

**Travis County  
Emergency Services District  
No. 3**

**Financial Statements  
as of and for the Year Ended  
September 30, 2023 and  
Independent Auditors' Report**

# Travis County Emergency Services District No. 3

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## **Independent Auditors' Report**

To the Board of Commissioners of  
Travis County Emergency Services District No. 3:

### **Opinions**

We have audited the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Travis County Emergency Services District No. 3 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the District as of September 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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*

Austin, Texas  
February 26, 2024

# Travis County Emergency Services District No. 3

## Management's Discussion & Analysis

September 30, 2023

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In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 3 (the "District") offers the following narrative on the financial performance of the District as of and for the year ended September 30, 2023. Please read it in connection with the District's financial statements that follow.

### Financial Highlights

- The District's net position at September 30, 2023 was \$24,666,736.
- The fund balance for the General Fund at September 30, 2023 was \$17,349,189, an increase of \$3,560,833 from the prior year.
- The District's General Fund had revenues of \$10,827,677 and expenditures of \$7,255,026 for the year ended September 30, 2023.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1) government-wide financial statements 2) fund financial statements and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position 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 as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years, such as uncollected property taxes and earned, but unused, sick and vacation leave.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are considered governmental funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. The governmental funds balance sheet provides a reconciliation to facilitate the comparison between total fund balances and net position of governmental activities. There is a reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities on page 13.

The District maintains a General Fund and Debt Service Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these funds as they are considered to be major funds.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison for the General Fund has been provided to demonstrate compliance with this budget.

**Notes to the Basic Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-Wide Financial Analysis

The District’s net position as of September 30, 2023 and 2022 is shown in the table below. Our analysis below focuses on the net position and changes in the net position of the District’s governmental activities as reported in the accrual basis of accounting.

### Statement of Net Position

	Governmental Activities as of	
	September 30, 2023	September 30, 2022
Current assets	\$ 17,804,664	\$ 14,083,926
Capital assets (net of accumulated depreciation)	7,750,860	7,719,341
Total assets	<u>\$ 25,555,524</u>	<u>\$ 21,803,267</u>
Current liabilities	\$ 781,236	\$ 910,898
Non-current liabilities	107,552	205,832
Total liabilities	<u>\$ 888,788</u>	<u>\$ 1,116,730</u>
Net investment in capital assets	\$ 7,558,308	\$ 7,178,509
Restricted for debt service	15,670	8,829
Unrestricted	17,092,758	13,499,199
Total net position	<u>\$ 24,666,736</u>	<u>\$ 20,686,537</u>

The District's total assets were \$25,555,524 as of September 30, 2023, of which \$7,750,860 is accounted for by capital assets. The District had outstanding liabilities of \$888,788 as of September 30, 2023, of which \$165,000 represents outstanding principal on bonds payable maturing through 2025. Net position increased to \$24,666,736 as of September 30, 2023, an increase of \$3,980,199 as compared to the net position as of September 30, 2022.

The changes in net position for the years ended September 30, 2023 and 2022 is shown in the table below.

### Statement of Activities

	September 30, 2023	September 30, 2022
Expenses:		
Fire and emergency services	\$ 6,663,670	\$ 5,833,472
General government	551,934	498,452
Debt service	883	10,520
Total Expenses	7,216,487	6,342,444
Revenues:		
Program revenues:		
Charges for services	117,867	138,239
Operating grants and contributions	3,100	5,500
General revenues:		
Property taxes	2,207,307	2,600,084
Sales taxes	7,956,114	5,824,957
Interest and other income	912,298	421,182
Total Revenues	11,196,686	8,989,962
Change in Net Position	3,980,199	2,647,518
Net Position, Beginning	20,686,537	18,039,019
Net Position, Ending	\$ 24,666,736	\$ 20,686,537

General revenues totaled \$11,075,719 for the year ended September 30, 2023, of which \$2,207,307 (20%) was generated by property tax revenue and \$7,956,114 (72%) was generated by sales tax revenue. Expenses totaled \$7,216,487 for the year ended September 30, 2023, of which \$6,663,670 (92%) represents fire and emergency services expenses. Net position increased by \$3,980,199 for the year ended September 30, 2023 compared to an increase of \$2,647,518 for the year ended September 30, 2022.

### The District's Governmental Funds

As of September 30, 2023, the District's General Fund reported total assets of \$17,788,581, total liabilities of \$335,802, and deferred inflows of resources related to uncollected property taxes of \$103,590, resulting in fund balance of \$17,349,189, which is an increase of \$3,560,833 over the prior year fund balance.

As of September 30, 2023, the District's Debt Service Fund had no fund balance remaining.



## General Fund Budgetary Highlights

Actual expenditures in the General Fund totaled \$7,255,026 for the year ended September 30, 2023, \$475,794 less than the final budget. The budget variance is primarily due to the District not expending as much in general and administrative expenditures and debt service payments which were expended from the Debt Service Fund. Resources available for appropriation (revenues) totaled \$10,827,677 for the year ended September 30, 2023, \$2,949,413 more than the final budget. The budget variance is primarily due to more sales tax revenue and TIFMAS reimbursements than expected.

## Capital Assets and Long-Term Debt Administration

### Capital Assets

At September 30, 2023 and 2022, the District had the following capital assets in operation:

#### Capital Assets at Year End

	September 30, 2023	September 30, 2022
Land	\$ 1,350,661	\$ 1,350,661
Construction in progress	42,061	-
Buildings and improvements	7,162,511	7,063,271
Fire trucks and vehicles	3,585,160	3,537,737
Equipment	843,232	566,471
Total capital assets	12,983,625	12,518,140
Accumulated depreciation	(5,232,765)	(4,798,799)
Total net capital assets	<u>\$ 7,750,860</u>	<u>\$ 7,719,341</u>

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

### Long-Term Debt Administration

At September 30, 2023 and 2022, the District's long-term debt were comprised of the following:

#### Long-Term Debt at Year End

	September 30, 2023	September 30, 2022
Series 2013 bonds	\$ 165,000	\$ 500,000
Bond premium	27,552	40,832
Total	<u>\$ 192,552</u>	<u>\$ 540,832</u>

More detailed information about the District's long-term debt 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 2024 budget, tax rates, and necessary expenditures for the next year's activities. The District's budgetary growth has mirrored its residential growth and the economy. Tax revenues are currently limited by the mandatory \$0.10 per \$100 of assessed valuation cap. The adopted budget for the year ended September 30, 2024 for the District's General Fund projects a fund balance increase of \$1,017. Compared to the 2023 budget for the General Fund, 2024 budgeted revenues are expected to decrease by \$165,571; expenditures are expected to decrease by \$19,145.

## **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. 3, Attn: Treasurer, 4111 Barton Creek Boulevard, Austin, Texas 78735.

# Travis County Emergency Services District No. 3

## Statement of Net Position September 30, 2023

	Governmental Activities	Component Unit
<b>Assets:</b>		
Cash and cash equivalents	\$ 4,310,647	\$ 39,212
Investments	12,044,128	-
Receivables:		
Property taxes, net	119,673	-
Sales taxes	1,023,957	-
Other	63,332	-
Prepaid items	242,927	-
Capital assets (net of accumulated depreciation):		
Land	1,350,661	-
Construction in progress	42,061	-
Buildings and improvements	4,262,494	-
Fire trucks and vehicles	1,780,684	-
Equipment	314,960	-
Total assets	<u>\$ 25,555,524</u>	<u>\$ 39,212</u>
<b>Liabilities:</b>		
Accounts payable	\$ 114,228	\$ -
Accrued liabilities	221,574	-
Accrued interest payable	413	-
Long-term liabilities:		
Due within one year	445,021	-
Due after one year	107,552	-
Total liabilities	<u>888,788</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets	7,558,308	-
Restricted for debt service	15,670	-
Unrestricted	17,092,758	39,212
Total net position	<u>\$ 24,666,736</u>	<u>\$ 39,212</u>

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

## Travis County Emergency Services District No. 3

### Statement of Activities Year Ended September 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Component Unit
Governmental activities:					
Fire and emergency services	\$ 6,663,670	117,867	3,100	(6,542,703)	-
General government	551,934	-	-	(551,934)	-
Debt service	883	-	-	(883)	-
Total governmental activities	<u>\$ 7,216,487</u>	<u>117,867</u>	<u>3,100</u>	<u>(7,095,520)</u>	<u>-</u>
Component unit-					
Response Training Foundation	<u>\$ 3,000</u>	<u>-</u>	<u>1,650</u>	<u>-</u>	<u>(1,350)</u>
General revenues:					
Property taxes				\$ 2,207,307	\$ -
Sales taxes				7,956,114	-
Interest income				426,091	-
TIFMAS reimbursements				470,251	-
Other income				15,956	-
Total general revenues				<u>11,075,719</u>	<u>-</u>
Change in net position				3,980,199	(1,350)
Net position - beginning				<u>20,686,537</u>	<u>40,562</u>
Net position - ending				<u>\$24,666,736</u>	<u>\$ 39,212</u>

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

# Travis County Emergency Services District No. 3

## Balance Sheet - Governmental Funds

September 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,310,647	-	4,310,647
Investments	12,044,128	-	12,044,128
Receivables:			
Property taxes, net	103,590	16,083	119,673
Sales taxes	1,023,957	-	1,023,957
Other	63,332	-	63,332
Prepaid items	242,927	-	242,927
Total assets	<u>\$ 17,788,581</u>	<u>16,083</u>	<u>17,804,664</u>
<b>Liabilities:</b>			
Accounts payable	\$ 114,228	-	114,228
Accrued liabilities	221,574	-	221,574
Total liabilities	<u>335,802</u>	<u>-</u>	<u>335,802</u>
<b>Deferred Inflows of Resources-</b>			
Deferred revenue - property taxes	<u>103,590</u>	<u>16,083</u>	<u>119,673</u>
<b>Fund Balances:</b>			
Nonspendable-			
Prepaid items	242,927	-	242,927
Committed-			
Debt service	165,000	-	165,000
Unassigned	16,941,262	-	16,941,262
Total fund balances	<u>17,349,189</u>	<u>-</u>	<u>17,349,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,788,581</u>	<u>16,083</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 7,750,860
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	119,673
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(360,021)
Interest payable	(413)
Bond payable, including premiums	(192,552)
Net position of governmental activities	<u>\$ 24,666,736</u>

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

## Travis County Emergency Services District No. 3

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds Year Ended September 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Program revenues:			
Services	\$ 117,867	-	117,867
Donations	3,100	-	3,100
Total program revenues	<u>120,967</u>	<u>-</u>	<u>120,967</u>
General revenues:			
Sales taxes	7,956,114	-	7,956,114
Property taxes, including penalties and interest	1,838,298	338,182	2,176,480
Interest income	426,091	-	426,091
TIFMAS reimbursements	470,251	-	470,251
Other	15,956	-	15,956
Total general revenues	<u>10,706,710</u>	<u>338,182</u>	<u>11,044,892</u>
Total revenues	<u>10,827,677</u>	<u>338,182</u>	<u>11,165,859</u>
Expenditures:			
Service operations:			
Public safety	\$ 6,401,281	-	6,401,281
General and administrative	388,260	-	388,260
Debt service:			
Principal payments	-	335,000	335,000
Interest payments	-	15,000	15,000
Capital outlay	465,485	-	465,485
Total expenditures	<u>7,255,026</u>	<u>350,000</u>	<u>7,605,026</u>
Excess (deficit) of revenues over (under) expenditures	3,572,651	(11,818)	3,560,833
Other financing sources (uses)-			
Interfund transfer	(11,818)	11,818	-
Net change in fund balances	3,560,833	-	3,560,833
Fund balance:			
Beginning of year	13,788,356	-	13,788,356
End of year	<u>\$ 17,349,189</u>	<u>-</u>	<u>17,349,189</u>

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

## Travis County Emergency Services District No. 3

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2023

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Net change in fund balances-total governmental funds	\$ 3,560,833
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
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:	
Capital outlay	465,485
Depreciation expense	(433,966)
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	30,827
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position-	
Repayment of bond payable	335,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in bond interest payable	837
Amortization of bond premium	13,280
Change in compensated absences	7,903
Change in net position of governmental activities	<u>\$ 3,980,199</u>

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

## Travis County Emergency Services District No. 3

### Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2023

	Original and Final Budget	Actual	Variance
Revenues:			
Program revenues:			
Services	\$ 147,000	117,867	(29,133)
Donations	3,000	3,100	100
General revenues:			
Sales taxes	5,086,904	7,956,114	2,869,210
Property taxes, including penalties and interest	2,221,560	1,838,298	(383,262)
Interest income	15,000	426,091	411,091
TIFMAS reimbursements	-	470,251	470,251
Other	404,800	15,956	(388,844)
Total revenues	<u>7,878,264</u>	<u>10,827,677</u>	<u>2,949,413</u>
Expenditures:			
Service operations:			
Public safety	6,256,403	6,401,281	(144,878)
General and administrative	583,917	388,260	195,657
Debt service:			
Principal payments	335,000	-	335,000
Interest payments	15,000	-	15,000
Capital outlay	540,500	465,485	75,015
Total expenditures	<u>7,730,820</u>	<u>7,255,026</u>	<u>475,794</u>
Excess of revenues over expenditures	147,444	3,572,651	3,425,207
Other financing uses-			
Interfund transfer	-	(11,818)	(11,818)
Net change in fund balance	147,444	3,560,833	3,413,389
Fund balance:			
Beginning of year	<u>13,788,356</u>	<u>13,788,356</u>	<u>-</u>
End of year	<u>\$ 13,935,800</u>	<u>17,349,189</u>	<u>3,413,389</u>

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



# Travis County Emergency Services District No. 3

## Notes to Basic Financial Statements Year Ended September 30, 2023

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### 1. Summary of Significant Accounting Policies

Travis County Emergency Services District No. 3 (the “District”) was formed in the State of Texas under Article III, Section 48-e of the Texas Constitution on October 1, 1992 for the protection of human life and health. The District is one of many emergency service districts located in Travis County, Texas. 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 District serves a 41 square mile area in southwestern Travis County and bordering Hays County. The District is a 24 hour a day operation and provides service from two fire stations.

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”) since Board members have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Oak Hill Regional Emergency Response Training Foundation (the “Foundation”) is a discretely presented component unit of the District. The Foundation is a non-profit corporation dedicated to providing emergency service training. The Foundation is a legally separate entity determined to be a non-major discretely presented component unit of the District due to the District’s voting majority in the governing body and the ability to impose its will on the Foundation. The Foundation is reported on the accrual basis of accounting, following accounting principles generally accepted in the United States of America, and is only reported in the Statement of Net Position and Statement of Activities located on pages 9 and 10. Complete information and financial statements can be obtained from the Foundation’s office, which is located at 4111 Barton Creek Boulevard, Austin, Texas 78735.

### 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 of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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. Sales taxes are recognized as revenues in the year in which the underlying exchanged occurred. 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 property and sales taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

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

The Debt Service Fund includes financial resources used to retire bond principal and to pay interest due.

## **Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device for the General Fund. Prior to the beginning of each 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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 - Temporary investments throughout the year consisted of investments in an external local government investment pool, certificates of deposit, and an exchange-traded fund with investments in U.S. Treasury Bills. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 is authorized to invest in obligations of, or guaranteed by, government entities other than the United States of America or one of its agencies or instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, and mutual funds to the extent authorized by Section 2256 of the Government Code ("Public Funds Investment Act") and only upon the Board's adoption of a separate resolution authorizing such investment. The District's investment policies and types of investments are governed by the 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.

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. As of September 30, 2023, the District had an allowance for uncollectible accounts of \$18,280.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, fire trucks and vehicles, and equipment are reported in the governmental activities column 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 acquisition 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 and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	15-40
Fire trucks and vehicles	5-20
Equipment	4-10

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 8 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes 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 recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Change in Accounting Principle for Recently Adopted Accounting Pronouncement**

For the year ended September 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of GASB Statement No. 96 is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (“SBITAs”), improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The adoption did not have an impact on the District’s statement of net position or statement of revenues, expenses and changes in net position as the District did not have any significant SBITAs.

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

The District’s deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2023, such deposits were entirely covered by Federal Deposit Insurance Corporation (“FDIC”) insurance or secured by collateral pledged by the depository. During the year ended September 30, 2023, there were instances in which the District’s deposits were not fully collateralized by FDIC insurance or by pledged collateral. These instances were due to the timing of certain payments received by the District in which the bank did not increase the pledged collateral until the next day, thus deposits were exposed to custodial credit risk.

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.

Investments held at September 30, 2023 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pool- TexPool	\$ 6,836,614	1	AAAm
Certificates of deposit	2,205,000	226	N/A
Exchange-traded fund- SPDR Bloomberg 1-3 Month T-Bill	3,002,514	1	AAAf
Total	\$ 12,044,128		

At September 30, 2023, the District had investments in one external local government investment pool, Texas Local Governmental Investment Pool (“TexPool”), certificates of deposit with various banking institutions, and an exchange-traded fund with investments in U.S. Treasury Bills. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. This investment is stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy, which is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

The District also invests in an exchange-traded fund with investments in U.S. Treasury Bills. The exchange-traded fund is valued using Level 1 inputs that is based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At September 30, 2023, investments were included in an external local governmental investment pool, certificates of deposit, and an exchange-traded fund with a rating from Standard and Poor’s in compliance with the District’s investment policy. Certificates of deposit were entirely covered by FDIC insurance at each banking institution.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. At September 30, 2023, all of the District's investments were in an external local government investment pool and certificates of deposit.

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

### **3. 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 inflows of resources. Taxes receivable are due January 1, are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2022, the District levied a tax rate of \$0.045 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.038 and \$0.007, respectively. The total fiscal year 2023 tax levy was \$2,227,447 based on a taxable valuation of \$4,932,814,907.

### **4. Interfund Transactions**

Interfund transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended. During the year ended September 30, 2023, the General Fund transferred \$11,818 to the Debt Service Fund due to a deficit of revenues under expenditures for the Debt Service Fund.

## 5. Capital Assets

Capital assets activity for the year ended September 30, 2023 was as follows:

	Balance September 30, 2022	Additions	Disposals and Transfers	Balance September 30, 2023
Capital assets not being depreciated:				
Land	\$ 1,350,661	-	-	1,350,661
Construction in progress	-	42,061	-	42,061
Total capital assets, not being depreciated	1,350,661	42,061	-	1,392,722
Capital assets being depreciated:				
Buildings and improvements	7,063,271	99,240	-	7,162,511
Fire trucks and vehicles	3,537,737	47,423	-	3,585,160
Equipment	566,471	276,761	-	843,232
Total capital assets being depreciated	11,167,479	423,424	-	11,590,903
Less accumulated depreciation for:				
Buildings and improvements	(2,681,617)	(218,400)	-	(2,900,017)
Fire trucks and vehicles	(1,629,179)	(175,297)	-	(1,804,476)
Equipment	(488,003)	(40,269)	-	(528,272)
Total accumulated depreciation	(4,798,799)	(433,966)	-	(5,232,765)
Total capital assets being depreciated, net	6,368,680	(10,542)	-	6,358,138
Capital assets, net	\$ 7,719,341	31,519	-	7,750,860

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Fire and emergency services	\$ 270,292
General government	163,674
Total depreciation expense - governmental activities	\$ 433,966



## 6. Long-Term Liabilities

Long-term liabilities for the year ended September 30, 2023 are summarized as follows:

	Balance September 30, 2022	Additions	Retirements	Balance September 30, 2023	Due Within One Year
Series 2013					
Limited Tax Bond	\$ 500,000	-	(335,000)	165,000	85,000
Bond premium	40,832	-	(13,280)	27,552	-
Compensated absences	367,924	390,977	(398,880)	360,021	360,021
	<u>\$ 908,756</u>	<u>390,977</u>	<u>(747,160)</u>	<u>552,573</u>	<u>445,021</u>

Bond payable consisted of the following at September 30, 2023:

Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at September 30, 2023
Series 2013				
Limited Tax Bond	<u>\$ 3,030,000</u>	<u>2025</u>	<u>2.00-3.00%</u>	<u>\$ 165,000</u>

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

Fiscal Year	Principal	Interest	Total Requirement
2024	\$ 85,000	4,950	89,950
2025	80,000	2,400	82,400
Total	<u>\$ 165,000</u>	<u>7,350</u>	<u>172,350</u>

**Compensated Absences** - Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund.

## 7. Retirement Plans

The District offers its employees two retirement plans (the "Plans") consistent with Internal Revenue Code Section 457(a) and 401(a). After the required minimum level of service requirements have been met, all eligible employees can join the Plans. The employees are immediately vested in personally contributed amounts. The Plans' funds are available to the employee at termination, retirement, death, loan, or unforeseeable emergency as allowed by the Plans' documents. The District contributes \$2 for every \$1 of employee contributions up to a maximum of 7% of employee compensation. Employees are fully vested in employer contributions to the Plans on their behalf after a predetermined number of years of service. The specific requirements of each plan are as defined in the District's Plan documents. During the year ended September 30, 2023, the District made contributions of \$874,190 to the Plans.

## 8. Fund Balance

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

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

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

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

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

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

The detail of the fund balance is included in the Governmental Funds Balance Sheet on page 11.

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.

## 9. Risk Management

The District is exposed to various risks of losses including property, casualty, automobile, comprehensive liability and workers' compensation. The District purchases its insurance from regular commercial companies. As of September 30, 2023, no claims or losses have been incurred that were not covered by insurance. The District also participates in a public entity risk pool, the TML Intergovernmental Risk Pool, for various risk areas, wherein member entities pool risks and funds and share in the costs of losses. Claims against the District are expected to be paid in full by the public entity risk pool, but the District may be responsible to pay for claims if the public entity risk pool becomes insolvent. There is no liability due to any claim or suit having been filed within the last three years.