

Travis County Emergency
Services District No. 4
Financial Statements
September 30, 2020

Travis County Emergency Services District No. 4
For the Year Ending September 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Travis County Emergency Services District No. 4

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 4, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of Travis County Emergency Services District No. 4, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 3 through 9 and page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Medack & Oltmann, LLP

Medack & Oltmann, LLP
Giddings, Texas
January 11, 2021

Travis County Emergency
Service District 4.



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Management's Discussion and Analysis (MD&A)

For the Year Ending September 30, 2020

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily, readable analysis of the financial activities of Travis County Emergency Services District #4 (the "District") for the year ending September 30, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities compares current year results with those of the prior year and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- Total Net Position equaled \$ 8,683,681
 - Net Investment in Capital Assets \$ 1,350,648
 - Unrestricted Net Position \$ 7,333,033

- Total General Fund Expenditures were \$ 4,517,478 while Revenue was \$ 6,376,304 resulting in an excess of Revenue over Expenditures of \$ 1,858,826.

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 components: **1) Government-wide financial statements; 2) Fund financial statements and 3) notes to the financial statements.** *This report also contains other supplementary information in addition to the basic financial statements themselves.*

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all the government's assets and liabilities, reported using the full accrual basis of accounting. The statement of activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's General Fund and Debt Service Fund.

Using this Annual Report

As mentioned previously, this annual report consists of a series of financial statements. GASB Statement No. 34 provides that for governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District presents the governmental funds in the first column. The next column is an adjustment column which reconciles the amounts reported in the governmental funds to indicate how each line item would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements. For governmental activities, this last column tells us how these services were financed in the short term as well as what remains for future spending.

Reporting the District as a Whole

One of the questions that can be asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The 1) Statement of Net Position and 2) Statement of Activities present information about the District as a whole and its activities in a way that helps to answer this question. These statements (as reported in the last column of each of the statements) include all of the District's assets and liabilities, utilizing the accrual basis of accounting.

The two Combined Fund and Government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the financial health of the District. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, one needs to consider other non-financial factors such as changes in the District's property tax base, sales tax base and condition of facilities and equipment.

The statement of activities presents information showing how the District's net position changed during the most recent twelve-month period. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these reports identify functions of the District that are principally supported by grants and government revenues.

The principal government activities of Travis County ESD 4 are:

- ❖ Fire Suppression and Rescue activities
- ❖ Emergency Medical Services
- ❖ Code Enforcement and Public Education
- ❖ Fire Academy – Training and Certification of future first responders

The District currently has no business-type activities.

Reporting the District's Governmental Funds

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 (ESD #4), like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 statements focus on near-term inflows and outflows of spend-able

**Travis County ESD 4
Management's Discussion and Analysis**

resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare that information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. All of the District's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called Modified Accrual Accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in the adjustment's column of the financial statements and in Note 9 of the financial statements.

Notes to the 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. The notes can be found after the financial statements within this report.

The District as a Whole

Governmental activities increased the District's net position by \$ 1,935,401. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's governmental activities:

**Table 1
Governmental Activities
Net Position**

Assets	9/30/2020	9/30/2019
Current Assets	\$ 7,350,152	\$ 5,468,595
Other Assets	250	250
Capital Assets	1,350,648	1,282,590
Total Assets	\$ 8,701,050	\$ 6,751,435
Deferred Outflows of Resources	\$ -	\$ -
Liabilities		
Current Liabilities	17,369	3,155
Long-Term Liabilities	-	-
Total Liabilities	\$ 17,369	\$ 3,155
Deferred Inflows of Resources	\$ -	\$ -
Net Position		
Net Investment in Capital Assets	1,350,648	1,282,590
Restricted	-	-
Unrestricted	7,333,033	5,465,690
Total Net Position	\$ 8,683,681	\$ 6,748,280

Overall, this represents a year-to-year increase of 28.68% in Net Position.

**Travis County ESD 4
Management's Discussion and Analysis**

**Table 2
Changes in Net Position**

Expenses	9/30/2020	9/30/2019
Insurance	9,310	17,391
Stations	14,427	21,248
District Office	1,007	6,487
Administrative	90,749	65,271
Sales Tax Assurance	-	71,099
Contract-City of Austin	4,277,386	4,217,137
Miscellaneous	5,398	18,149
Depreciation Expense	51,143	46,451
Total Expenses	\$ 4,449,420	\$ 4,463,233
General Revenues		
Property Taxes	2,430,004	2,203,994
Sales Taxes	3,863,925	3,776,922
Interest	88,885	141,504
Miscellaneous Income	2,007	233
Contract Services	-	-
Total General Revenues	\$ 6,384,821	\$ 6,122,653
Change in Net Position	\$ 1,935,401	\$ 1,659,420
Net Position Beginning of year	6,748,280	5,088,860
Net Position End of year	8,683,681	6,748,280

Budgetary Highlights

The District's annual budget process includes a very thorough estimate of projected annual revenues (income) and expenditures (expenses). The Board of Commissioners of the District conduct meetings in the month of August, to prepare the annual budget. The following items are reviewed and published only after very careful consideration of the estimated projections:

- ❖ Estimates of Ad Valorem tax (property taxes) income are provided by the Travis County Tax Appraiser's office. That estimate, combined with an estimate of historical collection rates for the District is used with the proposed tax rate to estimate the amount of revenue that can be realistically collected and used for the District's operations.
- ❖ Estimates of Sales Tax income are provided by the State of Texas Comptroller's office. That estimate combined with a historical collection rate for the District is used to realistically determine an amount that can be collected and fund the District's operations.
- ❖ The liquidation (sale) of assets such as remaining fire stations and land as part of the annual income. Historically, the District has not relied on this item as a reliable source of income for budgetary planning.

In each budget process, the District's proposed expenses and revenues are projected by line item. Critical to this estimate is the growth or loss in assessed valuation of the District's service area, and the resulting growth or loss of revenue from Ad Valorem property and Sales Tax. The estimates of the growth or loss of revenue producing property in the District's service area has historically been very accurate due to the hard work and diligence of the District's Board of Commissioners.

**Travis County ESD 4
Management's Discussion and Analysis**

The service agreement with the City of Austin represents approximately 95% of overall expenditures and constitute the single greatest management challenge to the District considering the legislative cap on the tax rate an Emergency Services District can levy (10 cents on the \$100 dollar valuation).

Throughout the year the District's Board of Commissioners vote on and approve minor changes to the planned budget through budget amendments. Historically, the District's board does not make numerous line-item changes to the planned budget, instead they monitor the expenditures very closely and make budgetary amendment decisions based on overall impact to the budget plan and amend only as necessary. Overall, this approach results in a more stable annual budget to actual expenditures picture. Budget to actual expenditures, both income and expense are reviewed monthly in planned public meetings.

The District's actual expenditures of \$ 4,517,478 were less than the final budget amount of \$ 5,055,376 by \$ 537,898 and actual revenues of \$ 6,376,304 exceeded final budget of \$ 5,508,645 by \$ 867,659.

Capital Asset and Debt Administration

Capital Assets:

At the end of the fiscal year FY 09/30/2020, capital assets are as follows:

	<u>09/30/2020</u>	<u>09/30/2019</u>
Capital Assets - Please see Note 5		
Governmental Activities:		
Capital assets not being depreciated:		
Land	\$ 134,064	\$ 134,064
Construction-in-Progress	35,442	-
Total capital assets not being depreciated:	<u>169,506</u>	<u>134,064</u>
Capital assets being depreciated:		
Equipment	75,705	19,250
Buildings and Structures	1,676,060	1,648,756
Total Capital Assets being depreciated:	<u>1,751,765</u>	<u>1,668,006</u>
Less accumulated depreciation:		
Equipment	20,494	15,133
Buildings and Structures	550,129	504,347
Total accumulated depreciation	<u>570,623</u>	<u>519,480</u>
Total capital assets, being depreciated, net	<u>1,181,142</u>	<u>1,148,526</u>
Government activities capital assets, net	<u>1,350,648</u>	<u>1,282,590</u>

Depreciation was charged to the governmental activities of \$ 51,143.

Organization

During fiscal year 2020, Travis County ESD 4 (TCESD 4) maintained a lean, streamlined, and focused organization. The District has no employees but utilizes professional contractors to provide crucial District functions such as 1) Financial Management, 2) District Administration & COA contract management, 3) Communications Management, and 4) Legal Representation. The District receives monthly reports from each area of service, reflective of the duties and activities for the month, accompanying their invoices. Other traditional "employee" benefits are not included in any of the contractor relationships. We have eliminated many of the traditional administrative office costs: We use a free public library for our meetings (virtual meetings during the pandemic) and utilize a small office at one of our fire stations for the remaining administrative needs.

Financial

We spend several weeks in April and September in discussions with the COA regarding operational results, anticipated fiscal changes and resulting budget impacts for the upcoming year. The budget for the upcoming year's contract is finalized at the September meetings.

The largest cost driver in the COA contract is personnel costs for Austin firefighters. Increases in these labor costs have been relatively modest under the current four-year collective-bargaining agreement between the Austin firefighter's union and the COA. However, we are coming to the end of this agreement and the evolution of these labor costs beyond the end of this current agreement are uncertain. We are monitoring this cost driver carefully because it has a very large effect on our contract with the COA.

Our cost of the COA contract for fiscal year 2020 was only 1% larger than our fiscal year 2019 contract. However, our budgeted COA contract for fiscal 2021 is more than 6% larger than fiscal year 2020, reflecting increased costs estimated by the COA.

Our second-largest expenditure category is the maintenance and upgrade needs of our fire stations. We do an annual facility condition evaluation, conducted in January of each year, during which we identify and prioritize large repairs and improvements to address in the upcoming year. In FY2020 we installed emergency generators at the two stations. In the past year we also have evaluated the parking situation at one of our stations and measures we might take to alleviate the situation. In addition, we have started planning for some building improvements at both stations to address needs of the larger staffs using the stations now that the COA is operating the stations.

Our ability to continue to be able to afford the COA contract model of service provision is directly dependent on tax collections:

- **Property Tax:** Current legislation limits the increase in the amount of property tax revenue we can collect. However, this is somewhat offset by the increase in the number of developed taxable parcels in our service area. Ad valorem taxes remain extremely reliable and taxable values rose sufficiently to not have to assess a full \$.10 levy for 2020. Although a modest reduction to \$.0998, it is the first time in many years the reduction was feasible.
- **Sales Tax:** More than half of our revenue is sales tax. This revenue stream has experienced healthy growth in the last several years. The blow delivered to the US economy by the 2020 Pandemic was seen certainly seen in our FY20 Q2 sales tax collections. However, sales tax collections have continued to stabilize though FY Q3 and Q4 and into FY2021.
- **Property Annexation by the COA:** Recent state legislation has slowed annexations somewhat, but commercial properties, which are the basis of our sales tax revenue, remain vulnerable to annexation. This could have a significant negative impact on our sales tax revenue. We have an active project to track our commercial property tax collections to ensure that we are receiving the proper sales taxes.

Reserve Funds: The District continues to seek out ways to increase and stabilize income. Accordingly, we are building and maintaining a reserve fund to be able to weather sales tax collection losses so that we will be able to continue the COA fire service contract through periods of sales tax disruption. Further, we continue to maintain accounts at TexPool Government Investment Pools to better manage our assets.

**Travis County ESD 4
Management's Discussion and Analysis**

Conclusion

For the third year, the District is pleased with the decision of contract with the COA for the provision of services rather than operate our own fire department. Our level of service has been significantly improved. This improvement has resulted in a large improvement in fire insurance ratings, particularly for residential properties. The TCESD 4 Board of Commissioners remain resolute in monitoring available revenues and expenditures and will continue to seek the most effective and efficient use of the taxpayers' dollars.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Travis County Emergency Services District # 4
14312 Hunters Bend Dr
Austin, TX 78723**

**Phone: ESD #4 District Office 512-836-7566
E-mail: ESD #4 District Office info@esd4.org**

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	General Fund	Adjustments (Note 8)	Statement of Net Position
ASSETS			
Cash	\$ 19,685	\$ -	\$ 19,685
Investments	6,588,148	-	6,588,148
Property Taxes Receivable	105,685	-	105,685
Due from Other Governments	636,634	-	636,634
Security Deposits	250	-	250
Capital Assets (net of accumulated depreciation)	-	1,350,648	1,350,648
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 7,350,402</u>	<u>\$ 1,350,648</u>	<u>\$ 8,701,050</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts Payable	\$ 17,369	\$ -	\$ 17,369
	<u>17,369</u>	<u>-</u>	<u>17,369</u>
DEFERRED INFLOWS OF RESOURCES-			
Deferred revenue - property taxes	<u>\$ 105,685</u>	<u>\$ (105,685)</u>	<u>-</u>
FUND BALANCES/NET POSITION			
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	7,227,348	(7,227,348)	-
Total fund balances	<u>7,227,348</u>	<u>(7,227,348)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,350,402</u>		
Net position:			
Net investment in capital assets		1,350,648	1,350,648
Restricted		-	-
Unrestricted		7,333,033	7,333,033
Total net position		<u>\$ 8,683,681</u>	<u>\$ 8,683,681</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
 GOVERNMENTAL FUNDS REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 AND STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDING SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Contract-City of Austin	\$ 4,277,386	\$ -	\$ 4,277,386
Insurance	9,310	-	9,310
Stations	14,427	-	14,427
District Office	1,007	-	1,007
Administrative	90,749	-	90,749
Miscellaneous	5,398	-	5,398
Capital Outlay	119,201	(119,201)	-
Depreciation Expense	-	51,143	51,143
Total expenditures/expenses	<u>\$ 4,517,478</u>	<u>\$ (68,058)</u>	<u>\$ 4,449,420</u>
GENERAL REVENUES			
Property Taxes	\$ 2,421,487	\$ 8,517	\$ 2,430,004
Sales Taxes	3,863,925	-	3,863,925
Penalty & Interest-Taxes	10,746	-	10,746
Interest	78,139	-	78,139
Miscellaneous Income	2,007	-	2,007
Total general revenues	<u>\$ 6,376,304</u>	<u>\$ 8,517</u>	<u>\$ 6,384,821</u>
Excess (Deficiency) of revenues over (under) expenditures	1,858,826	(1,858,826)	-
Net change in fund balances	<u>1,858,826</u>	<u>(1,858,826)</u>	-
Change in net position		<u> </u>	<u>1,935,401</u>
Fund Balance/Net Position			
Beginning of the year	<u>5,368,522</u>	<u>1,379,758</u>	<u>6,748,280</u>
End of the year	<u>\$ 7,227,348</u>	<u>\$ 1,456,333</u>	<u>\$ 8,683,681</u>

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The most significant of these accounting policies are described below.

REPORTING ENTITY

The Travis County Emergency Services District No. 4 (the District) was created by Article III, Section 48-d of the Constitution of Texas to protect life and property from fire and to conserve natural and human resources.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units appear to exist.

BASIS OF PRESENTATION

Basic Financial Statements

Basic Financial Statements and Management Discussion and Analysis for State and Local Governments set forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues, or expenditures/expenses or either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporated long-term assets and receivables as well as long-term debt and obligations. The District does not have any business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function.

The net cost by function is normally covered by general revenues (intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The District does not currently employ indirect cost allocation systems.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan.

GASB provides that for governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District presents the General Fund in the first column. The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how each would change when reported on the full-accrual basis of accounting. The last column of these combination statements shows the amounts that normally would appear in the government-wide statements.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers all revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS

The District follows these procedures in establishing the budget reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget. The operating budget includes proposed expenditures and the means of financing those expenditures and is prepared in accordance with the basis of accounting utilized by that fund.
2. Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board of Commissioners formally adopts the budget through passage of an ordinance.
3. The District amends the budget throughout the year approving such additional expenses. The amended budget is used in presenting the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.
4. All annual appropriations lapse at fiscal year end.

CAPITAL ASSETS

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

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$ 5,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The range of estimated useful lives by type of asset is as follows:

Buildings and Structures	40 years
Vehicles	7-20 years
Other Equipment	10-20 years

The Department does not own any infrastructure assets.

Fund Financial Statements

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other government; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable or spendable with spendable being further classified into restricted, committed, assigned or unassigned.

COMPENSATED ABSENCES

The District no longer has employees.

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases its insurance from regular commercial companies. As of September 30, 2020, no claims or losses have been incurred that were not covered by insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Claims have not exceeded this insurance coverage in any of the past three fiscal years.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The District adopted 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 adopted 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 are observable 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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 2: DEPOSITS

Deposits for the District are being held by Wells Fargo Bank in interest-bearing accounts. As of year-end, deposits were fully secured by FDIC coverage (Category 1). At September 30, 2020, the carrying amount of the District's deposits was \$ 19,685, and the bank balance was \$ 19,685.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- Category 1 – Insured or collateralized with securities held by the District or its agent in the District's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 – Uncollateralized, including any bank balance that is collateralized or by its trust department or agent but not in the District's name.

NOTE 3: INVESTMENTS

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

The District had an investment of \$ 6,588,148 (fair value) in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), as of September 30, 2020. The investments in TexPool had a weighted average maturity of one day and a Standard and Poor's rating of AAAM.

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

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

Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of the TexPool shares. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the local government investment pools do not have any limitation and restriction on withdrawals such as notice periods or maximum transaction amounts. These pools do 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 a local governmental investment pool with a rating from Standard and Poor's in compliance with the District's investment policy.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 3: INVESTMENTS (continued)

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 with TexPool.

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

Investment	Fair Value	Effective Duration (in years)	Credit Risk
TexPool	\$ 6,588,148	0.0	AAAm

NOTE 4: DUE FROM OTHER GOVERNMENTS

This consists of the following:

State Comptroller – Sales Tax	\$ 636,634
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NOTE 5: CAPITAL ASSETS

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

	Balance 09/30/2019	Additions/ Completions	Retirements/ Adjustments	Balance 09/30/2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	134,064	-	-	134,064
Construction-in-Progress	-	35,442	-	35,442
Total capital assets not being depreciated	134,064	35,442	-	169,506
Capital assets, being depreciated				
Equipment	19,250	56,455	-	75,705
Buildings and Structures	1,648,756	27,304	-	1,676,060
Total capital assets being depreciated	1,668,006	83,759	-	1,751,765
Total Assets	1,802,070	119,201	-	1,921,271
Less accumulated depreciation for:				
Equipment	15,133	5,361	-	20,494
Buildings and Structures	504,347	45,782	-	550,129
Total accumulated depreciation	519,480	51,143	-	570,623
Total capital assets, being depreciated, net	1,148,526	32,616	-	1,181,142
Governmental activities capital assets, net	1,282,590	68,058	-	1,350,648

Depreciation was charged to the governmental activities of \$ 51,143.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 6: PROPERTY TAXES

The District has contracted with the Travis County Tax Assessor Collector to bill and collect its property tax. The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the roll as of January 1, 2019, upon which the 2019 levy was based, was \$ 2,426,020,379 as certified by the Travis Central Appraisal District. Taxes are due by January 31 following the October 1 levy date. On February 1 of each year, a tax lien attaches to the property. The total 2019 levy was \$ 2,426,020 and the combined tax rate was \$ 0.10 per \$100 assessed valuation for maintenance and operation and debt service.

NOTE 7: FUND BALANCE CLASSIFICATION

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.

Non-spendable - 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 non-spendable, restricted or committed.

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

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 10.

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

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

As of September 30, 2020, the District has not adopted a minimum fund balance policy.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
 AND GOVERNMENT-WIDE STATEMENTS

Differences between the Governmental Fund Balance Sheet and the Statement of Net Position:

The differences (as reflected in the adjustments column) primarily result from the long-term economic resources focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 1,921,271
Accumulated Depreciation	<u>(570,623)</u>
	<u>\$ 1,350,648</u>

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

Deferred revenue	\$ (105,685)
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Differences between the Governmental Fund Operating Statement and the Statement of Net Activities:

The differences (as reflected in the adjustments column) arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the governmental funds.

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

Capital outlay	\$ (119,201)
Depreciation Expense	51,143

Because some property taxes will not be collected for several months after the district's year end, they are not considered as "available" revenues in the governmental funds.

Adjustment for property taxes collected after year-end	\$ 8,517
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NOTE 9: ANNEXATION OF DISTRICT LAND BY THE CITY OF AUSTIN

The City of Austin has the right to annex property within the District which could in the future result in a reduction of the total value of property within the District and therefore a reduction in the total tax revenue to be collected. For the year ending September 30, 2020, the City did hold public hearings regarding annexation of District property. The effects of any annexations to the District's revenue stream is not considered to be significant.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2020

NOTE 10: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date of the auditor's report, the date the financial statements were available to be issued.

NOTE 11: COMMITMENTS

Effective October 29, 2017, the District no longer operated its own fire department, but will instead contract for those services with the City of Austin Fire Department. The contract is renewed annually and is based on costs to the City of providing services to the District, for the current year those payments totaled \$ 4,277,386. Part of that contract mandates the District pay the City of Austin annual apparatus usage fees. In the transition, the City took title to 2 of the District's engines and gave the District a credit against the annual fee of \$80,000 (\$40,000 per engine) per year for 3 years.

NOTE 12: SUBSEQUENT EVENTS

The Coronavirus (COVID-19) pandemic impacted the nation, leading to consumer uncertainties and financial setbacks for many businesses and individuals. COVID-19 may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. Management continues to monitor and evaluate the continually evolving environment associated with the virus. While it is not possible at this time to estimate the impact that COVID-19 will have on the District's operations, the pandemic could adversely affect the District's financial position and activities.

Required Supplemental Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT FOUR
SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL COMPARISON GENERAL FUND
FOR THE YEAR ENDING SEPTEMBER 30, 2020

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Property Taxes	\$ 2,411,445	\$ 2,411,445	\$ 2,421,487	10,042
Sales Taxes	3,000,000	3,000,000	3,863,925	863,925
Interest	96,000	96,000	88,885	(7,115)
Miscellaneous Income	1,200	1,200	2,007	807
TOTAL REVENUES	<u>\$ 5,508,645</u>	<u>\$ 5,508,645</u>	<u>\$ 6,376,304</u>	<u>867,659</u>
EXPENDITURES:				
Contract-City of Austin	\$ 4,277,387	\$ 4,277,387	\$ 4,277,386	1
Administrative	434,176	434,176	90,749	343,427
Capital Outlay	250,000	250,000	119,201	130,799
Insurance	8,353	8,353	9,310	(957)
Stations	57,000	57,000	14,427	42,573
District Office	5,560	5,560	1,007	4,553
Miscellaneous	7,900	7,900	5,398	2,502
Sales Tax Assurance	15,000	15,000	-	15,000
TOTAL EXPENDITURES	<u>\$ 5,055,376</u>	<u>\$ 5,055,376</u>	<u>\$ 4,517,478</u>	<u>537,898</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 453,269	\$ 453,269	\$ 1,858,826	1,405,557
Change in fund balance	453,269	453,269	1,858,826	1,405,557
FUND BALANCE:				
Beginning of year			<u>5,368,522</u>	
End of year			<u>\$ 7,227,348</u>	

See Accompanying Notes to the Financial Statements