



**TRAVIS COUNTY
EMERGENCY SERVICES
DISTRICT NO. 14**

**Financial Statements for the
Year Ended September 30, 2012 and
Independent Auditors' Report**

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Travis County Emergency Services District No. 14:

We have audited the accompanying financial statements of the governmental activities and the major fund of Travis County Emergency Services District No. 14 (the "District") as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2012, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maxwell Locke & Ritter LLP

February 20, 2013

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

MANAGEMENT'S DISCUSSION & ANALYSIS SEPTEMBER 30, 2012

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 14 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2012. 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.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net 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 *Statement 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, 2012 and 2011 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>9/30/2012</u> | <u>9/30/2011</u> |
|--|----------------------------|----------------------------|
| Assets: | | |
| Current | \$ 827,151 | \$ 610,219 |
| Capital assets (net of accumulated depreciation) | <u>675,000</u> | <u>729,735</u> |
| Total Assets | <u>\$ 1,502,151</u> | <u>\$ 1,339,954</u> |
| Liabilities- | | |
| Current liabilities | \$ 79,668 | \$ 88,388 |
| Total Liabilities | <u>79,668</u> | <u>88,388</u> |
| Net Assets: | | |
| Invested in capital assets | 675,000 | 729,735 |
| Unrestricted | <u>747,483</u> | <u>521,831</u> |
| Total Net Assets | <u>\$ 1,422,483</u> | <u>\$ 1,251,566</u> |

The District's total assets were approximately \$1,502,000 as of September 30, 2012. Of this amount, \$675,000 is accounted for by capital assets. The District had outstanding liabilities of approximately \$80,000 as of September 30, 2012 which represents current liabilities.

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

Statement of Activities

| | <u>9/30/2012</u> | <u>9/30/2011</u> |
|-----------------------------|--------------------------|-------------------------|
| Expenses: | | |
| Service operations | \$ 783,563 | \$ 927,464 |
| Depreciation | <u>54,735</u> | <u>53,349</u> |
| Total Expenses | <u>838,298</u> | <u>980,813</u> |
| Revenues: | | |
| General revenues | 1,009,215 | 993,016 |
| Gain on impairment | <u>-</u> | <u>9,843</u> |
| Total Revenues | <u>1,009,215</u> | <u>1,002,859</u> |
| Change in Net Assets | <u>\$ 170,917</u> | <u>\$ 22,046</u> |

General revenues increased by approximately \$16,000 to approximately \$1,009,000 for the fiscal year ended September 30, 2012 due to an increase in property tax revenue. Property taxes generated approximately \$1,007,000 in revenues. Total expenses decreased by approximately \$143,000 to approximately \$838,000 for the fiscal year ended September 30, 2012. Net assets increased approximately \$171,000 for the fiscal year ended September 30, 2012 compared to an increase of approximately \$22,000 for the fiscal year ended September 30, 2011.

The District Governmental Fund

At September 30, 2012, the District's governmental fund reported a fund balance of approximately \$725,000, which is an increase of approximately \$226,000 from the prior year, the majority of which is due to a decrease in expenditures related to a service contract that expired during fiscal year 2011.

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 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 \$129,000 less than the budgeted amounts primarily due to the decrease in payments made to the Volente Volunteer Fire Department. Resources available for appropriation were approximately \$2,000 below the budgeted amounts. The reason for the decrease was due to the property tax collections being less than budgeted.

Capital Assets

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

Capital Assets at Year End

| | <u>9/30/2012</u> | <u>9/30/2011</u> |
|---------------------------------|--------------------------|--------------------------|
| Land | \$ 252,997 | \$ 252,997 |
| Vehicles | 654,994 | 654,994 |
| Equipment | 85,978 | 85,978 |
| Buildings | 43,049 | 43,049 |
| Total Capital Assets | <u>1,037,018</u> | <u>1,037,018</u> |
| Accumulated depreciation | <u>(362,018)</u> | <u>(307,283)</u> |
| Total Net Capital Assets | <u>\$ 675,000</u> | <u>\$ 729,735</u> |

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

Economic Factors, Next Year's Budgets and Rates

The District's Board of Commissioners considered various factors when setting the fiscal year budget and the ad valorem tax rate that will be charged for the governmental activities. Considerations included the economy of the area within the District boundaries. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap. The adopted budget for fiscal year 2013 for the District's governmental fund projects a fund balance decrease of approximately \$164,000.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at Travis County Emergency Services District No. 14, Attn: Treasurer, 15406 FM 2769, Volente, Texas 78641.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2012**

| | GENERAL FUND | ADJUSTMENTS (NOTE 2) | STATEMENT OF NET ASSETS |
|--|-------------------|-------------------------|-------------------------------|
| ASSETS: | | | |
| Cash and cash equivalents | \$ 804,069 | - | 804,069 |
| Taxes receivable | 23,082 | - | 23,082 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | - | 252,997 | 252,997 |
| Vehicles | - | 334,508 | 334,508 |
| Equipment | - | 53,344 | 53,344 |
| Buildings | - | 34,151 | 34,151 |
| TOTAL ASSETS | \$ 827,151 | 675,000 | 1,502,151 |
| LIABILITIES: | | | |
| Accounts payable | \$ 79,668 | - | 79,668 |
| Deferred revenue | 22,000 | (22,000) | - |
| Total liabilities | 101,668 | (22,000) | 79,668 |
| FUND BALANCE/NET ASSETS- | | | |
| Fund balance: | | | |
| Assigned for subsequent year's budget deficit | 164,231 | (164,231) | - |
| Unassigned | 561,252 | (561,252) | - |
| Total fund balance | 725,483 | (725,483) | - |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 827,151 | | |
| Net assets: | | | |
| Invested in capital assets | | 675,000 | 675,000 |
| Unrestricted | | 747,483 | 747,483 |
| TOTAL NET ASSETS | | \$ 1,422,483 | 1,422,483 |

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**

YEAR ENDED SEPTEMBER 30, 2012

| | GENERAL FUND | ADJUSTMENTS (NOTE 2) | STATEMENT OF ACTIVITIES |
|---|-------------------|-------------------------|-------------------------------|
| EXPENDITURES/EXPENSES: | | | |
| Service operations: | | | |
| Volente Volunteer Fire Department funding | \$ 762,480 | - | 762,480 |
| Legal fees | 3,577 | - | 3,577 |
| Tax appraisal/collection fees | 7,744 | - | 7,744 |
| Membership dues | 1,000 | - | 1,000 |
| Audit fees | 8,500 | - | 8,500 |
| Training and travel | 65 | - | 65 |
| Bank fees | 20 | - | 20 |
| Other expenses | 177 | - | 177 |
| Depreciation | - | 54,735 | 54,735 |
| Total expenditures/expenses | <u>783,563</u> | <u>54,735</u> | <u>838,298</u> |
| REVENUES: | | | |
| General revenues: | | | |
| Property taxes, including penalties and interest | 1,007,815 | (693) | 1,007,122 |
| Interest | 2,093 | - | 2,093 |
| Total revenues | <u>1,009,908</u> | <u>(693)</u> | <u>1,009,215</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 226,345 | (226,345) | - |
| Change in net assets | - | 170,917 | 170,917 |
| FUND BALANCE/NET ASSETS: | | | |
| Beginning of year | <u>499,138</u> | <u>752,428</u> | <u>1,251,566</u> |
| End of year | <u>\$ 725,483</u> | <u>697,000</u> | <u>1,422,483</u> |

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2012

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE |
|---|---------------------------------|------------------|----------------|
| REVENUES: | | | |
| General revenues: | | | |
| Property taxes, including penalties and interest | \$ 1,011,259 | 1,007,815 | (3,444) |
| Interest | 1,000 | 2,093 | 1,093 |
| Total revenues | <u>1,012,259</u> | <u>1,009,908</u> | <u>(2,351)</u> |
| EXPENDITURES: | | | |
| Service operations: | | | |
| Volente Volunteer | | | |
| Fire Department funding | 865,195 | 762,480 | 102,715 |
| Legal fees | 10,000 | 3,577 | 6,423 |
| Special election | 10,000 | - | 10,000 |
| Tax appraisal/collection fees | 10,000 | 7,744 | 2,256 |
| Insurance | 2,225 | - | 2,225 |
| Membership dues | 1,100 | 1,000 | 100 |
| Audit fees | 8,600 | 8,500 | 100 |
| Training and travel | 1,600 | 65 | 1,535 |
| Bank fees | 500 | 20 | 480 |
| Other expenses | 2,950 | 177 | 2,773 |
| Total expenditures | <u>912,170</u> | <u>783,563</u> | <u>128,607</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 100,089 | 226,345 | 126,256 |
| FUND BALANCE: | | | |
| Beginning of year | <u>499,138</u> | <u>499,138</u> | <u>-</u> |
| End of year | <u>\$ 599,227</u> | <u>725,483</u> | <u>126,256</u> |

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 14

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Travis County Emergency Services District No. 14 (the "District") was approved by voters of the District in a general election on November 5, 1985 as Travis County Fire Control District No. 11. Pursuant to Texas Health and Safety Code 794.100, the District was legally converted to a district operating under the Texas Health and Safety Code, Chapter 775, by an election of the voters of the District held on November 2, 1999. As a result, the name of the District changed effective December 2, 1999, and the District automatically assumed all rights and obligations of the former entity. The District provides fire suppression, emergency medical and rescue first response, hazardous materials incident response, and other emergency incident response that may arise within its boundaries.

The reporting entity of the District encompasses those activities and functions over which the District's appointed officials exercise significant oversight or control. The District is governed by a five member Board of Commissioners (the "Board") which has been appointed by the Travis County Commissioners' Court, in accordance with state law. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

The government-wide financial statements report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income and property taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred revenue.

The District reports the following major governmental fund:

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

Budgets and Budgetary Accounting

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

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

Assets, Liabilities, and Net Assets or Equity

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

Investments - The District is entitled to invest any and all of its funds in obligations of, or guaranteed by, the United States of America or its agencies, certificates of deposit, and certain public fund investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the District's investment policy and the Public Funds Investment Act. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings, vehicles and equipment are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets (other than land) are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|--------------|--------------|
| Buildings | 39.5 |
| Vehicles | 10-20 |
| Equipment | 10 |

Ad Valorem Property Taxes - Allowances for uncollectibles within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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

Recently Issued Accounting Pronouncements

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of GASB Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Management is still evaluating the effects that the full implementation of GASB Statement No. 63 will have on its financial statements for the year ended September 30, 2013.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. The objective of GASB Statement No. 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, such as deferred bond issuance costs. Management is still evaluating the effects that the full implementation of GASB Statement No. 65 will have on its financial statements for the year ended September 30, 2014.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

| | |
|---|---------------------|
| Governmental fund total fund balance | \$ 725,483 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Capital assets, net of accumulated depreciation | 675,000 |
| Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds. | 22,000 |
| Total net assets | <u>\$ 1,422,483</u> |

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

| | |
|---|-------------------|
| Excess of revenues over expenditures | \$ 226,345 |
| Governmental funds report capital outlays as expenditures. | |
| However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | |
| Depreciation expense | (54,735) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Change in deferred tax revenue | (693) |
| Change in net assets | <u>\$ 170,917</u> |

3. CASH AND CASH EQUIVALENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2012, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. 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.

4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2012 was as follows:

| | Balance September 30, 2011 | Additions | Retirements and Transfers | Balance September 30, 2012 |
|---|----------------------------------|-----------------|------------------------------|----------------------------------|
| Capital assets not being depreciated- | | | | |
| Land | \$ 252,997 | - | - | 252,997 |
| Capital assets being depreciated: | | | | |
| Vehicles | 654,994 | - | - | 654,994 |
| Equipment | 85,978 | - | - | 85,978 |
| Buildings | 43,049 | - | - | 43,049 |
| Total capital assets being depreciated | <u>784,021</u> | <u>-</u> | <u>-</u> | <u>784,021</u> |
| Less accumulated depreciation for: | | | | |
| Vehicles | (275,439) | (45,047) | - | (320,486) |
| Equipment | (24,036) | (8,598) | - | (32,634) |
| Buildings | (7,808) | (1,090) | - | (8,898) |
| Total accumulated depreciation | <u>(307,283)</u> | <u>(54,735)</u> | <u>-</u> | <u>(362,018)</u> |
| Total capital assets being depreciated, net | <u>476,738</u> | <u>(54,735)</u> | <u>-</u> | <u>422,003</u> |
| Capital assets, net | <u>\$ 729,735</u> | <u>(54,735)</u> | <u>-</u> | <u>675,000</u> |

5. DEFERRED REVENUE

Deferred revenue at September 30, 2012 as reported in the General Fund consisted of net tax revenue of \$22,000.

6. PROPERTY TAXES

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

In September 2011, the District levied a tax rate of \$0.10 per \$100 of assessed valuation to finance operating expenditures. The total 2011 tax levy was \$1,005,381 based on a taxable valuation of \$1,000,569,923.

7. FUND BALANCE

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

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

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

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

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

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

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 6.

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

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

8. CONTRACTED SERVICES

The District entered into an agreement with the Volente Volunteer Fire Department ("VVFD") that was effective October 1, 2009 for a period of one year. This agreement has been extended monthly since October 1, 2010. The District agreed to fund the operations of the VVFD monthly, as funds are available, based on a budget for the VVFD that is approved by the District. In exchange for the funding provided by the District, the VVFD agreed to provide emergency services including fire fighting and first responder assistance in the geographic area served by the District. Expenditures of \$762,480 as presented in the statement of activities and governmental fund revenues, expenditures, and changes in fund balance were incurred by the District related to this agreement during the year ended September 30, 2012.

9. 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; and natural disasters. The District, through the VVFD, purchases its insurance from regular commercial companies. As of September 30, 2012, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having been filed within the last three years.