

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

**Financial Statements
as of and for the Year Ended
September 30, 2020 and
Independent Auditors' Report**



Travis County Emergency Services District No. 3

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	13
Notes to Basic Financial Statements	14



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2020, 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.

Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the District as of September 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maxwell Locke + Ritter LLP

Austin, Texas
March 22, 2021

Travis County Emergency Services District No. 3

Management's Discussion & Analysis September 30, 2020

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, 2020. Please read it in connection with the District's financial statements that follow.

Financial Highlights

- The District's net position at September 30, 2020 was \$15,722,705.
- The fund balance for the General Fund at September 30, 2020 was \$10,810,785, an increase of \$1,294,647 from the prior year.
- The District's General Fund had revenues of \$6,587,815 and expenditures of \$5,301,668 for the year ended September 30, 2020.

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 12.

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, 2020 and 2019 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, 2020	September 30, 2019
Current assets	\$ 11,192,087	\$ 9,738,460
Capital assets (net of accumulated depreciation)	6,337,710	6,482,874
Total assets	<u>\$ 17,529,797</u>	<u>\$ 16,221,334</u>
Current liabilities	\$ 919,700	\$ 751,872
Non-current liabilities	887,392	1,210,672
Total liabilities	<u>\$ 1,807,092</u>	<u>\$ 1,962,544</u>
Net investment in capital assets	\$ 5,140,318	\$ 4,967,202
Restricted for debt service	6,894	6,089
Unrestricted	10,575,493	9,285,499
Total net position	<u>\$ 15,722,705</u>	<u>\$ 14,258,790</u>

The District's total assets were \$17,529,797 as of September 30, 2020, of which \$6,337,710 is accounted for by capital assets. The District had outstanding liabilities of \$1,807,092 as of September 30, 2020, of which \$1,130,000 represents outstanding principal on bonds payable maturing through 2025. Net position increased to \$15,722,705 as of September 30, 2020, an increase of \$1,463,915 as compared to the net position as of September 30, 2019.

The changes in net position for the years ended September 30, 2020 and 2019 is shown in the table below.

Statement of Activities

	September 30, 2020	September 30, 2019
Expenses:		
Fire and emergency services	\$ 5,092,556	\$ 4,844,462
General government	366,363	278,853
Debt service	29,007	38,020
Total Expenses	5,487,926	5,161,335
Revenues:		
Program revenues:		
Charges for services	154,144	152,662
Operating grants and contributions	3,040	3,913
General revenues:		
Property taxes	2,801,188	3,209,035
Sales taxes	3,853,522	3,492,631
Interest and other income	139,947	384,480
Total Revenues	6,951,841	7,242,721
Change in Net Position	1,463,915	2,081,386
Net Position, Beginning	14,258,790	12,177,404
Net Position, Ending	\$ 15,722,705	\$ 14,258,790

General revenues totaled \$6,794,657 for the year ended September 30, 2020, of which \$2,801,188 (41%) was generated by property tax revenue and \$3,853,522 (57%) was generated by sales tax revenue. Expenses totaled \$5,487,926 for the year ended September 30, 2020, of which \$5,092,556 (93%) represents fire and emergency services expenses. Net position increased by \$1,463,915 for the year ended September 30, 2020 compared to an increase of \$2,081,386 for the year ended September 30, 2019.

The District's Governmental Funds

As of September 30, 2020, the District's General Fund reported total assets of \$11,186,396, total liabilities of \$313,299, and deferred inflows of resources related to uncollected property taxes of \$62,312, resulting in fund balance of \$10,810,785, which is an increase of \$1,294,647 over the prior year fund balance.

As of September 30, 2020, the District's Debt Service Fund had a fund balance of \$4,028, all of which is restricted for payment of debt service.

General Fund Budgetary Highlights

Actual expenditures in the General Fund totaled \$5,301,668 for the year ended September 30, 2020, \$2,152,906 less than the final budget. The budget variance is primarily due to the District not expending as much in capital outlay expenditures and debt service payments which were expended from the Debt Service Fund. Resources available for appropriation (revenues) totaled \$6,587,815 for the year ended September 30, 2020, \$1,236,125 lesser than the final budget. The budget variance is primarily due to less TIFMAS reimbursements in the current year, which was partially offset by higher than budgeted sales tax collections.

Capital Assets and Long-Term Debt Administration

Capital Assets

At September 30, 2020 and 2019, the District had the following capital assets in operation:

Capital Assets at Year End

	September 30, 2020	September 30, 2019
Land	\$ 1,350,661	\$ 1,350,661
Buildings and improvements	6,087,880	6,087,880
Fire trucks and vehicles	2,933,732	2,874,056
Equipment	508,224	478,420
Construction in progress	88,641	7,200
Total capital assets	10,969,138	10,798,217
Accumulated depreciation	(4,631,428)	(4,315,343)
Total net capital assets	<u>\$ 6,337,710</u>	<u>\$ 6,482,874</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, 2020 and 2019, the District's long-term debt were comprised of the following:

Long-Term Debt at Year End

	September 30, 2020	September 30, 2019
Series 2013 bonds	\$ 1,130,000	\$ 1,435,000
Bond premium	67,392	80,672
Total	<u>\$ 1,197,392</u>	<u>\$ 1,515,672</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 2021 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, 2021 for the District's General Fund projects no change in fund balance. Compared to the 2020 budget for the General Fund, 2021 budgeted revenues are expected to increase by \$283,964; expenditures are expected to increase by \$653,330.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

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, 2020

	Governmental Activities	Component Unit
Assets:		
Cash and cash equivalents	\$ 5,245,386	\$ 14,082
Investments	4,983,308	-
Receivables:		
Property taxes, net	68,003	-
Sales taxes	650,413	-
Other	46,258	-
Prepaid items	198,719	-
Capital assets (net of accumulated depreciation):		
Land	1,350,661	-
Buildings and improvements	3,793,402	-
Fire trucks and vehicles	1,022,213	-
Construction in progress	88,641	-
Equipment	82,793	-
Total assets	<u>\$ 17,529,797</u>	<u>\$ 14,082</u>
Liabilities:		
Accounts payable	\$ 152,752	\$ -
Accrued liabilities	156,519	-
Accrued interest payable	2,825	-
Long-term liabilities:		
Due within one year	607,604	-
Due after one year	887,392	-
Total liabilities	<u>1,807,092</u>	<u>-</u>
Net Position:		
Net investment in capital assets	5,140,318	-
Restricted for debt service	6,894	-
Unrestricted	10,575,493	14,082
Total net position	<u>\$ 15,722,705</u>	<u>\$ 14,082</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, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Component Unit
Governmental activities:					
Fire and emergency services	\$ 5,092,556	154,144	3,040	(4,935,372)	-
General government	366,363	-	-	(366,363)	-
Debt service	29,007	-	-	(29,007)	-
Total governmental activities	<u>\$ 5,487,926</u>	<u>154,144</u>	<u>3,040</u>	<u>(5,330,742)</u>	<u>-</u>
Component unit-					
Response Training Foundation	<u>\$ 3,000</u>	<u>-</u>	<u>563</u>	<u>-</u>	<u>(2,437)</u>
General revenues:					
Property taxes				\$ 2,801,188	\$ -
Sales taxes				3,853,522	-
Interest income				56,362	-
TIFMAS reimbursements				62,274	-
Other income				21,311	-
Total general revenues				<u>6,794,657</u>	<u>-</u>
Change in net position				1,463,915	(2,437)
Net position - beginning				<u>14,258,790</u>	<u>16,519</u>
Net position - ending				<u>\$ 15,722,705</u>	<u>\$ 14,082</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, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 5,245,386	-	5,245,386
Investments	4,983,308	-	4,983,308
Receivables:			
Property taxes, net	62,312	5,691	68,003
Sales taxes	650,413	-	650,413
Other	46,258	-	46,258
Due from other funds	-	4,028	4,028
Prepaid items	198,719	-	198,719
Total assets	<u>\$ 11,186,396</u>	<u>9,719</u>	<u>11,196,115</u>
Liabilities:			
Accounts payable	\$ 152,752	-	152,752
Accrued liabilities	156,519	-	156,519
Due to other funds	4,028	-	4,028
Total liabilities	<u>313,299</u>	<u>-</u>	<u>313,299</u>
Deferred Inflows of Resources-			
Deferred revenue - property taxes	62,312	5,691	68,003
Fund Balances:			
Nonspendable-			
Prepaid items	198,719	-	198,719
Restricted-			
Debt service	-	4,028	4,028
Committed:			
Debt service	1,130,000	-	1,130,000
Ladder engine - quint	1,700,000	-	1,700,000
Unassigned	7,782,066	-	7,782,066
Total fund balances	<u>10,810,785</u>	<u>4,028</u>	<u>10,814,813</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,186,396</u>	<u>9,719</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	\$ 6,337,710
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	68,003
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(297,604)
Interest payable	(2,825)
Bond payable, including premiums	<u>(1,197,392)</u>
Net position of governmental activities	<u>\$ 15,722,705</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, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Program revenues:			
Services	\$ 154,144	-	154,144
Donations	3,040	-	3,040
Total program revenues	157,184	-	157,184
General revenues:			
Sales taxes	3,853,522	-	3,853,522
Property taxes, including penalties and interest	2,442,673	346,186	2,788,859
Interest income	56,362	-	56,362
TIFMAS reimbursements	62,274	-	62,274
Other	15,800	-	15,800
Total general revenues	6,430,631	346,186	6,776,817
Total revenues	6,587,815	346,186	6,934,001
Expenditures:			
Service operations:			
Public safety	\$ 4,741,316	-	4,741,316
General and administrative	356,059	-	356,059
Debt service:			
Principal payments	-	305,000	305,000
Interest payments	-	43,050	43,050
Capital outlay	204,293	-	204,293
Total expenditures	5,301,668	348,050	5,649,718
Excess (deficit) of revenues over (under) expenditures	1,286,147	(1,864)	1,284,283
Other financing sources-			
Proceeds from sale of capital assets	8,500	-	8,500
Net change in fund balances	1,294,647	(1,864)	1,292,783
Fund balance:			
Beginning of year	9,516,138	5,892	9,522,030
End of year	\$ 10,810,785	4,028	10,814,813

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, 2020

Net change in fund balances-total governmental funds	\$ 1,292,783
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	204,293
Disposal of capital assets	(2,989)
Depreciation expense	(346,468)
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	12,329
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	305,000
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	763
Amortization of bond premium	13,280
Change in compensated absences	(15,076)
Change in net position of governmental activities	<u>\$ 1,463,915</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, 2020

	Original and Final Budget	Actual	Variance
Revenues:			
Program revenues:			
Services	\$ 146,750	154,144	7,394
Donations	3,500	3,040	(460)
General revenues:			
Sales taxes	3,027,730	3,853,522	825,792
Property taxes, including penalties and interest	2,804,310	2,442,673	(361,637)
Interest income	92,000	56,362	(35,638)
TIFMAS reimbursements	1,748,050	62,274	(1,685,776)
Other	1,600	15,800	14,200
Total revenues	<u>7,823,940</u>	<u>6,587,815</u>	<u>(1,236,125)</u>
Expenditures:			
Service operations:			
Public safety	5,081,019	4,741,316	339,703
General and administrative	505,505	356,059	149,446
Debt service:			
Principal payments	305,000	-	305,000
Interest payments	43,050	-	43,050
Capital outlay	1,520,000	204,293	1,315,707
Total expenditures	<u>7,454,574</u>	<u>5,301,668</u>	<u>2,152,906</u>
Excess of revenues over expenditures	369,366	1,286,147	916,781
Other financing sources-			
Proceeds from sale of capital assets	-	8,500	8,500
Net change in fund balance	369,366	1,294,647	925,281
Fund balance:			
Beginning of year	9,516,138	9,516,138	-
End of year	<u>\$ 9,885,504</u>	<u>10,810,785</u>	<u>925,281</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, 2020

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 8 and 9. 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 and certificates of deposit. 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, 2020, the District had an allowance for uncollectible accounts of \$10,996.

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, buildings and improvements, fire trucks and vehicles, construction in progress, 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.

Recently Issued Accounting Pronouncement

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

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, 2020, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository. The District had an investment in a treasury money market account at September 30, 2020 that is included in cash equivalents. The balance in this account is not insured by the FDIC but was partially insured at year end by the Securities Investor Protection Corporation ("SIPC"). As the total balance was not secured by SIPC insurance or additional pledged collateral, the funds in the District's treasury money market account were exposed to custodial credit risk throughout the year.

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, 2020 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pool- TexPool	\$ 3,513,301	1	AAAm
Certificates of deposit	<u>1,470,007</u>	229	N/A
Total	<u>\$ 4,983,308</u>		

At September 30, 2020, the District had investments in one external local government investment pool, Texas Local Governmental Investment Pool ("TexPool"), and certificates of deposit with various banking institutions. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7-of the Investment Company Act of 1940. 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.

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, 2020, investments were included in an external local governmental investment pool 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, 2020, 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 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2019, the District levied a tax rate of \$0.0800 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.0701 and \$0.0099, respectively. The total fiscal year 2020 tax levy was \$2,810,738 based on a taxable valuation of \$3,511,059,678.

4. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The composition of interfund balances as of September 30, 2020 was comprised of a \$4,028 receivable balance in the Debt Service Fund payable from the General Fund.

5. Capital Assets

Capital assets activity for the year ended September 30, 2020 was as follows:

	Balance September 30, 2019	Additions	Disposals and Transfers	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 1,350,661	-	-	1,350,661
Construction in progress	7,200	81,441	-	88,641
Total capital assets, not being depreciated:	<u>1,357,861</u>	<u>81,441</u>	<u>-</u>	<u>1,439,302</u>
Capital assets being depreciated:				
Buildings and improvements	6,087,880	-	-	6,087,880
Fire trucks and vehicles	2,874,056	93,048	(33,372)	2,933,732
Equipment	478,420	29,804	-	508,224
Total capital assets being depreciated	<u>9,440,356</u>	<u>122,852</u>	<u>(33,372)</u>	<u>9,529,836</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,121,397)	(173,081)	-	(2,294,478)
Fire trucks and vehicles	(1,796,566)	(145,336)	30,383	(1,911,519)
Equipment	(397,380)	(28,051)	-	(425,431)
Total accumulated depreciation	<u>(4,315,343)</u>	<u>(346,468)</u>	<u>30,383</u>	<u>(4,631,428)</u>
Total capital assets being depreciated, net	<u>5,125,013</u>	<u>(223,616)</u>	<u>(2,989)</u>	<u>4,898,408</u>
Capital assets, net	<u>\$ 6,482,874</u>	<u>(142,175)</u>	<u>(2,989)</u>	<u>6,337,710</u>

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

Governmental activities:	
Fire and emergency services	\$ 336,164
General government	<u>10,304</u>
Total depreciation expense - governmental activities	<u>\$ 346,468</u>

6. Long-Term Liabilities

Long-term liabilities for the year ended September 30, 2020 are summarized as follows:

	Balance September 30, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Series 2013					
Limited Tax Bond	\$ 1,435,000	-	(305,000)	1,130,000	310,000
Bond premium	80,672	-	(13,280)	67,392	-
Compensated absences	282,528	274,715	(259,639)	297,604	297,604
	<u>\$ 1,798,200</u>	<u>274,715</u>	<u>(577,919)</u>	<u>1,494,996</u>	<u>607,604</u>

Bond payable consisted of the following at September 30, 2020:

Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at September 30, 2020
Series 2013				
Limited Tax Bond	<u>\$ 3,030,000</u>	<u>2025</u>	<u>2.00-3.00%</u>	<u>\$ 1,130,000</u>

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

Fiscal Year	Principal	Interest	Total Requirement
2021	310,000	33,900	343,900
2022	320,000	24,600	344,600
2023	335,000	15,000	350,000
2024	85,000	4,950	89,950
2025	80,000	2,400	82,400
Total	<u>\$ 1,130,000</u>	<u>80,850</u>	<u>1,210,850</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, 2020, the District made contributions of \$656,475 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 10.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board 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, 2020, 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.

10. Contingencies

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.