

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

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

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 Net Assets	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 Directors
Travis County Emergency Services District No. 8

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 8, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of Travis County Emergency Services District No. 8, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Medack & Oltmann, LLP
December 10, 2013

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

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 8 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2013. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Assets and the Statement of Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

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

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

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

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

The District as a Whole

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

STATEMENT OF NET ASSETS

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

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

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

STATEMENT OF ACTIVITIES

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

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

The District Governmental Fund

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

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

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

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

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

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

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets

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

CAPITAL ASSETS AT YEAR END

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

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

Notes Payable

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

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

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

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

Economic Factors, Next Year's Budgets and Rates

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

Contacting the District's Financial Management

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

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

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

See Accompanying Notes to the Financial Statements

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

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

See Accompanying Notes to the Financial Statements

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The Travis County Emergency Services District No. 8 (the District) was created by Article III, Section 48-d of the Constitution of Texas to protect life and property from fire and to conserve natural and human resources. It was approved by voters of the District in a general election on November 5, 1985. The District was legally converted to a district operating under the Health & Safety Code Chapter 775 by an election of the voters and effectively became known as Travis County Services District No 8 on December 2, 1999.

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

BASIS OF PRESENTATION

Basic Financial Statements

Basic Financial Statements and Management Discussion and Analysis for State and Local Governments set forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category or

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

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

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING

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

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

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

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

BUDGETS

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

CAPITAL ASSETS

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

Government-wide Statements

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

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

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

The Department does not own any infrastructure assets.

Fund Financial Statements

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

EQUITY CLASSIFICATIONS

Government-wide Statements

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

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

Fund Statements

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

COMPENSATED ABSENCES

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. As of the year end, the liability for accrued vacation reflects that time earned by the employees in the current year and any allowable carryover from prior periods.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2013, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

PROGRAM REVENUES

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

USE OF ESTIMATES

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

NOTE 2: CASH AND INVESTMENTS

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

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

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

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

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

NOTE 2: CASH AND INVESTMENTS - continued

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

Credit Risk-Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2013, investments were included in a local governmental investment pool with a rating from Standard and Poor's in compliance with the District's investment policy.

Concentration of Credit Risk-Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. At September 30, 2013, all of the District's investments were with TexPool.

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

NOTE 5: CAPITAL ASSETS

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

	Balance 10/01/12	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2013
Governmental Activities:				
Capital assets, being depreciated				
Vehicles	1,111,314	727,563	(259,798)	1,579,079
Equipment	34,251	-	-	34,251
Buildings and Structures	2,158,094	-	-	2,158,094
Total capital assets being depreciated	<u>3,303,659</u>	<u>727,563</u>	<u>(259,798)</u>	<u>3,771,424</u>
Less accumulated depreciation for:				
Vehicles	548,924	92,780	(186,189)	455,515
Equipment	9,416	5,365	-	14,781
Buildings and Structures	168,248	54,635	-	222,883
Total accumulated depreciation	<u>726,588</u>	<u>152,780</u>	<u>(186,189)</u>	<u>693,179</u>
Governmental activities capital assets, net	<u><u>2,577,071</u></u>	<u><u>574,783</u></u>	<u><u>(73,609)</u></u>	<u><u>3,078,245</u></u>

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

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

NOTE 6: LONG-TERM DEBT

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

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

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

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

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

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

NOTE 7: PROPERTY TAXES

The District has contracted with the Travis County Tax Assessor Collector to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the roll as of January 1, 2012, upon which the 2012 levy was based, was \$1,449,856,724 as certified by the Travis Central Appraisal District.

Taxes are due by January 31 following the October 1 levy date. On February 1 of each year, a tax lien attaches to the property. The total 2012 levy was \$ 1,449,857 and the tax rate was \$ 0.10 per \$100 assessed valuation.

NOTE 8: OPERATING LEASE

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

NOTE 9: COMMITMENTS

The District has entered into an agreement with the City of Austin for its dispatching services with the fee structure based upon projected calls. For the year ending September 30, 2013, the District's fee for these services was \$ 19,944.

NOTE 10: FUND BALANCE

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

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

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

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

NOTE 10: FUND BALANCE - continued

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

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

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

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 10.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the District's Chief or Assistant Chief.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

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

NOTE 11: ANNEXATION OF DISTRICT LAND

The District could in the future face the possibility of annexation which could result in a reduction of the total value of property within the District and therefore a reduction in the total tax revenue to be collected. For the year ending September 30, 2013, there were no plans by any other entity to annex property.

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

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

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

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

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

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

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

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

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

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

Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of net assets.

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

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

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

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

Adjustment for Compensated Leave	\$ 22,707
----------------------------------	-----------

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

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

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

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

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

Payment of Principal	\$(206,601)
----------------------	--------------

Interest expense is recognized as expenditures in the governmental funds. The statement of activities includes only the interest expense for the current period.

Change in Accrued Interest Payable	\$ (883)
------------------------------------	----------

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

Adjustment for property taxes collected after year-end	\$ 4,516
--	----------

In the statement of activities, only the loss on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment less any accumulated depreciation.

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

NOTE 13: CONTRACTUAL AGREEMENTS

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

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

NOTE 14: EMPLOYEE BENEFITS

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

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

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDING SEPTEMBER 30, 2013

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
REVENUES:				
Property Taxes	\$ 1,457,715	\$ 1,457,715	\$ 1,441,441	(16,274)
Sales Taxes	270,000	270,000	281,355	11,355
Interest	-	-	11,384	11,384
Miscellaneous Income	-	-	15,043	15,043
FEMA			52,099	
Contributions			104,416	
Services			24,610	
TOTAL REVENUES	\$ 1,727,715	\$ 1,727,715	\$ 1,930,348	202,633
EXPENDITURES:				
Apparatus	\$ -	\$ -	\$ 70,796	(70,796)
Support Equipment	-	-	46,293	(46,293)
Communications	-	-	51,511	(51,511)
Information Technology	-	-	13,772	(13,772)
Recruitment & Retention	-	-	11,324	(11,324)
Training	-	-	6,557	(6,557)
Stations	-	-	54,463	(54,463)
Clothing & Protective Gear			19,689	
PFD Operatiang Budget	1,444,674	1,444,674	-	1,444,674
Personnel	72,000	72,000	1,324,326	(1,252,326)
Administrative	15,000	15,000	126,698	(111,698)
Miscellaneous	-	-	-	-
Capital Outlay	-	-	687,564	(687,564)
Debt Service:				
Principal	275,522	275,522	206,601	68,921
Interest	-	-	83,646	(83,646)
TOTAL EXPENDITURES	\$ 1,807,196	\$ 1,807,196	\$ 2,703,240	(896,044)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (79,481)	\$ (79,481)	\$ (772,892)	(693,411)
Other Sources/Uses:				
Financing Proceeds	-	-	575,000	575,000
Excess of Revenues and Other Sources over Expenditures	(79,481)	(79,481)	(197,892)	(118,411)
FUND BALANCE:				
Beginning of year			904,421	
End of year			<u>\$ 706,529</u>	