

Travis County Emergency
Services District No. 8
Financial Statements
September 30, 2015

Travis County Emergency Services District No. 8
For the Year ending September 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 8, as of and for the year ended September 30, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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



Medack & Ollmann, LLP
Giddings, TX
January 19, 2016

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

In accordance with Governmental Accounting Standards Board ("GASS") 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, 2015. Please read it in connection with the District's financial statements that follow.

For purposes of GASS 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.

MANAGEMENTS 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. In 2015, that station has two-man staffing, with 12 hour shifts for seven days per week. In January 2016, three employees will be added to the department. These employees will staff station 803 on a 12 hour daily basis, and then move to staffing stations 801 and 802 for overnight staffing. The result will be four-man staffing at our two main stations on a twelve hour basis (9MA-9PM) and an increase in our employees to 27.5 individuals.
- In the 2013-2014 budgetary year, ESD 8 became two ESD's (ESD 8 and ESD 8A) 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. In the 2014 - 2015 budget year revenue gains continued from sales tax and property tax. As presented to our residents, this growth in funds was used for two years to a) staff station 803, b) begin the process of raising pay for our employees, and c) continue the upgrade of equipment and operations to better serve the emergency needs of our citizens. With these improvements, the Pedernales Fire Department has become a member Travis County Automatic Aid, which allows our residents to have the instantaneous support of all emergency resources in Travis County. Performance standards and measures have continued to improve for the department. As an example, response time for the station 803 sector has dropped from 15 minutes in 2013 to five minutes in 2015.
- A main concern for the ESD throughout its existence has been the continued lack of water resources needed for firefighting purposes. With abundant rains in 2015, Lake Travis is now at 90% capacity, and the aquifers are providing a solid foundation for residential use of water from wells. Unfortunately, at the current time, more than 95% of our residents do not reside in piped water districts. For emergency response purposes, water hydrants simply are not a source for water for the vast majority of homes and open spaces in ESD 8 and, as a result, for most emergency fire responses, water must be brought in via fire engines and tenders. The result is that significant access to water for the department is still a major

concern, since any substantial fire will require water to be brought in from a distance. The Pedernales Fire Department Auxiliary is stepping into this situation with substantial financial contributions to install rainwater collection systems at stations 801 and 803. Furthermore, a grant from the Lower Colorado River Authority has been received to complement funding from our Auxiliary to install a rainwater collection system at station 802. Even with all this effort, accessible water resources throughout the district are severely limited, and ESD 8 continues to promote the development of alternative sources of emergency water resources.

- One of our greatest challenges for the ESD at this time is capital improvements. We have two particular capital improvements that must be addressed: a) Station 802 needs complete renovation or replacement, b) the department needs an emergency fire boat for responses on Lake Travis. Both these items are major financial responsibilities that will have to be addressed in fiscal year 2015-2016.

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, 2015, and 2014, 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>9/30/2015</u>	<u>9/30/2014</u>
Assets:		
Current	\$ 952,098	\$ 870,638
Capital assets (net of accumulated depreciation)	<u>2,755,909</u>	<u>2,912,073</u>
TOTAL ASSETS	<u>3,708,007</u>	<u>3,782,711</u>
Liabilities:		
Current liabilities	243,791	252,227
Long-term liabilities	<u>1,971,987</u>	<u>2,118,807</u>
TOTAL LIABILITIES	<u>2,215,778</u>	<u>2,371,034</u>
Net position:		
Net investment in capital assets	666,796	653,074
Unrestricted	<u>825,433</u>	<u>758,603</u>
TOTAL NET POSITION	\$ <u>1,492,229</u>	\$ <u>1,411,677</u>

The District's total assets were \$3,708,007 as of September 30, 2015. Of this amount, \$2,755,909 is accounted for by capital assets. The District had outstanding liabilities of \$2,215,778, of which \$2,089,113 represents notes payable obligations.

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

STATEMENT OF ACTIVITIES

	<u>9/30/2015</u>	9/30/2014
EXPENSES:		
Apparatus	\$ 83,374	\$ 72,640
Support Equipment	25,977	28,834
Communications	44,664	59,686
Information Technology	38,246	25,757
Recruitment & Retention	6,995	6,861
Training	3,191	11,038
Stations	58,548	59,122
Clothing & Protective Gear	26,744	25,944
Personnel	1,747,982	1,514,206
Administrative	77,979	71,589
Debt Service	86,813	93,091
Depreciation	173,041	172,205
Miscellaneous		18,720
TOTAL EXPENSE	<u>2,373,554</u>	2,159,693
Revenues:		
General	2,451,080	2,180,387
Grants & Contributions	<u>24,185</u>	
TOTAL REVENUES	2,475,265	2,180,387
CHANGE IN NET POSITION	\$ <u>101,711</u>	\$ 20,694
Beginning Net Position	\$ 1,390,518	\$ 1,369,824
Ending Net Position	\$ <u>1,492,229</u>	\$ 1,390,518

General revenues increased by approximately \$ 270,693 to \$2,451,080 for the fiscal year ended September 30, 2015, due to an increase in property and sales tax collections. Property taxes generated \$1,566,739, and sales tax generated \$838,359 in revenues. Total expenses increased by \$213,861 to \$2,373,554 for the fiscal year ended September 30, 2015. Net position increased \$101,711 for the fiscal year ended September 30, 2015, compared to a increase of \$20,694 for the fiscal year ended September 30, 2014.

The District Governmental Fund

At September 30, 2015, the District's governmental fund reported a fund balance of \$851,030, which is an increase of \$97, 124 from the prior year. This increase in fund balance can be attributed to an excess of revenues under expenditures at September 30, 2015.

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 \$37,370 less than the budgeted amounts, and the actual revenues in the General Fund were approximately \$80,547 more than budgeted amounts primarily due to higher than expected sales tax revenue.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2015, and 2014, the District had the following capital assets in operation:

	9/30/2015	9/30/2014
Buildings	\$ 2,174,969	\$ 2,158,094
Vehicles and Equipment	<u>1,619,365</u>	<u>1,619,365</u>
TOTAL CAPITAL ASSETS	3,794,334	3,777,459
Accumulated Depreciation	<u>(1,038,425)</u>	<u>(865,384)</u>
TOTAL NET CAPITAL ASSETS	\$ 2,755,909	\$ 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 \$83,695 during the year ended September 30, 2015, 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 \$19,606 during the year ended September 30, 2015, 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 \$66,585 during the year ending September 30, 2014.

The District entered into a line of credit with BBVA Compass Bank up to \$250,000. As of September 30, 2015, none of the amount had been drawn.

More detailed information about the District's notes payable, and the liens securing those 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, as well as property tax. The largest adverse factor economically is the decreased price of crude oil, which may have a very significant impact on the Texas economy and ESD 8. As a growing suburban and tourist community, discretionary income and the prosperity of the entire state 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 \$1,701,232.00 in property tax collections for the 2015-2016 fiscal year. Total Sales Tax receipts are estimated to be \$861,000.00. Donations and miscellaneous revenue for the ESD are estimated at \$10,200, making total budgeted revenue anticipated to be \$2,572,432.00.

This budgetary year finances will need to be managed conservatively, 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 our residents, and local and state governmental entities. At the same time, the District must continue to raise wages in order to maintain and recruit quality employees and to compete for 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, Texas 78669.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO 8
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	General Fund	Adjustments (Note 10)	Statement of Net Position
ASSETS			
Cash	\$ 65,985	\$	\$ 65,985
Investments	761,568		761,568
Property Taxes Receivable	39,245		39,245
Sales Tax Receivable	72,103		72,103
Other Receivables	1,889		1,889
Prepays	11,308		11,308
Capital Assets (net of accumulated depreciation)		2,755,909	2,755,909
TOTAL ASSETS	\$ 952,098	\$ 2,755,909	\$ 3,708,007
DEFERRED OUTFLOWS OF RESOURCES			
		\$	\$
LIABILITIES			
Payroll Liabilities Payable	\$ 39,717	\$	\$ 39,717
Accounts Payable	22,106		22,106
Deferred Revenues	39,245	(39,245)	
Accrued Interest		5,518	5,518
Long-term liabilities			
Due within one year		176,450	176,450
Due after one year		1,971,987	1,971,987
TOTAL LIABILITIES	101,068	2, 114,710	2,215,778
DEFERRED INFLOWS OF RESOURCES			
		\$	\$
FUNDBALANCES/NET POSITION			
Fund balances:			
Non-spendable	11,308	(11,308)	
Assigned for:			
Debt Service	257,027		
Unassigned	582,695	(582,695)	
Total fund balances	851,030	(582,695)	
Total liabilities and fund balances	\$ 952,098		
Net position:			
Net investment in capital assets		666,796	666,796
Restricted			
Unrestricted		825,433	825,433
Total net position		1,492,229	\$ 1,492,229

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, 2015

EXPENDITURES/EXPENSES	General Fund	Adjustments (Note 10)	Statement of Activities
Apparatus	\$ 83,374	\$	\$ 83,374
Support Equipment	25,977		25,977
Communications	44,664		44,664
Information Technology	38,246		38,246
Recruitment & Retention	6,995		6,995
Training	3,191		3,191
Stations	58,548		58,548
Clothing & Protective Gear	26,744		26,744
Personnel	1,739,644	8,338	1,747,982
Administrative	77,979		77,979
Miscellaneous			
Capital Outlay	16,875	(16,875)	
Debt Service:			
Principal	169,886	(169,886)	
Interest	87,141	(328)	86,813
Depreciation Expense		173,041	173,041
Total expenditures/expenses	2,379,264	(5,710)	2,373,554
PROGRAM REVENUES			
Grants & Contributions	24,185		24,185
Net Program Expense			2,349,369
GENERAL REVENUES			
Property Taxes	1,567,862	(1,123)	1,566,739
Sales Taxes	838,359		838,359
Interest	14,999		14,999
Miscellaneous Income	19,788		19,788
FEMA			
Services	11,195		11,195
Total general revenues	2,452,203	(1,123)	2,451,080
Excess (Deficiency) of revenues over expenditures	97,124	(97,124)	
Change in net position		101,711	101,711
Fund Balance/Net Position			
Beginning of the year	753,906	636,612	1,390,518
End of the year	\$ 851,030	\$ 641,199	\$ 1,492,229

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015

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 is 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, 2015

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 GASS 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year-end.

CAPITAL ASSETS

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

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The capitalization policy, i.e. the dollar value above which asset acquisitions are added to the capital accounts, is \$ 6,000.

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, 2015

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, 2015, 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, 2015

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, 2015, such deposits, reported as Cash totaling \$65,985, and a Certificate of Deposit, reported as investments, totaling \$252,599. These funds exceeded Federal Deposit Insurance Corporation insurance by \$2,599 and were not secured by collateral pledged by the depository (Category 3).

Category 1 - Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

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

Category 3 - Uncollateralized.

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

The District had an investment of \$508,969 in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), at September 30, 2015. The investments in TexPool had a weighted average maturity of one day and a Standard and Poor's rating of AAAM.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2: CASH AND INVESTMENTS –continued

TexPool is an external investment pool offered to local governments. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool.

TexPool also has an advisory board to advise on TexPool's investment policy; this board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool.

Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool uses amortized cost rather than market value to report net 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, 2015, 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, 2015, 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, 2015

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance 10/01/14	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2015
Governmental Activities:				
Capital assets, being depreciated				
Vehicles	1,579,079			1,579,079
Equipment	40,286			40,286
Buildings and Structures	2,158,094	16,875		2,174,969
Total capital assets being depreciated	<u>3,777,459</u>	<u>16,875</u>		<u>3,794,334</u>
Less accumulated depreciation for:				
Vehicles	568,633	113,116		681,749
Equipment	19,233	4,727		23,960
Buildings and Structures	277,518	55,198		332,716
Total accumulated depreciation	<u>865,384</u>	<u>173,041</u>		<u>1,038,425</u>
Governmental activities capital assets, net	<u>2,912,075</u>	<u>(156,166)</u>		<u>2,755,909</u>

Depreciation was charged to the governmental activities of \$173,401.

NOTE 4: LONG-TERM DEBT

Transactions for the year ended September 30, 2015, are summarized as follows:

Date of Issue	Amount of Original Issue	Maturity Date	Interest Rate	Outstanding at 9/30/2015	Due Within One Year
8/28/2008	\$ 2,000,000	2028	4.26%	\$ 1,482,215	\$ 87,318
9/14/2012	219,775	2022	4.00%	162,924	20,534
6/27/2013	575,000	2021	4.29%	443,974	68,598
	<u>\$ 2,794,775</u>			<u>\$ 2,089,113</u>	<u>\$ 176,450</u>

	Balance October 1	Additions	Reductions	Balance September 30	Due within one year
<u>Governmental Activities</u>					
Notes Payable	\$ 2,258,999	-0-	\$ 169,886	\$ 2,089,113	\$ 176,450
Compensated Absences	50,986	<u>8,338</u>	0-	59,324	-0-
Total Governmental Activities	\$ 2,309,985	\$ 8,338	\$ 169,886	\$ 2,148,437	\$ 176,450

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE 4: LONG-TERM DEBT - continued

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

Fiscal Year	Principal	Interest	Total Requirement
2016	176,450	80,578	257,028
2017	183,166	73,861	257,027
2018	190,107	66,921	257,028
2019	197,359	59,669	257,028
2020	204,865	52,162	257,027
Thereafter	1,137,166	186,650	1,323,816
Total	\$ 2,089,113	\$ 519,841	\$ 2,608,954

The District entered into a line of credit with BBVA Compass Bank up to \$250,000. As of September 30, 2015, none of the amount had been drawn.

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, 2014, upon which the 2014 levy was based, was \$1,567,097,440 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 2014 levy was \$ 1,563,963 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 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, 2015, was \$ 2,956. Future lease payments are \$2,600/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, 2015, the District's fee for these services was \$ 14,064.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015, the District has not adopted a minimum fund balance policy.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 8
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

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, 2015, 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	\$ 3,794,334
Accumulated Depreciation	<u>(1,038,425)</u>
	<u>\$ 2,755,909</u>

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

Deferred revenue	\$ (39,245)
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Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the funds.

	\$ 5,518
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Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term-are reported in the statement of net position.

Due within one year	\$ 176,450
Due after one year	1,971,987

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, 2015

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	\$ 8,338
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When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	(16,875)
Depreciation Expense	173,041

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	\$(169,886)
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Interest expense is recognized as expenditures in the governmental funds. The statement of activities includes only the interest expense for the current period.

Change in Accrued Interest Payable	\$ (328)
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Because some property taxes will not be collected for several months after the district's year end, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$ (1,123)
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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, 2015

NOTE 12: EMPLOYEE BENEFITS

The District also provides a medical reimbursement plan for its full-time employees. The total amount expended for the fiscal year was \$152, 115.

The District offers its full time employees a Deferred Compensation Plan and a Roth IRA Plan, the "Pedernales Fire Department 457(b) Deferred Compensation Plan", which is a Defined Contribution Plan. Any contributions made to the plan are in compliance with Section 457 of the Internal Revenue Code, and is administered by Mass Mutual. The employer will match every dollar contributed up to 6% of employee compensation. For the year ending September 30, 2015, contributions totaled \$ 58,250 and \$ 58,408 for the employer contributions and employees' contributions respectively. There are no unfunded obligations. Employees are 100% vested at the time the contribution is made.

NOTE 13: DATE OF MANAGEMENT'S REVIEW

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

TRAVIS COUNTY EMERGENCY SERVICES OISTRICT No 8
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES ANO CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENOING SEPTEMBER 30, 2015

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
REVENUES:				
Property Taxes	\$ 1,571,816	\$ 1,571,816	\$ 1,567,862	(3,954)
Sales Taxes	705,900	803,925	838,359	34,434
Interest	4,100	2,100	14,999	12,899
Miscellaneous Income			19,788	19,788
Grants & Contributions	15,000	15,000	24,185	9,185
Services	2,000	3,000	11,195	8,195
TOTAL REVENUES	\$ 2,298,816	\$ 2,395,841	\$ 2,476,388	80,547
EXPENOITURES:				
Apparatus	\$ 58,900	\$ 80,100	\$ 83,374	(3,274)
Support Equipment	36,500	36,500	25,977	10,523
Communcalions	52,545	45,213	44,664	549
Information Technology	10,700	40,807	38,246	2,561
Recruitment & Retention	7,850	7,850	6,995	855
Training	20,250	4,350	3,191	1,159
Stations	72,700	80,025	58,548	21,477
Clothing & Protective Gear	31,600	31,600	26,744	4,856
Personnel	1,712,440	1,750,832	1,739,644	11,188
Administrative	70,705	82,330	77,979	4,351
Capital Outlay			16,875	(16,875)
Debt Service:				
Principal	257,027	257,027	169,886	87,141
Interest			87,141	(87,141)
TOTAL EXPENDITURES	\$ 2,331,217	\$ 2,416,634	\$ 2,379,264	37,370
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (32,401)	\$ (20,793)	\$ 97,124	117,917
Other Sources/Uses:				
Financing Proceeds				
Excess of Revenues and Other Sources over Expenditures	(32,401)	(20,793)	97,124	117,917
FUND BALANCE:				
Beginning of year			753,906	
End of year			\$ 851,030	