

**Travis County Emergency
Services District No. 7
Audit of Financial Statements
September 30, 2018**

Travis County Emergency Services District No. 7

TABLE OF CONTENTS

Independent Auditor's Report 1-2

Management's Discussion and Analysis (unaudited)..... 3-7

Basic Financial Statements:

 Governmental Funds Balance Sheet and Statement of Net Position 8

 Governmental Fund Revenues, Expenditures, and Changes in
 Fund Balances and Statement of Activities..... 9

Notes to Basic Financial Statements 10-22

Required Supplemental Information:

 Statement of Revenues, Expenditures and Changes in Fund Balance –
 Budget to Actual – General Fund 23



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Travis County Emergency Services District No. 7

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Travis County Emergency Services District No. 7, as of and for the year ended September 30, 2018, 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. 7, as of September 30, 2018, 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 on pages 3 through 7 and the budgetary comparison information, on page 23 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
Giddings, Texas
February 27, 2019

Travis County Emergency Services District No.7

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As the Board of Commissioners of Travis County Emergency Services District No. 7 (the District), we present the following narrative overview and analysis of the financial activities of the District for the year ended September 30, 2018.

Financial Highlights

Significant current year transactions include the following:

- General Fund revenues from property taxes accounted for 99 percent of total revenues. The General Fund had revenues (including financing proceeds) that exceeded expenditures by \$557,630.
- The District entered into two loan agreements for the year ended September 30, 2018 with Government Capital for \$858,500.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements show how the emergency services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify any material deviations from the financial plan, and (4) identify changes in the District's financial position.

The District's basic financial statements now include adjustments to the statement of net assets and the statement of activities. The economic focus of these statements is similar to a private-sector business.

Government-Wide Financial Statements

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. The statement of activities shows all changes in net position as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. Due to the size of the District, the fund financial statements are presented on the fact of the statement with adjustments to the respective government-wide statement.

Governmental Funds: The District's services are reported in the 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 the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds provide a detail short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's emergency services program.

Notes to the financial statements: The note disclosures provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

The District as a Whole

The District's total net position changed from September 30, 2018, increasing from \$(265,289) to \$(262,910). Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Table 1

	September 30, 2018	September 30, 2017
Cash	\$ 129,034	\$ 9,711
Investments	438,307	-
Taxes Receivable	33,776	-
Total Assets	<u>601,117</u>	<u>9,711</u>
Current Obligations	864,027	275,000
Long-term Obligations	-	-
Total Liabilities	<u>864,027</u>	<u>275,000</u>
Deferred Inflows of Resources	-	-
Net Position		
Unrestricted	<u>(262,910)</u>	<u>(265,289)</u>
Total net position	\$ <u>(262,910)</u>	\$ <u>(265,289)</u>

Table 2 – Change in Net Position

	September 30 2018	September 30 2017
Revenues		
Property Taxes	\$ 2,238,409	\$ -
Interest	18,300	12
Contributions	-	600
Total Revenues	2,256,709	612
Expenses		
Administration	2,235,845	250,000
Debt Service	18,485	15,901
Total Expenses	2,254,330	265,901
Increase(decrease) in net position	\$ <u>2,379</u>	\$ <u>(265,289)</u>
Beginning net position	\$ (265,289)	\$ -
Ending net position	\$ <u>(262,910)</u>	\$ <u>(265,289)</u>

The District's Funds

Fund balance of the General Fund was \$567,341 at September 30, 2018.

Budget

The District presents the variances of the general operating budget compared to the actual numbers for the year ended September 30, 2018. This report is presented on page 23.

Debt Administration

At September 30, 2018, the District had two loans from Government Capital that totaled \$858,500. Both notes mature on July 1, 2019. See Note 3 for information on the District's obligations.

The District and Travis County Emergency Services District No. 1 entered into a joint and severally liable debt agreement with Government Capital Corporation on July 27, 2017, for \$9,170,668 at 4.03%, annual payments of \$717,756 until maturity on March 15, 2037. The note may be prepaid in full upon sixty days' notice in writing to the lender beginning March 15, 2027. The funds are to be used for the construction of two new fire stations and a training facility at two locations within the City of Lago Vista, Texas. The note is secured by an interest in ad valorem tax revenues and all other income or receipts received or to be received. The entire debt has been recorded by ESD 1. However, the District intends to pay ESD 1 its share of the debt by its collection of tax revenue beginning in fiscal year 2018.

The District and Travis County Emergency Services District No. 1 entered into a joint and severally liable debt agreement with Government Capital Corporation on July 27, 2017, for \$549,332 at 3.28%, annual payments of \$75,415 until maturity on March 15, 2027. The note may be prepaid in full upon sixty days' notice in writing to the lender beginning March 15, 2023. The funds are to be used for the purchase of an ambulance and various other personal property and medical equipment. The note is secured by an interest in ad valorem tax revenues and all other income or receipts received or to be received. The entire debt has been recorded by ESD 1. However, the District intends to pay ESD 1 its share of the debt by its collection of tax revenue beginning in fiscal year 2018.

Economic Factors

Travis County Emergency Services District 7 encompasses the cities of Lago Vista, Jonestown, Village of Point Venture, and a large portion of unincorporated Travis County. The district spans over 178 square miles and includes most of Lake Travis. The area serviced by TCESD7 is home to approximately 32,000 permanent residents of the area. Considering that the area is mainly a tourist attraction for golfers, hikers and watercraft enthusiasts, the population increases by as much as 35,000 people on holidays and weekends. The growth of our district is staggering. All three municipalities have issued more permits in the past 18 months than the previous 5 years combined.

An Interlocal Agreement was signed between Travis County ESD 1 (TCESD1) and Travis County ESD 7 (TCESD 7) to provide Advanced Life Support (ALS) first response and transport. TCESD 7 was established in 2016 for the funding of EMS. To better serve the citizens it was determined that adding paramedics to fire trucks, sharing stations and purchasing two ambulances would be a cost-effective way to provide ALS EMS.

In closing, Travis County ESD 7 is committed to providing the highest level of fire, rescue, and Emergency Medical Services to our residents and visitors. We have set national accreditation and ISO Class 1 as our goal for 2019.

Request for Information

This financial report is designed to provide a general overview of the District's finances for 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 the Travis County Emergency Services District No. 7, Board of Commissioners, 18300 Park Drive, Jonestown, Texas 78645.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	General Fund	Adjustments (Note 8)	Statement of Net Position
ASSETS			
Cash	\$ 129,034	\$ -	\$ 129,034
Investments	438,307	-	438,307
Taxes Receivable	33,776		33,776
TOTAL ASSETS	\$ 601,117	\$ -	\$ 601,117
LIABILITIES			
Accrued Interest Payable	\$ -	5,527	\$ 5,527
Long-term liabilities			
Due within one year	-	858,500	858,500
Due after one year	-	-	-
TOTAL LIABILITIES	-	864,027	864,027
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 33,776	\$ (33,776)	\$ -
FUND BALANCES/NET POSITION			
Fund balances:			
Unassigned	\$ 567,341	(567,341)	-
Total	567,341	(567,341)	-
Total fund balances	\$ 567,341	(567,341)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 601,117		
Net position:			
Unrestricted		(262,910)	(262,910)
Total net position		(262,910)	\$ (262,910)

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AND STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Adjustments (Note 8)	Statement of Activities
EXPENDITURES/EXPENSES			
Administration Expenditures:			
Interlocal Agreement	2,175,000	-	2,175,000
Tax Collection Fees	35,589	-	35,589
Appraisal Fees	11,901	-	11,901
Professional Fees	5,905	-	5,905
Training	690	-	690
Office Supplies	2,549	-	2,549
Legal Notices	4,211	-	4,211
Debt Service:			
Principal	275,000	(275,000)	-
Interest	4,458	5,527	9,985
Debt Issuance Costs	8,500	-	8,500
Total expenditures/expenses	2,523,803	(269,473)	2,254,330
 GENERAL REVENUES			
Ad Valorem Taxes	2,204,633	33,776	2,238,409
Penalties & Interest on Taxes	8,085	-	8,085
Interest	10,215	-	10,215
Total general revenues	2,222,933	33,776	2,256,709
Revenue over (under) expenditures	(300,870)	300,870	-
 OTHER FINANCING SOURCES			
Loan Proceeds	858,500	(858,500)	-
Change in Fund Balance	557,630	(557,630)	-
Change in Net Position		2,379	2,379
Fund Balance/Net Position			
Beginning of the year	9,711	(275,000)	(265,289)
End of the year	\$ 567,341	\$ (830,251)	\$ (262,910)

See Accompanying Notes to the Financial Statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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. More significant of these accounting policies are described below.

REPORTING ENTITY

On November 8, 2016, the voters of the District approved the formation of an emergency services district to provide medical services and no other emergency services within its boundaries pursuant to Chapter 775 of the Texas Health & Safety Code.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, the District has only one major fund all fund, the General Fund. 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 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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BUDGETS

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

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.

1. 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.
2. 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.
3. All annual appropriations lapse at fiscal year end.

CAPITAL ASSETS

The District does not own any capital assets.

EMPLOYMENT COSTS

The District does not have any 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, 2018, no claims or losses have been incurred that were not covered by insurance. There is no liability due to any claim or suit having ever been filed.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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 – 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 – 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.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the period. Operating results in the future could vary from the amounts derived from management's estimates.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. 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 June 30, 2021.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

. 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

NOTE 2: CASH AND INVESTMENTS

Cash

Deposits did not exceed FDIC coverage at the end of the fiscal year (Category 1). At September 30, 2018, the carrying amount of the District's deposits was \$129,034 and the bank balance was \$128,314.

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 by FDIC or collateralized with securities held by the District or by its agent in its name.
- Category 2- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3- Uncollateralized.

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.

TexPool

The District had an investment of \$438,307 (fair value) in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), at September 30, 2018. The investments in TexPool had a weighted average maturity of one day and a Standard and Poor's rating of AAAm.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2018

NOTE 2: CASH AND INVESTMENTS – continued

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 pool does not have any limitation and restriction 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, 2018, 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.

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, 2018, 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.

Investment	Fair Value	Effective Duration (in years)	Credit Risk
TexPool	\$438,307	0.0	AAAm

The District’s investment in TexPool represents 100% of its investment portfolio.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2018

NOTE 3: DEBT

The District had a loan from Government Capital for \$275,000 with an interest rate of 2.25% for operation costs, that matured March 15, 2018.

The District entered into a promissory note agreement with Government Capital Corporation on June 13, 2018 for \$251,569 at 3.79%, maturing July 1, 2019. The note is secured by an interest in ad valorem tax revenues and all other income receipts received or to be received by the District.

The District entered into a maintenance tax and revenue anticipation note agreement with Government Capital Corporation on June 13, 2018 for \$606,931 at 3.79%, maturing July 1, 2019. The note is secured by 2018 ad valorem maintenance taxes and any lawfully available funds of the District.

Transactions for the year ended September 30, 2018, are summarized as follows:

	Balance 9/30/17	Additions	Reductions	Balance 9/30/18	Due Within One Year
Government Capital #7757	\$ 275,000	\$ -	\$ 275,000	\$ -	\$ -
Government Capital #8302	-	251,569	-	251,569	251,569
Government Capital #8268	-	606,931	-	606,931	606,931
Total	\$ 275,000	\$ 858,500	\$ 275,000	\$ 858,500	\$ 858,500

The annual aggregate maturities for years subsequent to September 30, 2018, are as follows:

September 30	Principal	Interest	Total
2019	\$ 858,500	\$ 30,368	\$ 888,868
Total	\$ 858,500	\$ 30,368	\$ 888,868

The District and Travis County Emergency Services District No. 1 entered into a joint and severally liable debt agreement with Government Capital Corporation on July 27, 2017, for \$9,170,668 at 4.03%, annual payments of \$717,756 until maturity on March 15, 2037. The note may be prepaid in full upon sixty days' notice in writing to the lender beginning March 15, 2027. The funds are to be used for the construction of two new fire stations and a training facility at two locations within the City of Lago Vista, Texas. The note is secured by an interest in ad valorem tax revenues and all other income or receipts received or to be received. The entire debt has been recorded by ESD 1. However, the District intends to pay ESD 1 its share of the debt by its collection of tax revenue beginning in fiscal year 2018.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 3: DEBT – continued

The District and Travis County Emergency Services District No. 1 entered into a joint and severally liable debt agreement with Government Capital Corporation on July 27, 2017, for \$549,332 at 3.28%, annual payments of \$75,415 until maturity on March 15, 2027. The note may be prepaid in full upon sixty days' notice in writing to the lender beginning March 15, 2023. The funds are to be used for the purchase of an ambulance and various other personal property and medical equipment. The note is secured by an interest in ad valorem tax revenues and all other income or receipts received or to be received. The entire debt has been recorded by ESD 1. However, the District intends to pay ESD 1 its share of the debt by its collection of tax revenue beginning in fiscal year 2018.

NOTE 4: 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, 2017, upon which the 2017 levy was based, was \$2,276,411,465 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 2017 levy was \$ 2,228,607 and the tax rate was \$ 0.0979 per \$100 assessed valuation.

NOTE 5: 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.

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.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

NOTE 5: FUND BALANCE – continued

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.

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 has delegated the authority to assign fund balance for a specific purpose to the District's Chief or Assistant Chief.

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, 2018, the District has not adopted a minimum fund balance policy.

NOTE 6: COMMITMENTS

The District entered an interlocal service agreement with Travis County Emergency Services District No.1 (ESD 1) to provide emergency medical services on behalf of the District within the District's boundaries for fiscal years 2018-2037. For the year ended September 30, 2018, the District paid \$2,175,000. Payment terms by the District to ESD1 are as follows:

Fiscal year 2019	\$2,375,000
Fiscal year 2020	2,575,000
Fiscal year 2021	2,950,000
Fiscal years 2022 – 2037 (per year)	3,250,000

NOTE 7: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date the financial statements were available to be issued.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2018

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.

Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the funds. \$ 5,527

Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term—are reported in the statement of Net Position.

Due within one year \$ 858,500

Taxes receivable are offset by deferred revenues in the governmental funds and thus are not included in fund balance. Deferred revenue \$ (33,776)

Differences between the Governmental Fund Operating Statement and the Statement of 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.

Repayment of notes payable is reported as expenditures in governmental funds. For the district as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Payment of Principal \$ (275,000)

Interest expense is recognized as expenditures in the governmental funds. The statement of activities includes only the interest expense for the current period.

Change in Accrued Interest Payable \$ 5,527

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 \$ 33,776

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT No 7
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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

The issuance of long-term debt provides current financial resources to governmental funds, however this has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Financing Proceeds	\$ (858,500)
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REQUIRED SUPPLEMENTAL INFORMATION

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL- GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS	VARIANCE FAVORABLE/ (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Ad Valorem Taxes	\$ 2,229,031	\$ 2,229,031	\$ 2,204,633	(24,398)
Penalties & Interest on Taxes	3,300	3,300	8,085	4,785
Interest	-	-	10,215	10,215
Contributions	<u>3,000</u>	<u>3,000</u>	-	<u>(3,000)</u>
TOTAL REVENUES	\$ 2,235,331	\$ 2,235,331	\$ 2,222,933	(12,398)
EXPENDITURES:				
Administration Expenditures:				
Interlocal Agreement	1,925,000	1,925,000	2,175,000	(250,000)
Tax Collection Fees	35,589	35,589	35,589	-
Appraisal Fees	12,000	12,000	11,901	99
Professional Fees	11,000	11,000	5,905	5,095
Training	3,500	3,500	690	2,810
Office Supplies	5,500	5,500	2,549	2,951
Insurance	1,500	1,500	-	1,500
ESD Evaluation/Master Plan	9,000	9,000	-	9,000
Legal Notices	1,500	1,500	4,211	(2,711)
Debt Service:				
Principal	275,000	275,000	275,000	-
Interest	4,916	4,916	4,458	458
Debt Issuance Costs	-	-	8,500	(8,500)
TOTAL EXPENDITURES	\$ 2,284,505	\$ 2,284,505	\$ 2,523,803	(239,298)
OTHER FINANCING SOURCES/(USES)				
Loan Proceeds	-	-	858,500	858,500
Total Other Financing Sources/(Uses)	-	-	858,500	858,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (49,174)	\$ (49,174)	\$ 557,630	606,804
Net change in fund balance	\$ (49,174)	\$ (49,174)	557,630	606,804
Beginning of year			\$ 9,711	
End of year			<u>\$ 567,341</u>	