

**Travis County Emergency  
Services District No. 2**

**Independent Auditor's Report  
and Financial Statements**

September 30, 2014

# Travis County Emergency Services District No. 2

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# Padgett Stratemann

## Independent Auditor's Report

To the Board of Commissioners  
Travis County Emergency Services District No. 2

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Emergency Services District No. 2 (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

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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 District as of September 30, 2014, and the respective changes in financial position in conformity 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 Schedule – General Fund – Budgetary Basis, as listed under the required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Padgett, Statemann + Co., L.L.P.*

Austin, Texas  
April 15, 2014

# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

### 1.0 Introduction

Travis County Emergency Services District No. 2 (the "District") is pleased to submit the following discussion and overview analysis concerning the District's financial statements for the year ended September 30, 2014. The accompanying Financial Audit for fiscal year ("FY") 2014 was performed by Padgett, Stratemann & Co., L.L.P., ("PS&Co.") Austin, Texas.

### 2.0 Background

Travis County Emergency Services District No. 2, a governmental entity authorized under Texas statute, is a fire and first response medical provider within Travis County, Texas. The district currently has a population estimated at approximately ninety-seven thousand (97,000) people and covers about seventy-seven (77) square miles of northeast Travis County.

The City of Pflugerville lies within the district, with another large unincorporated subdivision known as Wells Branch in the western half of the district. The area is roughly bound by Farm-to-Market Road 1325 in the West, the Travis-Williamson County line on the North, Manda Carlson Road and Cameron Road on the East, and Yager Lane, Dessau Road and Howard Lane on the South. The population of the district is essentially evenly divided on the east and west side of Interstate 35. This heavily traveled highway is the most direct route from middle America to Mexico, and is called by many, "The North American Free Trade Agreement Highway". Two (2) additional tollways run through the north and eastern part of the district; State Highway 45 and State Highway 130, respectively.

The District is a taxing authority limited by statute to a maximum tax of ten (10) cents per hundred (100) dollars of property valuation. The District's fiscal year begins on October 1 and ends on September 30. The majority of income to operate the District, over ninety-five (95) percent, comes from property tax and the percent of sales tax approved by the voters.

The District's vision is to continue as a financially stable organization that delivers a superior level of traditional and innovative emergency and non-emergency services. The District exists solely to improve the quality of life, health, and safety of our constituents. The District will maximize the commonly accepted service methodologies and go beyond traditionally accepted practices to better serve the community.

The District is "full service" in that it provides all of the services normally expected from a fire department. Our District/Fire Department is as complex as all the functions and services it provides, including Fire Prevention; Fire Suppression/Rescue; and, "first response" Emergency Medical Care. The District is comprised of three major components or Divisions: Administration – Staff Services; Emergency Operations; and Prevention – Code Enforcement. While each Division works independently of each other, all Divisions must work together in order to meet the District's mission. The District is currently served by personnel and equipment working out of four (4) fire stations. The four (4) modern fire stations are ready twenty-four (24) hours a day and house the District's fleet of firefighting apparatus. The District uses the latest fire suppression technology of Compressed Air Foam Systems "CAFS".

# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

The District has an automatic aid agreement with the Austin Fire Department and four (4) other emergency services districts in the County. This automatic aid agreement assures that the closest appropriate resource is dispatched to an emergency regardless of the jurisdiction. Mutual aid agreements are commonly based upon requests for specific resources and are not necessarily implemented at the time of initial dispatch. The automatic aid agreement not only assures closest unit response, it specifies full response requirements that provide an "Effective Firefighting Force". The Effective Firefighting Force will bring fourteen (14) to sixteen (16) firefighters in the first alarm along with a specific number of engines and aerial apparatus. Likewise, alarm assignments have been pre-determined for various emergency types. The District provides automatic aid assistance to the other jurisdictions, as well as benefits from their assistance on a daily basis.

Travis County Commissioners' Court appoints five (5) Commissioners who govern the operation of the District. These Commissioners represent a cross-section of the District and meet on a regular basis to determine administrative policy and perform financial oversight. Commissioners are appointed for two (2) year terms and continue the original spirit of volunteerism that started this organization.

### **3.0 Financial Highlights – Comparison of FY 2014 and FY 2013**

- The District's auditors for FY 2014, Padgett, Stratemann, & Co., L.L.P. have been working with the District since the audit for FY 2008.
- Population growth, coupled with property tax valuation increases, increased the District's revenues from property taxes in FY 2014 when compared with FY 2013. Sales taxes also increased in FY 2014, this could be due to a number of reasons including population growth along with increased shopping and entertainment venues located within the District. During FY 2014, the District experienced a 5.9% increase in revenues from property tax revenue, as well as a 13.3% increase in sales tax revenue from FY 2013 levels. During FY 2013, property tax revenue increased 1.7% and sales tax revenues increased 19.1% from the previous year.
- In FY 2014, the Operations Division increased staffing by seven (7) firefighter positions and the Prevention Division added a Public Education Specialist position. These additional positions, along with changes in leave benefits negotiated in the Collective Bargaining Agreement adopted December 1, 2013, as well as annual pay increases for existing staff increased the FY 2014 Salaries and Benefits by 16.6% over FY 2013 levels. This increase in staffing in FY 2014 is a positive step toward meeting strategic goals such as achieving adequate staffing on all response apparatus.
- With a focus on continuing to "fill gaps" identified during the strategic planning process, Operation expenses increased by approximately 28.4% in FY 2014 compared to FY 2013 levels. The additional expenses were used to purchase self-contained breathing apparatus, communications equipment, and personal protective equipment, partly for the new firefighter positions, and partly to replace worn equipment.
- As the District's operational demands and needs grew during FY 2014, expenses increased; however, the net change in fund balance was positive for the fiscal year. This positive fund balance change includes a positive change in the GASB 34 adjustments for loan proceeds of \$1,333,395 received for

# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

several projects including: the purchase of three (3) new Fire vehicles, the build out of the second floor of the Administration building to provide office space for the Prevention Division, the replacement of firefighting equipment, and the five (5) year refinance of a balloon payment that came due on a Fire Engine.

- During FY 2014, voters approved an additional ½-cent sales tax for the area in the District, not in the City of Pflugerville or the Wells Branch Library District. The two (2) areas that were excluded are currently at the state maximum for sales tax. The other areas had some sales tax that was not being used by other entities. The voters approved the new revenues to assist the District in moving forward at a more rapid pace and implement advanced level service in emergency medical response with District employees. This moves the District closer to the realization of one of its major strategic objectives, improving the level of first response medical care provided to the residents of the District. Collection of the additional sales tax by the Texas Comptroller's office will begin October 1, 2014, with the first distribution to the District in December 2014.
- In FY 2014, Administrative costs increased over the FY 2013 levels by approximately 2.8%. This was due largely to increased Dispatch Service costs, and the replacement of four (4) HVAC units at three (3) of the Fire stations during the year with the intent of increasing energy efficiency and lowering utility costs in the long run.

# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

- Below is a summary comparison of revenues and expenditures for FY 2014 and FY 2013:

	September 30,		Variance
	2014	2013	
Revenues:			
Property taxes – including penalties and interest	\$ 6,332,726	\$ 5,977,308	\$ 355,418
Sales tax receipts	4,975,068	4,389,667	585,401
Other revenue	<u>385,093</u>	<u>518,421</u>	<u>(133,328)</u>
Total revenues	11,692,887	10,885,396	807,491
Total expenditures	11,550,795	10,080,680	(1,470,115)
Other financing sources – net	<u>28,310</u>	<u>105,985</u>	<u>(77,675)</u>
Change in net position	170,402	910,701	\$ <u>(740,299)</u>
Net Position – beginning of year	<u>8,366,521</u>	<u>7,455,820</u>	
Net Position – end of year	\$ <u><u>8,536,923</u></u>	\$ <u><u>8,366,521</u></u>	



# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

- Below is a summary comparison of Balance Sheet accounts for FY 2014 and FY 2013:

	September 30,		
	2014	2013	Variance
Current and other assets	\$ 6,001,044	\$ 5,440,972	\$ 560,072
Capital assets and noncurrent assets	<u>9,701,655</u>	<u>9,797,592</u>	<u>(95,937)</u>
<b>Total assets</b>	<b><u>\$ 15,702,699</u></b>	<b><u>\$ 15,238,564</u></b>	<b><u>\$ 464,135</u></b>
Current liabilities	\$ 2,340,953	\$ 2,345,554	\$ (4,601)
Long-term liabilities	<u>4,824,823</u>	<u>4,526,489</u>	<u>298,334</u>
<b>Total liabilities</b>	<b><u>7,165,776</u></b>	<b><u>6,872,043</u></b>	<b><u>293,733</u></b>
<b>Net Position</b>			
Net investment in capital assets	4,107,473	4,380,723	(273,250)
Restricted for debt service	148,570	155,282	(6,712)
Unrestricted - board designated	275,000	-	275,000
Unrestricted	<u>4,005,880</u>	<u>3,830,516</u>	<u>175,364</u>
<b>Total net position</b>	<b><u>8,536,923</u></b>	<b><u>8,366,521</u></b>	<b><u>170,402</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 15,702,699</u></b>	<b><u>\$ 15,238,564</u></b>	<b><u>\$ 464,135</u></b>

- Because of the increased property and sales tax collections through FY 2014, Cash and Investment accounts were approximately \$430,066 above ending FY 2013 levels. The remaining difference in Current Assets is a result of the end-of-year sales tax receivable for the period of October and November, FY 2014 versus the same period of FY 2013, due to an overall increase in sales tax collections.
- In Noncurrent Assets, during FY 2014, Capital additions totaled \$577,463, and depreciation expense for the year was \$673,400, resulting in the negative \$95,937 variance for the year. In FY 2013, Capital additions totaled \$928,935, while depreciation expense for the year was \$631,678.
- In FY 2014, the decrease in current liabilities is due several factors. First, end-of year payroll and employee benefits accrual was approximately \$120,881 lower than FY 2013 in part due to new provisions in the collective bargaining agreement in effect through September 30, 2016. Accounts payable at the end of FY 2014 was \$29,431 lower than in FY 2013 due to the difference between the accrual of a new Command Vehicle at the end of the year and the decrease in the District's accrued tax liabilities. Delivery of the vehicle was uncertain until the beginning of FY 2015. The District's accrued tax liabilities were \$120,015 lower than in FY 2013, which represents the repayment of Sales Taxes owed back to the Comptroller's Office from an error found by the Comptroller's office in 2012. The current portion of debt payments was \$88,381 lower in FY 2014 than in FY 2013. And lastly, the

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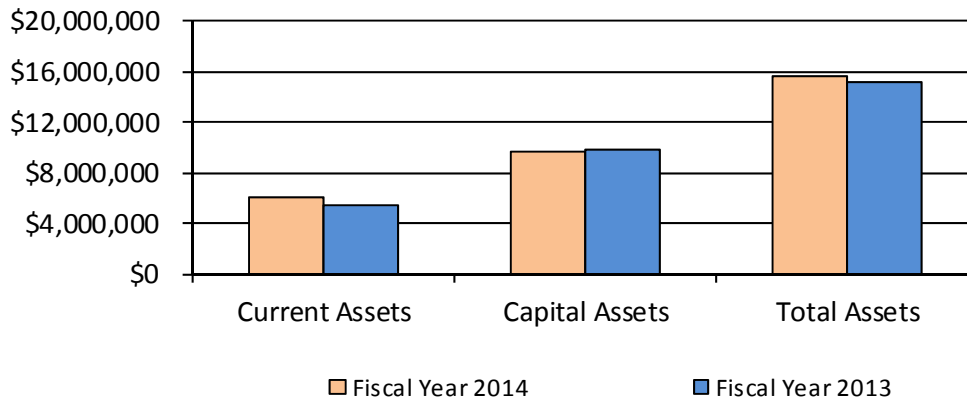
## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

current portion of Compensable Absence accrual is \$227,180 higher than in FY 2013, again due to provisions in the collective bargaining agreement in effect through September 30, 2016.

- The variance in Noncurrent Liabilities is due to FY 2014 debt payments being higher than in FY 2013.
- During FY 2014, the Board of Commissioners approved several large projects identified in the strategic plan including: the build out of the second floor of the Administration building to house the Prevention Division; the purchase of three (3) new Fire vehicles (a Command Vehicle for Operations, a Brush Truck, and a new vehicle for the Assistant Chief of Prevention); some continued improvements to the Training Field; the continued purchase of replacement fitness equipment for the stations; as well as, the capital lease of Smart Boards. Capital purchases in FY 2014 totaled \$577,463. Due to a delay in delivery of one of the new vehicles, the Brush Truck, recognition of this asset will not occur until FY 2015. The changes in total assets and net assets is reflected in the charts below:

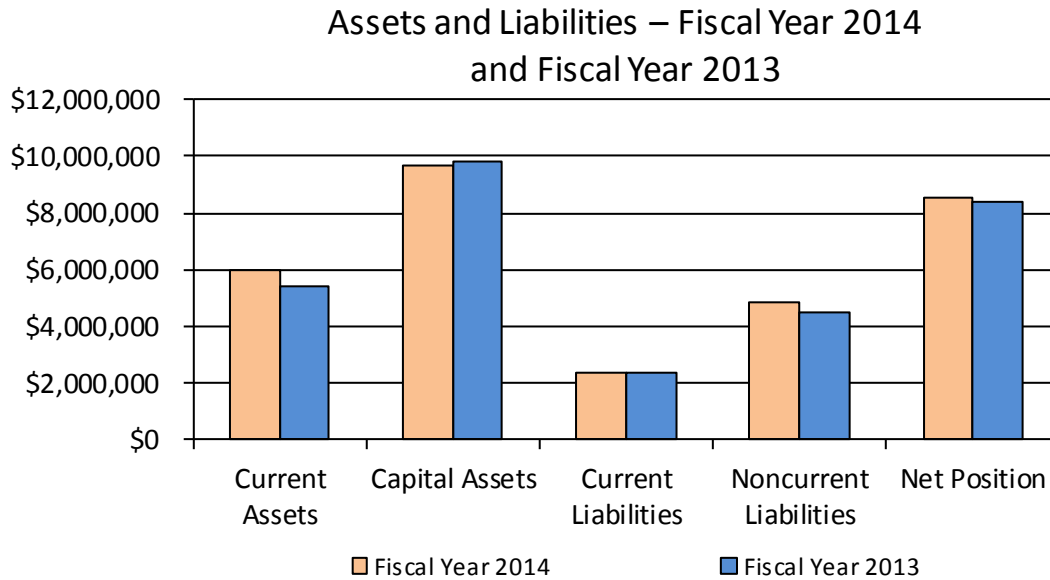
Total Assets – Fiscal Year 2014  
and Fiscal Year 2013



# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014



- Fund balance divided by fund (General Fund and Debt Service Fund) was as follows when compared between FY 2013 and FY 2014. Beginning fund balance for the General Fund \$4,070,831, ending balance \$4,761,226. The Debt Service Fund decreased from \$155,282 to an ending balance of \$148,570. This fund balance represents the debt amount paid by the City of Austin to the District on property annexed away from the District in prior years.

#### 4.0 Overview of the Financial Statements

The District's financial statements presented in this report include basic financial statements, as well as, information on required supplementary information.

The basic financial statements attached hereto are comprised of the following major components:

The *statement of net position and governmental funds balance sheet* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

The *statement of activities and governmental fund revenues, expenditures, and changes in fund balances/net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in fund balances/net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the accrual basis of accounting is used, which is similar to the accounting used by most private sector companies.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures, or expenses as appropriate. Government resources are allocated and accounted for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

In the District's basic financial statements, you will see the following major governmental funds:

- General fund – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted in another fund.
- Debt Service fund – The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

### **5.0 District's FY 2014 – Financial Analysis Summary**

The District's current assets consist of cash, investments, property and sales tax receivables, and prepaid expenses. The District maintains the majority of its investments with the Texas Local Government Pool ("TexPool") which is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield consistent with the Public Funds Investment Act. The TexPool program offers a convenient and effective choice for the investment of local funds. And, as an AAAM rated local government investment pool, TexPool is committed to maintaining safety and stability. This investment strategy has served the District well through the volatile, downturn in the economy, and in the financial markets worldwide.

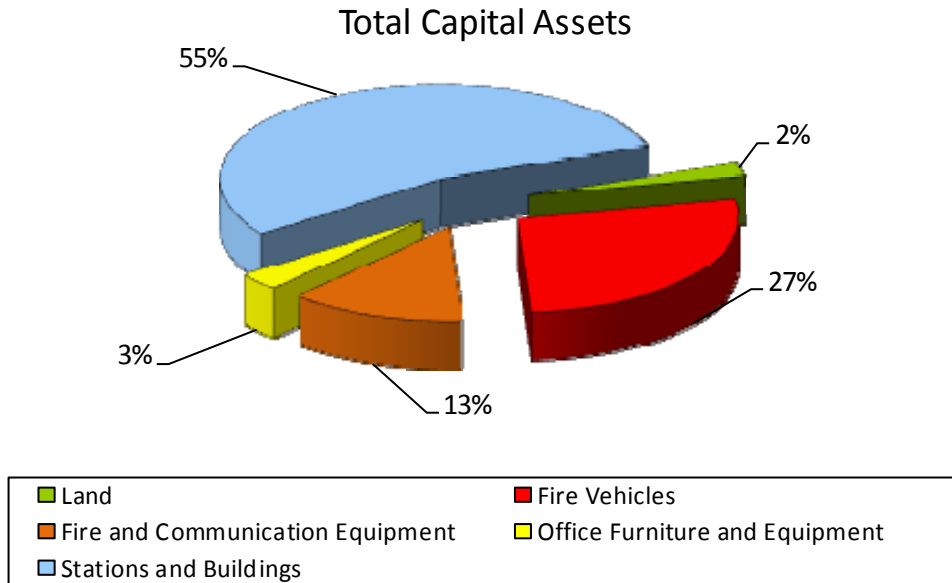
During FY 2014, the District continued to keep part of its cash investment in an interest bearing savings account with Wells Fargo Bank. The bank was able to offer a slightly higher interest rate than TexPool and credited individual client analysis fees, and this account assisted with routine cash management.

# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

The District's total assets at \$15.7 Million, represented mostly by capital assets, at \$9.7 Million net of accumulated depreciation, and over \$17.8 Million gross. Capital assets are shown divided into the different categories in the chart below.



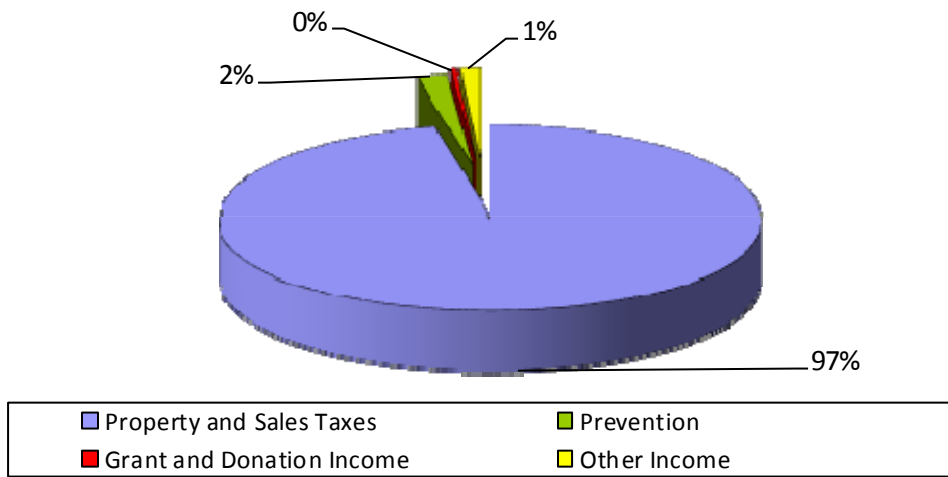
# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

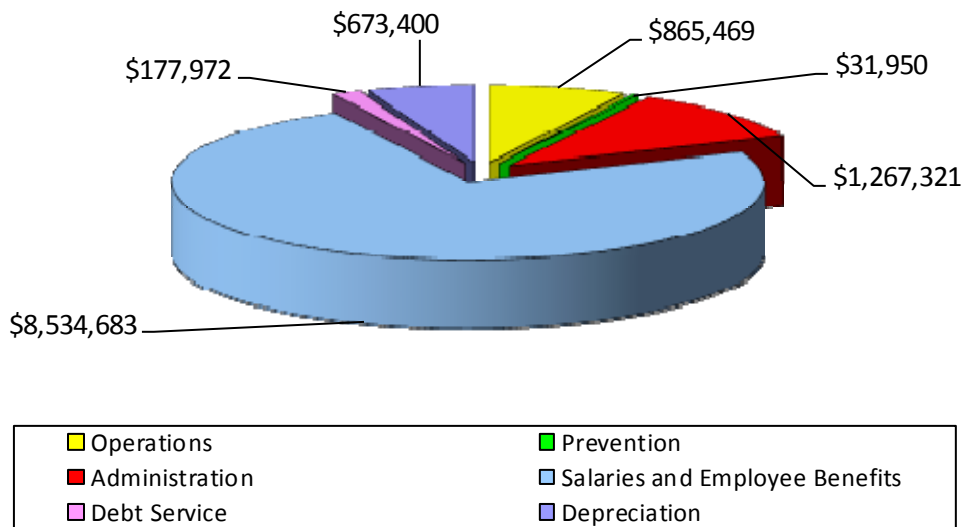
Year Ended September 30, 2014

Currently, the source of the District's operating revenues is almost exclusively from property and sales tax collections. Total operating revenues for FY 2014, totaled about \$11.7 Million, of which 96.7% was received from tax collections. Operating expenses totaled about \$11.6 Million of which almost 73.9% of operating expenses were related to employee salaries and benefits for FY 2014.

Operating Revenues



Operating Expenses – Including Depreciation



# Travis County Emergency Services District No. 2

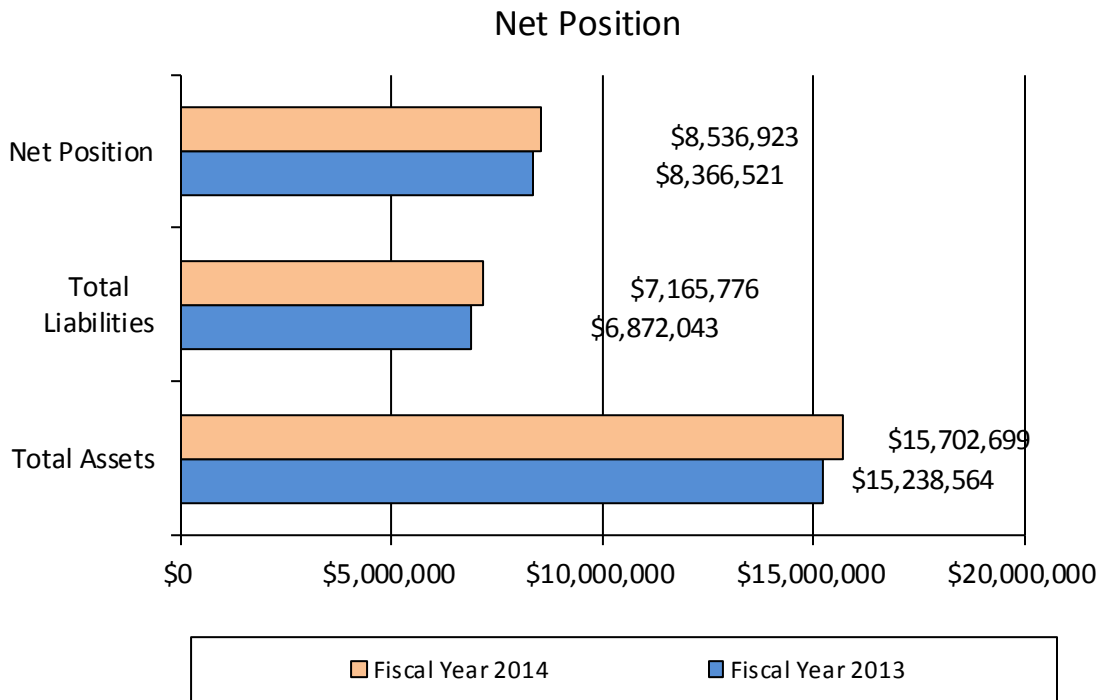
## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

### 6.0 Capital Asset and Outstanding Debt

District liabilities increased during FY 2014, as the District obtained approximately \$1.3 Million in a new loan secured by Sales Tax collections. The District made scheduled payments of both principal and interest on bonds, capital leases, and loans, and even though the new debt was incurred during the fiscal year, increases to the District's liabilities were approximately \$293,700. The new debt incurred was financed at a rate of 2.25%.

The chart below shows a comparison between FY 2014 and FY 2013 net position. Net position represents the difference between total assets and total liabilities.



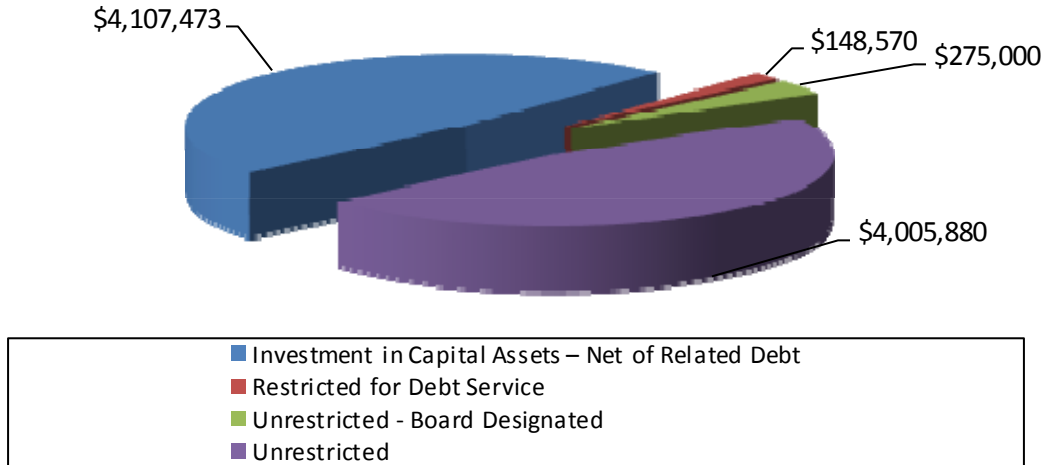
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## Management's Discussion and Analysis (Unaudited)

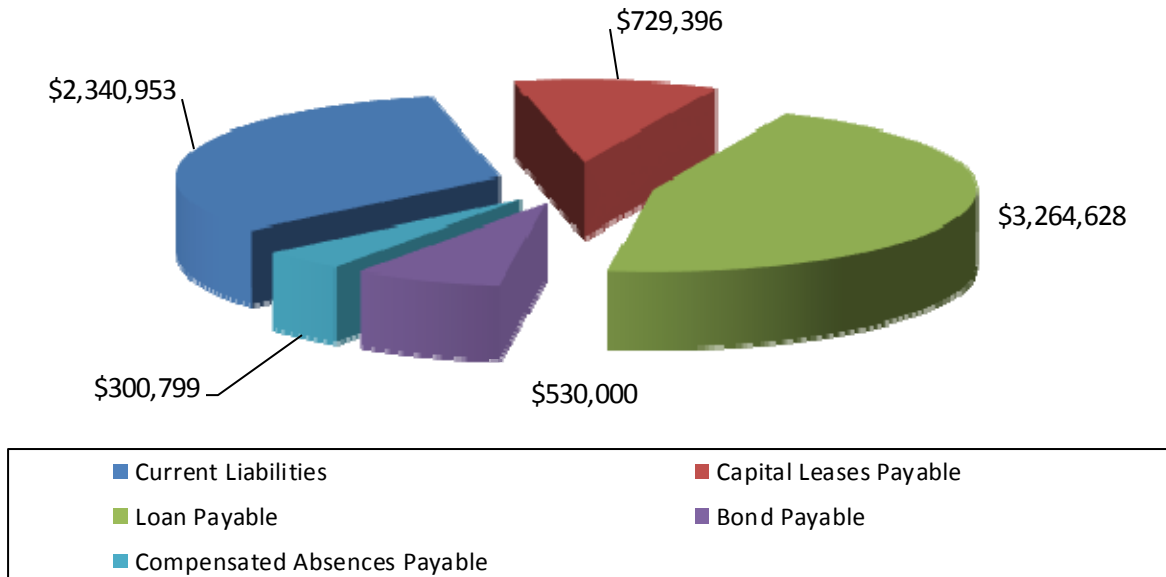
Year Ended September 30, 2014

Additionally, the charts below detail the components of net assets and total liabilities for FY 2014 for the District:

### Net Position By Category



### Current and Noncurrent Liabilities





# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

### 7.0 Economic Factors and Budgetary Highlights

In September 2013, the District's commissioners approved a resolution to levy ad valorem at a tax rate of \$0.0942 on each \$100.00 of taxable property within the District in order to provide funds for maintenance and operating purposes, and a tax rate of \$0.0058 on each \$100.00 in order to provide for payment and principal of and interest and associated obligations on the District's unlimited tax bonds now outstanding. The total levy of ad valorem tax for FY 2014 was a rate of \$0.10. In September 2014, the District's commissioners approved a levy of ad valorem tax for FY 2015 of a total \$0.0982 rate. This rate is higher than the rollback rate and represents an increase in property taxes to be collected for FY 2015.

No strategic plan or operation can be successful without a solid financial basis. The recent unstable economy has caused numerous concerns and adjustments. In fact the District saw a general 4% reduction in revenues in recent years coupled to increasing demands on service. These facts led to several efforts to increase revenue sources. However, economic conditions in the area seem to be improving. The District remains cautiously optimistic that this trend will continue. The District is faced with current gaps in service that have not been filled due to lack of funding, as well as increases in demand based on growth and projected growth in the area. The District is currently focused on strengthening operational capabilities and exploring funding sources for additional services, for improved services, and to meet service demands of the projected growth. The increase in property tax valuations, the increase in proposed developments, and the additional ½-cent Sales Tax approved by voters in May 2014 should allow the District to continue its strategic goal of "filling gaps" and move to enhancing services.

The recent planning process involved a reevaluation of finance and economic forecasts placed against service and personnel gaps. Revenue growth at a rate of less than ten percent (10%) would cause long-term budget supplements that cannot be offset with reserved revenues because of complete depletion. Cost per incident has remained relatively flat over the years, at or around \$1,500 per incident. In fact, the cost of an incident in 2012 is actually about nine percent (9%) less than the same incident ran in 2008. However, the volume of incidents has increased tremendously, between 2008 and 2012, the number of incidents rose by 38.2%, from less than 5,000 to 6,723. And the District, ran over 7,700 incident in calendar year 2014.

As of December 1, 2013, the District and the Pflugerville Professional Firefighters Association, Local 4137, approved and signed a Collective Bargaining Agreement effective from December 1, 2013, through September 30, 2016.

Each fiscal year, the District prepares a budget for most income and expense items in the General Fund. This budget does not include the day to day income and expenses for Facilities. During FY 2014, the District revised the annual budget and variances between budgeted and actual amounts are very slight when compared.

A quick comparison of actual to budgeted amounts reveals several small variances. The positive variance of \$62,423 in sales tax revenues is due to a difference in category. The budgeted amount is shown net of fees in the revenue section, while the actual amount shown is gross (or total collected) and the fee is shown below as an expenditure creating a related variance in the expenditure category as well. The \$18,971 negative variance in Grant revenues is due to the reversal of 2013 Grant revenue that was

# Travis County Emergency Services District No. 2

## Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2014

deemed uncollectible due to program maximums. Prevention actual revenues show a positive variance of \$22,468 due to increased levels of Plan Reviews and Inspections during the year. Employee benefits are over budget as a result of the end-of-year accrual of Compensable Absences included in the actual amount, not in the budgeted amount. General and Administrative expenses posted a \$25,059 negative variance due to higher Dispatch Services because of increased call volumes, as well as higher than anticipated Newsletter printing costs. The \$30,856 negative variance in Professional Services was as a result of several specialized projects. The \$29,770 negative variance in Operations expenses was due to additional EMS supplies needed in response to additional call volume of the District, as well as unanticipated fleet repairs. The \$4,584 positive variance in Prevention expenses was due to a savings in public education materials.

For FY 2015, revenue is budgeted to increase, after netting loan proceeds from the FY 2014 revenue budget. A three-point-nine (3.9%) percent increase in property taxes has been budgeted. Sales tax revenue has been growing steadily and when coupled with the additional ½-cent voter approved tax, an approximate twenty-one (21%) percent increase has been budgeted. Other revenue categories, such as Grants and Gifts and Miscellaneous Income were not budgeted in FY 2015 because, at this time, no Grants are anticipated, and the uncertainty of receiving Miscellaneous Income makes it prudent not to budget revenue in this category.

For FY 2015, Salaries and Employee Benefits budgeted expenses have increased, because six (6) new Firefighter positions will be added during the fiscal year. Professional Services have also been budgeted for an increase over the FY 2014 budget due to additional fees for services by both the Travis Central Appraisal District for property taxes and the Texas Comptroller's Office for collection of sales taxes. In Operations, the FY 2015 budget includes increased amounts for EMS Medical Equipment and Supplies, Fleet Maintenance costs, and Training expenses. Likewise, the Prevention Division's budget was increased in FY 2015 for additional Public Education and Outreach and Fleet Maintenance costs.

Budget preparation and budget review is a valued process at the District. The budget's use as a planning tool and the continuous review of the budgeted amounts against actual amounts enhances the monitoring of day to day operations and assists to highlight unexpected income or expense items.

Financial Statements

# Travis County Emergency Services District No. 2

## Statement of Net Position and Governmental Funds Balance Sheet

September 30, 2014

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,321,660	\$ 8,037	\$ 2,329,697	\$ -	\$ 2,329,697
Investments	2,163,139	140,533	2,303,672	-	2,303,672
Receivables – property taxes	252,218	15,529	267,747	-	267,747
Receivables – sales taxes	879,235	-	879,235	-	879,235
Receivables – other	57,965	-	57,965	-	57,965
Prepays and other current assets	162,728	-	162,728	-	162,728
<b>Total current assets</b>	<b>5,836,945</b>	<b>164,099</b>	<b>6,001,044</b>	<b>-</b>	<b>6,001,044</b>
Noncurrent assets:					
Security deposit	3,326	-	3,326	-	3,326
Capital assets – net of accumulated depreciation	-	-	-	9,698,329	9,698,329
<b>Total noncurrent assets</b>	<b>3,326</b>	<b>-</b>	<b>3,326</b>	<b>9,698,329</b>	<b>9,701,655</b>
<b>Total assets</b>	<b>\$ 5,840,271</b>	<b>\$ 164,099</b>	<b>\$ 6,004,370</b>	<b>\$ 9,698,329</b>	<b>\$ 15,702,699</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 535,719	\$ -	\$ 535,719	\$ -	\$ 535,719
Accrued payroll and employee benefits	267,738	-	267,738	-	267,738
Compensated absences payable	-	-	-	406,291	406,291
Accrued interest	-	-	-	41,003	41,003
Unearned property tax revenue	259,068	15,529	274,597	(267,747)	6,850
Deposits	16,520	-	16,520	-	16,520
Capital leases payable	-	-	-	119,635	119,635
Loans payable	-	-	-	602,197	602,197
Bond payable	-	-	-	345,000	345,000
<b>Total current liabilities</b>	<b>1,079,045</b>	<b>15,529</b>	<b>1,094,574</b>	<b>1,246,379</b>	<b>2,340,953</b>
Noncurrent liabilities:					
Capital leases payable	-	-	-	729,396	729,396
Loans payable	-	-	-	3,264,628	3,264,628
Bond payable	-	-	-	530,000	530,000
Compensated absences payable	-	-	-	300,799	300,799
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,824,823</b>	<b>4,824,823</b>
<b>Total liabilities</b>	<b>1,079,045</b>	<b>15,529</b>	<b>1,094,574</b>	<b>6,071,202</b>	<b>7,165,776</b>
<b>Fund Balances</b>					
Restricted – retirement of long-term debt	-	148,570	148,570	(148,570)	-
Committed – capital projects	275,000	-	275,000	(275,000)	-
Unassigned	4,486,226	-	4,486,226	(4,486,226)	-
<b>Total fund balances</b>	<b>4,761,226</b>	<b>148,570</b>	<b>4,909,796</b>	<b>(4,909,796)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,840,271</b>	<b>\$ 164,099</b>	<b>\$ 6,004,370</b>		
<b>Net Position</b>					
Net investment in capital assets				4,107,473	4,107,473
Restricted for debt service fund				148,570	148,570
Unrestricted – board designated				275,000	275,000
Unrestricted				4,005,880	4,005,880
<b>Total net position</b>				<b>\$ 8,536,923</b>	<b>\$ 8,536,923</b>

*Notes to the financial statements form an integral part of this statement.*

# Travis County Emergency Services District No. 2

## Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances/Net Position

September 30, 2014

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes – including penalties and interest	\$ 5,940,086	\$ 365,738	\$ 6,305,824	\$ 26,902	\$ 6,332,726
Sales tax receipts	4,975,068	-	4,975,068	-	4,975,068
Fee for services	24,538	-	24,538	-	24,538
Prevention	213,177	-	213,177	-	213,177
Grant and donation income	38,375	-	38,375	-	38,375
Facilities income	73,091	-	73,091	-	73,091
Miscellaneous	35,912	-	35,912	-	35,912
<b>Total revenues</b>	<b>11,300,247</b>	<b>365,738</b>	<b>11,665,985</b>	<b>26,902</b>	<b>11,692,887</b>
<b>Expenditures</b>					
<b>Current:</b>					
Operations	865,469	-	865,469	-	865,469
Prevention	31,950	-	31,950	-	31,950
<b>Administrative:</b>					
Professional services	478,984	-	478,984	-	478,984
General and administrative	785,680	2,657	788,337	-	788,337
Salaries	6,875,782	-	6,875,782	-	6,875,782
Employee benefits	1,399,081	-	1,399,081	259,820	1,658,901
<b>Debt service:</b>					
Principal retirement	826,082	330,000	1,156,082	(1,156,082)	-
Interest and fees	129,259	41,600	170,859	7,113	177,972
Capital outlay	577,463	-	577,463	(577,463)	-
Depreciation	-	-	-	673,400	673,400
<b>Total expenditures</b>	<b>11,969,750</b>	<b>374,257</b>	<b>12,344,007</b>	<b>(793,212)</b>	<b>11,550,795</b>
Excess (deficiency) of revenues over (under) expenditures	(669,503)	(8,519)	(678,022)	820,114	142,092
<b>Other Financing Sources (Uses)</b>					
Interest income	26,987	1,323	28,310	-	28,310
Proceeds from loans	1,333,395	-	1,333,395	(1,333,395)	-
Transfers in	367,014	367,498	734,512	-	734,512
Transfers out	(367,498)	(367,014)	(734,512)	-	(734,512)
<b>Total other financing sources (uses)</b>	<b>1,359,898</b>	<b>1,807</b>	<b>1,361,705</b>	<b>(1,333,395)</b>	<b>28,310</b>
Net change in fund balances/net position	690,395	(6,712)	683,683	(513,281)	170,402
Fund balances/net position – beginning of the year	4,070,831	155,282	4,226,113	4,140,408	8,366,521
Fund balances/net position – end of the year	\$ 4,761,226	\$ 148,570	\$ 4,909,796	\$ 3,627,127	\$ 8,536,923

Notes to the financial statements form an integral part of this statement.

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Travis County Emergency Services District No. 2 (the "District"), included in the accompanying financial statements, conform to accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental entities. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which constitutes the primary source of GAAP for governmental units. The following represents the more significant accounting and reporting policies and practices used by the District.

#### **Reporting Entity**

The District was created by order of the Travis County Commissioners Court following a conversion election, which was held within the boundaries of Travis County Rural Fire Prevention District No. 3. A majority of the voters within the Rural Fire Prevention District voted to convert the Rural Fire Prevention District to the Emergency Services District. This election was held on January 18, 1992. The District operates under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a five member Board of Commissioners appointed by the Travis County Commissioners Court. The District's major activities include providing emergency services to the residents of the District.

Effective October 1, 1994, the District assumed, through a series of agreements, the assets, leases, and other obligations of the Pflugerville Volunteer Fire Department.

The accompanying financial statements present information required to account for those activities, organizations, and functions which are related to the District and are controlled by, or dependent upon, the District's governing body, the Board of Commissioners (the "Board").

The District does not meet the criteria for inclusion as a component unit of any entity nor does any entity meet the criteria for inclusion as a component unit of the District.

The criteria used by the District for including activities in its financial statements are in conformity with GASB Accounting Standards Codification ("ASC"), Section 2100, *Defining the Financial Reporting Entity*. GASB has concluded that the criterion for including a legally separate organization in a governmental unit's reporting entity for general purpose financial reports is financial accountability of the primary government for the legally separate organization. Based upon that criterion, there are no legally separate organizations, which fall within the financial reporting entity of the District.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and charges to customers.

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District's primary function is to provide emergency services.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The District has the following major governmental funds:

- **General Fund** – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Debt Service Fund** – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The fund did not meet the criteria for a major fund; however, management decided to include it as a major fund in the interest of the users of the financial statements.

### ***Measurement Focus***

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. All governmental funds are accounted for on a "spending" or "financial flow" measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance of governmental funds is considered a measure of "available spendable resources."

The government-wide financial statements follow 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 in which they are levied. Sales taxes are recognized as revenues in the year in which the taxes are remitted to the state of Texas.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. Revenues, other than grants, are considered to be available when they are expected to be collected during the current budgetary period, or within 60 days thereafter, to pay liabilities outstanding at the close of the budgetary period. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables. Interest revenue is recorded when earned since it is measurable and available. Other revenues are recognized when

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, except expenditures for debt service, including interest on long-term debt. Expenditures for principal and interest on long-term debt are recognized when matured.

For fiscal year 2014, the District reported the following types of governmental funds balances: Restricted, Committed, and Unassigned.

- Restricted fund balances are those that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (e.g., debt covenants), grantors, contributors, or laws/regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party.
- Committed fund balances are those that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- Unassigned fund balances are those within the General Fund and represent fund balance that has not been restricted, committed, or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first, followed by committed fund balances, then assigned fund balances, and finally unassigned fund balances, as needed, unless the Board or its delegated official has provided otherwise in its commitment or assignment actions.

### ***Budgets and Budgetary Accounting***

A budget adopted by the Board is presented in the accompanying financial statements on the budgetary basis. The budget is not legally binding. No supplemental appropriations were made during the year. Annual appropriations lapse at the end of the fiscal year.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Items for which estimates are necessary include the amount of receivables, which may not be collectible, and the service lives and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amounts from contingencies such as litigation.

### ***Cash and Cash Equivalents***

The District's cash and cash equivalents are considered to be demand deposits.

### ***Investments***

Investments are stated at fair value based on net asset value per share as published by the investment pool sponsor. The District has adopted an investment policy, which allows for various types of investments. Additional information regarding the District's investments can be found in Note 2.



# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### **Accounts Receivable**

The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the allowance. No allowance was deemed necessary at September 30, 2014.

### **Capital Assets**

Capital assets include property, buildings, and equipment. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Assets under capital lease are recorded at the present value of future minimum lease payments at the inception of the lease.

Donated capital assets are valued at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building improvements	20 years
Fire and other vehicles	7 to 10 years
Fire and communication equipment	10 years
Office furniture and equipment	10 years

### **Unearned Revenue**

Delinquent property taxes receivable are recorded as unearned revenue in the governmental funds since they are not currently available. Unearned revenue also includes deposits and customer advances to rent a facility owned by the District.

### **Long-Term Debt**

General obligation bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***Compensated Absences***

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure has been recorded. The amount of vested or accumulated vacation and sick leave that is not expected to be liquidated with expendable available financial resources is reported as a long-term liability in the Statement of Net Position and Governmental Funds Balance Sheet. The District's liability for accrued vacation and sick time at September 30, 2014 totaled \$707,090.

### ***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 has obtained coverage from Volunteer Fireman's Insurance Services and has effectively managed risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

## **2. Cash and Cash Equivalents and Investments**

The investment policies of the District are governed by state statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be Federal Deposit Insurance Corporation ("FDIC") insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third-party trustees.

Cash and cash equivalents are carried at cost, which approximates market value totaled \$2,329,697. At September 30, 2014, the bank balance totaled \$2,404,933, which was covered by the FDIC and pledged collateral.

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### Investments

The District's investments at September 30, 2014 are as follows:

	<u>Carrying Amount</u>	<u>Amortized Cost, Which Approximates Fair Value</u>
Texas Local Government Investment Pool ("TexPool")	\$ <u>2,303,672</u>	\$ <u>2,303,672</u>

The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the Texas Comptroller has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board's members review the investment policy and management fee structure.

The District believes TexPool operates in a manner consistent with the United States Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, as defined in GASB Statement No. 59. As such, the District uses amortized cost to report its investments.

**Interest Rate Risk** – In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the types of investments it allows and the maturity.

**Credit Risk** – The District's investment policy allows for various types of investments including: obligations of, or guaranteed by the United States, certificates of deposit, and TexPool. At September 30, 2014, the District's investments in TexPool were rated AAAM by Standard & Poor's.

### 3. Ad Valorem Property Taxes

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1 are due on November 1, and are past due the following February 1. The Travis County Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Collector bills and collects the District's property taxes.

The property tax rates, established in accordance with state laws, were based on 100% of the net assessed valuation of real property within the District on the 2013 tax roll. The assessed value of the 2013 tax roll reported by the County, upon which the levy for the 2013 fiscal year was based, was initially \$6,342,07,520 and subsequently updated to \$6,331,091,980. The tax rates assessed for the year ended September 30, 2013 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.0942 and \$0.0058 per \$100 valuation, respectively, for a total of \$0.1000 per \$100 valuation.

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

At September 30, 2014, unearned property tax revenue totaled \$267,747. Property taxes receivable at September 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Current year levy	\$ 47,719	\$ 2,938
Prior year's levy	<u>204,499</u>	<u>12,591</u>
	<u>\$ 252,218</u>	<u>\$ 15,529</u>

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

#### 4. Interfund Receivables and Payables

At September 30, 2014, there were no interfund receivables and/or payables.

Transfers are used to move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due and to move restricted amounts from borrowings to the Debt Service Fund to establish mandatory reserve accounts.

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### 5. Capital Assets

Capital assets activity for September 30, 2014 is as follows:

	Balance at October 1, 2013	Additions	Deletions and Other Adjustments	Balance at September 30, 2014
Capital assets not depreciated:				
Land	\$ 395,545	\$ -	\$ -	\$ 395,545
Total capital assets not depreciated	<u>395,545</u>	<u>-</u>	<u>-</u>	<u>395,545</u>
Capital assets being depreciated:				
Fire vehicles	4,715,345	252,186	-	4,967,531
Fire and communication equipment	2,211,419	-	-	2,211,419
Office furniture and equipment	552,123	20,924	-	573,047
Station #2	850,776	-	-	850,776
Station #3	521,871	22,369	-	544,240
Station #4	742,118	-	-	742,118
Training center	1,208,359	-	-	1,208,359
Central station	1,116,075	-	-	1,116,075
Administrative building	2,023,689	256,384	-	2,280,073
Education building	2,130,318	-	-	2,130,318
Pfluger Hall	236,848	-	-	236,848
Improvements	565,440	25,600	-	591,040
Total capital assets being depreciated	<u>16,874,381</u>	<u>577,463</u>	<u>-</u>	<u>17,451,844</u>
Less accumulated depreciation for:				
Fire vehicles	(3,244,653)	(270,994)	-	(3,515,647)
Fire and communication equipment	(1,567,154)	(107,050)	-	(1,674,204)
Office furniture and equipment	(400,009)	(27,125)	-	(427,134)
Station #2	(308,405)	(21,269)	-	(329,674)
Station #3	(213,728)	(16,505)	-	(230,233)
Station #4	(231,911)	(18,553)	-	(250,464)
Training center	(313,120)	(30,209)	-	(343,329)
Central station	(400,053)	(29,283)	-	(429,336)
Administrative building	(278,257)	(54,175)	-	(332,432)
Education building	(292,919)	(53,258)	-	(346,177)
Pfluger Hall	(56,719)	(5,921)	-	(62,640)
Improvements	(168,732)	(39,058)	-	(207,790)
Total accumulated depreciation	<u>(7,475,660)</u>	<u>(673,400)</u>	<u>-</u>	<u>(8,149,060)</u>
Capital assets being depreciated – net	<u>9,398,721</u>	<u>(95,937)</u>	<u>-</u>	<u>9,302,784</u>
Total capital assets – net	<u>\$ 9,794,266</u>	<u>\$ (95,937)</u>	<u>\$ -</u>	<u>\$ 9,698,329</u>

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### 6. Long-Term Debt

The District issued limited tax bonds for construction of fire protection facilities and equipment. Tax revenue from yearly ad valorem tax assessments will pay principal and interest on the outstanding tax-supported bonds of the District. General obligation bonds currently outstanding are as follows for the year ended September 30, 2014:

	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014	Due Within One Year
Bond payable – Series 2005	\$ 1,205,000	\$ -	\$ 330,000	\$ 875,000	\$ 345,000
Other debt:					
Capital leases payable	965,608	183,395	299,972	849,031	119,635
Loans payable	3,242,935	1,150,000	526,110	3,866,825	602,197
Compensated absences payable	447,270	458,505	198,685	707,090	406,291
Total long-term debt	<u>\$ 5,860,813</u>	<u>\$ 1,791,900</u>	<u>\$ 1,354,767</u>	<u>\$ 6,297,946</u>	<u>\$ 1,473,123</u>

#### **Bond Payable**

Detailed information on the original limited tax bond obligation is as follows:

	Date of Issue	Interest Rate	Original Principal Balance
\$2,604,999 Limited Tax Bond – Series 2005	April 15, 2005	3%-4%	<u>\$ 2,604,999</u>

The following schedule sets forth the debt service requirements on the general obligations outstanding bond indebtedness of the District at September 30, 2014:

	Principal	Interest	Total
Year ending September 30,			
2015	\$ 345,000	\$ 28,100	\$ 373,100
2016	360,000	14,000	374,000
2017	170,000	3,400	173,400
	<u>\$ 875,000</u>	<u>\$ 45,500</u>	<u>\$ 920,500</u>

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### **Loans Payable**

During the 2006 fiscal year, the District entered into loan agreements with Wells Fargo Brokerage Services for the financing of improvements to properties owned by the District in the amount of \$4,250,000. The proceeds of this loan were used to fund the construction of an administrative office building, a training facility, and an educational facility.

Long-term debt at September 30, 2014 is comprised of the following items:

Note payable to Wells Fargo; interest at 3.15%; secured by sales taxes; due in annual installments through July 2016	\$ 180,556
Note payable to Wells Fargo; interest at 3.35%; secured by District assets; due in semi-annual installments through April 2016	157,481
Note payable to Wells Fargo; interest at 2.25%; secured by sales tax revenues; due in annual installments through February 2021	1,150,000
Note payable to Wells Fargo; interest at 2.90%; secured by sales taxes; due in annual installments through July 2021	<u>2,378,788</u>
	3,866,825
Less current portion	<u>602,197</u>
	<u>\$ 3,264,628</u>

Maturities of long-term debt for the fiscal years subsequent to September 30, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2015	\$ 602,197	\$ 100,501	\$ 702,698
2016	603,507	82,960	686,467
2017	517,191	67,256	584,447
2018	531,304	53,142	584,446
2019	545,810	38,637	584,447
Thereafter	<u>1,066,816</u>	<u>32,298</u>	<u>1,099,114</u>
	<u>\$ 3,866,825</u>	<u>\$ 374,794</u>	<u>\$ 4,241,619</u>

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### **Capital Lease Payable**

The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,045,406 at September 30, 2014, and accumulated amortization at September 30, 2014 totaled \$1,041,360. The amortization of assets held under capital leases is included with depreciation expense. Lease obligations are repaid with general revenue sources.

The District's obligations under capital leases are reported as a long-term liability in the statement of net position and governmental funds balance sheet.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments at September 30, 2014:

Year ending September 30,	
2015	\$ 147,735
2016	147,736
2017	146,791
2018	142,067
2019	106,871
Thereafter	<u>279,411</u>
Minimum lease payments for all capital leases	970,611
Lease amount representing interest at the District's incremental borrowing rate	<u>(121,580)</u>
Present value of minimum lease payments	849,031
Less current portion	<u>119,635</u>
Capital leases payable, long-term	\$ <u><u>729,396</u></u>

### **7. Defined Contribution Plan**

In April 2007, the Board authorized the creation of the Travis County Emergency Services District No. 2 457(b) Plan (the "Plan") with Principal Financial Group. Employees are eligible to participate in the Plan after meeting defined requirements. The Plan replaced the Travis County Emergency Services District No. 2 401(a) as the employer funded plan of the District until January 1, 2010. On January 1, 2010, the Board again authorized employer contributions into the Travis County Emergency Services District No. 2 401(a) plan and continued the 457(b) plan for employee contributions only. During the fiscal year 2013, the Board also approved changes to the plan administrator and investments held in the Plan, following a recommendation from the District's Investment Workgroup. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes 10% of the employee's base salary each month. The District's contributions for each employee (and interest allocated to the employee's account) vest 20% per year during the first five years of service. The District's contribution for the year ended September 30, 2014 totaled \$516,799. Participant contributions for the year ended September 30, 2014 totaled \$245,311.



# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

### 8. Commitments

Effective October 1, 1995, the District entered into an agreement with Pflugerville Volunteer Fire Department (the "Department"). The Department agreed to provide support services to the District. The District agreed to pay the Department a total of \$2,000 per year out of tax revenues actually collected by the District. The term of the agreement is yearly and may be terminated by either party by providing 90 days' written notice of termination to the other party. Amounts payable to the Department shall be disbursed to the Department quarterly, if and when collected by the District, following the provision by the District of adequate reserves of such tax receipts for the budgeted expenditures of the District. Under the agreement, the District will provide administrative services, all necessary equipment, and training for Department personnel.

Effective April 25, 2000, the District entered into an agreement with ICPProcess.com ("ICP") to provide billing services for the District's fees charged to respond to fire calls and other related departmental services provided to the general public. The District may terminate this agreement at any time upon 30 days' prior written notice to ICP. The agreement calls for the District to pay ICP a 20% commission of the total amount collected on behalf of the District.

Effective December 31, 2001, the District entered into an agreement with the City of Austin Fire Department to provide dispatch services to the District service area on a fee-for-service basis. The service fee is based on the number of calls dispatched in the District service area in the preceding year and was \$24 per call and totaled \$171,888 during 2014. Either party may terminate this agreement with 90 days' prior written notice to the other party.

### 9. Reconciliation of Government Wide Financial Statements and Fund Financial Statements

The statement of net position and governmental funds balance sheet include adjustments between governmental funds balances and net position. The details on those adjustments are as follows:

Total governmental fund balances	\$ 4,909,796
Recording of capital assets – net of accumulated depreciation	9,698,329
Unearned property tax revenue recognized	267,747
Accrued interest	(41,003)
Capital leases payable	(849,031)
Loans payable	(3,866,825)
Bond payable	(875,000)
Compensated absences payable	<u>(707,090)</u>
Total net position	\$ <u><u>8,536,923</u></u>

# Travis County Emergency Services District No. 2

## Notes to the Financial Statements

The statement of activities and governmental funds revenues, expenditures, and changes in fund balances includes the following adjustments:

Net change in governmental fund balances	\$ 683,683
Capital outlay	577,463
Depreciation	(673,400)
Employee benefits	(259,820)
Principal retirement	1,156,082
Proceeds from loans	(1,333,395)
Property taxes	26,902
Interest and fees	<u>(7,113)</u>
Change in net position of governmental activities	<u>\$ 170,402</u>

Required Supplementary Information

# Travis County Emergency Services District No. 2

## Budgetary Comparison Schedule – General Fund – Budgetary Basis

Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Adjustments	Actual Budget Basis	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues</b>						
Property taxes – including						
penalties and interest	\$ 5,904,170	\$ 5,951,833	\$ 5,940,086	\$ -	\$ 5,940,086	\$ (11,747)
Sales tax receipts	4,287,745	4,810,992	4,975,068	(101,653)	4,873,415	62,423
Fee for services	50,000	19,148	24,538	-	24,538	5,390
Prevention	153,000	190,709	213,177	-	213,177	22,468
Grant and donation income	50,000	57,346	38,375	-	38,375	(18,971)
Facilities income	167,500	167,261	73,091	100,000	173,091	5,830
Miscellaneous	-	41,554	35,912	-	35,912	(5,642)
<b>Total revenues</b>	<b>10,612,415</b>	<b>11,238,843</b>	<b>11,300,247</b>	<b>(1,653)</b>	<b>11,298,594</b>	<b>59,751</b>
<b>Expenditures</b>						
<b>Current:</b>						
Operations	941,350	835,699	865,469	-	865,469	(29,770)
Prevention	37,200	36,534	31,950	-	31,950	4,584
<b>Administrative:</b>						
Professional services	710,000	448,128	478,984	-	478,984	(30,856)
General and administrative	809,000	860,621	785,680	100,000	885,680	(25,059)
Salaries	6,598,180	6,882,851	6,875,782	-	6,875,782	7,069
Employee benefits	1,628,000	1,550,369	1,399,081	-	1,399,081	151,288
<b>Debt service:</b>						
Principal retirement	825,208	825,206	826,082	-	826,082	(876)
Interest and fees	126,608	129,192	129,259	-	129,259	(67)
Capital outlay	550,000	820,140	577,463	235,000	812,463	7,677
<b>Total expenditures</b>	<b>12,225,546</b>	<b>12,388,740</b>	<b>11,969,750</b>	<b>335,000</b>	<b>12,304,750</b>	<b>83,990</b>
Deficiency of revenues under expenditures	(1,613,131)	(1,149,897)	(669,503)	(336,653)	(1,006,156)	143,741
<b>Other Financing Sources (Uses)</b>						
Interest income	7,000	7,000	26,987	-	26,987	19,987
Proceeds from loans	800,000	1,317,846	1,333,395	-	1,333,395	15,549
Transfers in	-	-	367,014	(367,014)	-	-
Transfers out	-	-	(367,498)	367,498	-	-
<b>Total other financing sources (uses)</b>	<b>807,000</b>	<b>1,324,846</b>	<b>1,359,898</b>	<b>484</b>	<b>1,360,382</b>	<b>35,536</b>
Net change in fund balance/net position	(806,131)	174,949	690,395	(336,169)	354,226	179,277
Fund balances/net position – beginning of the year	4,070,831	4,070,831	4,070,831	815,666	4,886,497	1,517,496
Fund balances/net position – end of the year	\$ 3,264,700	\$ 4,245,780	\$ 4,761,226	\$ 479,497	\$ 5,240,723	\$ 1,696,773