreciated	<u>3,771,424</u>	<u>6,035</u>	<u>-</u>	<u>3,777,459</u>
Less accumulated depreciation for:				
Vehicles	455,515	113,118	-	568,633
Equipment	14,781	4,452	-	19,233
Buildings and Structures	222,883	54,635	-	277,518
Total accumulated depreciation	<u>693,179</u>	<u>172,205</u>	<u>-</u>	<u>865,384</u>
Governmental activities capital assets, net	<u>3,078,245</u>	<u>(166,170)</u>	<u>-</u>	<u>2,912,075</u>

Depreciation was charged to the governmental activities of \$172,205.

NOTE 4: LONG-TERM DEBT

Transactions for the year ended September 30, 2014, are summarized as follows:

Date of Issue	Amount of Original Issue	Maturity Date	Interest Rate	Outstanding at 9/30/2014	Due Within One Year
8/28/2008	\$ 2,000,000	2028	4.26%	\$ 1,565,910	\$ 83,695
9/14/2012	219,775	2022	4.00%	182,530	19,739
6/27/2013	575,000	2021	4.29%	510,559	66,585
	<u>\$ 2,794,775</u>			<u>\$ 2,258,999</u>	<u>\$ 170,019</u>

	<u>Balance October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30</u>	<u>Due within one year</u>
Governmental Activities					
Notes Payable	\$ 2,422,621	-0-	\$ 163,621	\$ 2,258,999	\$ 170,019
Compensated Absences	22,707	7,119	-0-	29,827	-0-
Total Governmental Activities	<u>\$ 2,445,328</u>	<u>\$ 7,119</u>	<u>\$ 163,621</u>	<u>\$ 2,288,826</u>	<u>\$ 170,019</u>

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE 4: LONG-TERM DEBT - continued

Fiscal Year	Principal	Interest	Total Requirement
2015	\$ 170,019	\$ 87,008	\$ 257,027
2016	176,450	80,578	257,028
2017	183,166	73,861	257,027
2018	190,107	66,901	257,008
2019	197,359	58,721	256,080
Thereafter	<u>1,341,898</u>	<u>239,781</u>	<u>1,581,679</u>
Total	\$ 2,258,999	\$ 606,849	\$ 2,865,848

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, 2013, upon which the 2013 levy was based, was \$1,495,892,645 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 2013 levy was \$ 1,492,901 and the tax rate was \$ 0.0998 per \$100 assessed valuation.

NOTE 6: 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, 2014, was \$ 2,682. Future lease payments are \$2,436/year through June 2018.

NOTE 7: 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, 2014, the District's fee for these services was \$ 12,048.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 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, 2014, the District has not adopted a minimum fund balance policy.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

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, 2014, there were no plans by any other entity to annex property.

NOTE 10: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
 AND GOVERNMENT-WIDE STATEMENTS

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

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position 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 position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 3,777,459
Accumulated Depreciation	<u>(865,384)</u>
	<u>\$ 2,912,075</u>

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

Deferred revenue	\$ (40,369)
------------------	-------------

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

	\$ 5,847
--	----------

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 position.

Due within one year	\$ 170,019
Due after one year	2,118,807

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

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

NOTE 10: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
 AND GOVERNMENT-WIDE STATEMENTS - continued

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	\$ 28,278
----------------------------------	-----------

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	\$(6,035)
Depreciation Expense	172,205

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 position and do not result in an expense in the statement of activities.

Payment of Principal	\$(163,621)
----------------------	--------------

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	\$ (315)
------------------------------------	----------

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	\$ 3,829
--	----------

NOTE 11: CONTRACTUAL AGREEMENTS

The District has also entered into a 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 \$3,000.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 12: 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 care expenses paid by the District were \$58,009.

The District offers its employees a 457 deferred compensation plan and Roth IRA 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, 2014, employee contributions to the individual Roth plan totaled \$23,781 and \$30,057 to the 457 deferred compensation plan. The employer's contributions totaled \$53,789.

NOTE 13: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.

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, 2014

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
REVENUES:				
Property Taxes	\$ 1,491,814	\$ 1,491,814	\$ 1,488,738	(3,076)
Sales Taxes	510,339	510,339	641,767	131,428
Interest	-	700	12,397	11,697
Miscellaneous Income	20,700	-	10,967	10,967
FEMA			-	-
Contributions		15,000	20,829	5,829
Services		5,000	1,860	(3,140)
TOTAL REVENUES	<u>\$ 2,022,853</u>	<u>\$ 2,022,853</u>	<u>\$ 2,176,558</u>	<u>153,705</u>
EXPENDITURES:				
Apparatus	\$ 58,900	\$ 58,900	\$ 72,640	(13,740)
Support Equipment	23,700	26,700	28,834	(2,134)
Communications	45,712	45,712	59,686	(13,974)
Information Technology	15,084	24,584	25,757	(1,173)
Recruitment & Retention	11,100	11,100	6,861	4,239
Training	21,250	16,750	11,038	5,712
Stations	64,400	56,403	59,122	(2,719)
Clothing & Protective Gear	34,400	34,400	25,944	8,456
PFD Operating Budget	-	-	-	-
Personnel	1,408,462	1,408,461	1,485,928	(77,467)
Administrative	80,279	80,279	71,589	8,690
Miscellaneous	-	-	18,720	(18,720)
Capital Outlay	-	-	6,035	(6,035)
Debt Service:				
Principal	257,027	257,027	163,621	93,406
Interest	-	-	93,406	(93,406)
TOTAL EXPENDITURES	<u>\$ 2,020,314</u>	<u>\$ 2,020,316</u>	<u>\$ 2,129,181</u>	<u>(108,865)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 2,539</u>	<u>\$ 2,537</u>	<u>\$ 47,377</u>	<u>44,840</u>
Other Sources/Uses:				
Financing Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources over Expenditures	2,539	2,537	47,377	44,840
FUND BALANCE:				
Beginning of year			<u>706,529</u>	
End of year			<u>\$ 753,906</u>	

Medack & Oltmann, LLP

Certified Public Accountants

JAMES E. MEDACK, CPA
jmedack@bluebon.net

MELODI J. OLTMANN, CPA
melodi@centexcpas.com

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

January 15, 2015

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Travis County Emergency Services District No. 8 for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 10, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Travis County Emergency Services District No. 8 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by Travis County Emergency Services District No. 8 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the depreciable lives of capital assets is based on the expected useful life of the asset. We evaluated the key factors and assumptions used to develop the depreciable lives of capital assets in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements (as reflected in Exhibit 1).

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 15, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Travis County Emergency Services District No. 8's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Travis County Emergency Services District No. 8's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In addition to the findings in the letter dated January 15, 2015, we also have the findings and recommendations reported on the following page.

Other Matters

We applied certain limited procedures to the Management Discussion & Analysis Report letter and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Board of Commissioners and management of Travis County Emergency Services District No. 8 and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Medack & Oltmann, LLP

FINDINGS AND RECOMMENDATIONS

Segregation of Accounting Duties and Monitoring

Although the small size of the District limits the extent of separation of duties, resulting in the contracting of accounting services, management still has the responsibility of establishing, maintaining and monitoring of proper internal controls in order to reduce the risk of fraud and/or misrepresentation of financial information. The basic premise is that no one individual should have access to both physical assets and the related accounting records or to all phases of a transaction.

General Accounting

There were several findings relating to the general accounting records:

- The State of Texas Health & Safety Code 775 mandates that all disbursements greater than \$2,000 be individually approved by the entire board, not just one individual.
- The bank reconciliation reports were dated in the accounting system incorrectly, causing the reconciled balance to not agree with the amount reported on the general ledger. We recommend that management review the monthly reports, and note their approval on the actual report.
- The District did not comply with the Health & Safety Code relating to the budget. The overall actual expenditures, individual line items, and expense categories exceeded budgeted expenditures for the fiscal year. We recommend management amend the budget as needed to properly comply with the state requirements.

Expenditures Process

The board should review the procedural process for payment of ESD expenditures.

- The monthly credit card statements and fuel bills did not all of the detailed individual charge slips/receipts. These should be attached or maintained with the associated monthly statement, noting approval for payment.

Travis County Emergency Services District No. 8
 Exhibit 1- Adjusting Journal Entries
 September 30, 2014

Date	Num	Name	Memo	Account	Debit	Credit
09/30/2014	Audit 14-1		A.2.1 To reconcile cash to balance per bank as of 9/30/14	PAYROLL WF 6784		133.84
			A.2.1 To reconcile cash to balance per bank as of 9/30/14	Miscellaneous	133.84	
					133.84	133.84
09/30/2014	Audit 14-2		20.4 To accrued wages & associated payroll taxes as of 9/30/13	All Employee Wages	29,381.44	
			20.4 To accrued wages & associated payroll taxes as of 9/30/13	Company payroll tax	2,247.88	
			20.4 To accrued wages & associated payroll taxes as of 9/30/13	Accrued Wages		31,629.12
					31,629.12	31,629.12
09/30/2014	Audit 14-3	je customer	ZZ.1 To adjust for 9/30/12 Audit adjustments	Accounts Receivable	83,757.37	
		je customer	ZZ.1 To adjust for 9/30/12 Audit adjustments	Deferred taxes		32,020.33
		je customer	ZZ.1 To adjust for 9/30/12 Audit adjustments	Opening Balance Equity		51,737.04
					83,757.37	83,757.37
09/30/2014	Audit 14-4		ZZ.1 To adjust for unknown entries made for FY 2013 after audit completion	Miscellaneous		609.10
			ZZ.1 To adjust for unknown entries made for FY 2013 after audit completion	Miscellaneous	833.91	
			ZZ.1 To adjust for unknown entries made for FY 2013 after audit completion	Unrestricted Net Assets		224.81
					833.91	833.91
09/30/2014	Audit 14-5A	AFLAC	To correct for under withholding of employee's share of health and dental (AA1.1a)	Group Health	319.76	
			To correct for under withholding of employee's share of health and dental (AA1.1a)	Accounts Payable		319.76
					319.76	319.76
09/30/2014	Audit 14-5B	Sun Life Assurance	To correct for under withholding of employee's share of health and dental (AA1.1a)	Group Health	294.82	
			To correct for under withholding of employee's share of health and dental (AA1.1a)	Accounts Payable		294.82
					294.82	294.82
09/30/2014	Audit 14-6A	Allen Fulbright 1	To reclassify uncleared payroll checks (WP AA1.1a)	Accounts Payable	232.71	
		Allen Fulbright 1	To reclassify uncleared payroll checks (WP AA1.1a)	PAYROLL WF 6784		232.71
					232.71	232.71
09/30/2014	Audit 14-6B	Holly Craghead 1	To reclassify uncleared payroll checks (AA1.1a)	Accounts Payable	581.81	
		Holly Craghead 1	To reclassify uncleared payroll checks (AA1.1a)	PAYROLL WF 6784		581.81
					581.81	581.81
09/30/2014	Audit 14-7	VFIS	To reclassify a prepaid from AP (WP AA1.1a)	Prepaid Expense	7,705.00	
			To reclassify a prepaid from AP (WP AA1.1a)	Accounts Payable		7,705.00
					7,705.00	7,705.00
09/30/2014	Audit 14-8A	AT&T	To record additional AP & correct existing AP as of 9/30/14 (WP AA1.1a)	Accounts Payable	190.96	
		AT&T	To record additional AP & correct existing AP as of 9/30/14 (WP AA1.1a)	Cable/phone/data	190.96	
					190.96	190.96
09/30/2014	Audit 14-8B	Call Back Staffing Solutions	To record additional AP & correct existing AP as of 9/30/14 (WP AA1.1a)	Accounts Payable	1,134.00	
		Call Back Staffing Solutions	To record additional AP & correct existing AP as of 9/30/14 (WP AA1.1a)	Office Supplies		1,134.00
					1,134.00	1,134.00

Medack & Oltmann, LLP

Certified Public Accountants

JAMES E. MEDACK, CPA
jmedack@bluebon.net

MELODI J. OLTMANN, CPA
melodi@centexcpas.com

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

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

In planning and performing our audit of the financial statements of the governmental activities of Travis County Emergency Services District No. 8 as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Travis County Emergency Services District No. 8's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Travis County Emergency Services District No. 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Travis County Emergency Services District No. 8's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Lack of Segregation of Duties

There is a lack of proper segregation of duties in the area of cash disbursements. The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This could result in errors, either intentional or unintentional, which may not be detected in a timely manner.

Lack of Sufficient Knowledge of GAAP

District personnel lack a sufficient knowledge of Generally Accepted Accounting Principles (GAAP), which could hinder their ability to identify possible misstatements of the financial statements.

During our audit, we also became aware of additional weaknesses in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. We have addressed those in another letter dated January 15, 2015.

This communication is intended solely for the information and use of management, Board of Commissioners, and others within Travis County Emergency Services District No. 8, and is not intended to be and should not be used by anyone other than these specified parties.

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

Medack & Oltmann, LLP
Giddings, Texas
January 15, 2015