

**Travis County
Emergency Services District
No. 17**

**Financial Statements as of
September 30, 2021 and for the
Period from May 1, 2021 to
September 30, 2021 and
Independent Auditors' Report**

Travis County Emergency Services District No. 17

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	6
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	8
Notes to Basic Financial Statements	9



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Independent Auditors' Report

To the Board of Commissioners of
Travis County Emergency Services District No. 17:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Travis County Emergency Services District No. 17 (the "District"), as of September 30, 2021 and for the period from May 1, 2021 to September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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This firm is not a CPA firm

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of September 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the period from May 1, 2021 to September 30, 2021 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 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maxwell Locke + Ritter LLP

Austin, Texas
April 11, 2022

Travis County Emergency Services District No. 17

Management's Discussion & Analysis September 30, 2021

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Travis County Emergency Services District No. 17 (the "District") offers the following narrative on the financial performance of the District for the period from May 1, 2021 to September 30, 2021. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "General Fund" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Fund Balance Sheet*
 - *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

The *Statement of Net Position and Governmental Fund Balance Sheet* includes a column (titled "General Fund") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* includes a column (titled "General Fund") that derives the change in fund balance resulting from current period revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

The *Notes to Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Fund Balance Sheet* and the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*.

The District as a Whole

The District’s combined net position as of September 30, 2021 and for the period from May 1, 2021 to September 30, 2021 is shown in the tables below. Our analysis below focuses on the net position and changes in the net position of the District’s governmental activities as reported in the accrual basis of accounting.

Statement of Net Position

Assets-	
Current assets	<u>\$ 837,684</u>
Liabilities-	
Current liabilities	<u>\$ 1,242,049</u>
Net Position-	
Unrestricted	<u><u>\$ (404,365)</u></u>

Statement of Activities

Expenses-	
Service operations	<u>\$ 404,365</u>
Change in Net Position	<u><u>\$ (404,365)</u></u>

The District’s Governmental Fund

At September 30, 2021, the District’s General Fund had a deficit fund balance of \$404,365. This deficit will be eliminated through the levy of property taxes in fiscal year 2022.

General Fund Budgetary Highlights

The actual expenditures in the General Fund were \$85,689 more than the final budgeted amounts due primarily to expenditures for litigation fees being higher than anticipated.

Economic Factors, Next Year’s Budgets and Rates

The District’s Board of Commissioners considered various factors when setting the fiscal year budget, tax rates, and necessary expenditures to be incurred in the next fiscal year’s activities. For fiscal year 2022, which is tax year 2021, the tax rate has been set at \$0.045 per \$100 of assessed valuation for maintenance and operating expenditures. The adopted budget for fiscal year 2022 for the District’s governmental fund projects an increase in fund balance of \$462,661.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at Travis County Emergency Services District No. 17, Attn: Treasurer, 203 East Pecan Street, Pflugerville, Texas 78660.

Travis County Emergency Services District No. 17

Statement of Net Position and Governmental Fund Balance Sheet September 30, 2021

	General Fund	Adjustments (Note 2)	Statement of Net Position
Assets-			
Cash	\$ 837,684	-	837,684
Total assets	<u>837,684</u>	<u>-</u>	<u>837,684</u>
Liabilities:			
Accounts payable	\$ 232,049	-	232,049
Tax anticipation note payable	1,010,000	-	1,010,000
Total liabilities	<u>1,242,049</u>	<u>-</u>	<u>1,242,049</u>
Fund Balance/Net Position-			
Fund balance- Unassigned	<u>(404,365)</u>	<u>404,365</u>	<u>-</u>
Total fund balance	<u>(404,365)</u>	<u>404,365</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 837,684</u>		
Net position- Unrestricted		<u>(404,365)</u>	<u>(404,365)</u>
Total net position		<u>\$ (404,365)</u>	<u>(404,365)</u>

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

Travis County Emergency Services District No. 17

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Period from May 1, 2021 to September 30, 2021

	General Fund	Adjustments (Note 2)	Statement of Activities
Expenditures/expenses-			
Service operations-			
Fire and emergency services	\$ 404,365	-	404,365
Total expenditures/expenses	404,365	-	404,365
Deficiency of revenues under expenditures	(404,365)	-	(404,365)
Change in net position	-	-	(404,365)
Fund balance/net position:			
Beginning of year	-	-	-
End of year	\$ (404,365)	-	(404,365)

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

Travis County Emergency Services District No. 17

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Period from May 1, 2021 to September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures-				
Service operations-				
Fire and emergency services	<u>218,676</u>	<u>318,676</u>	<u>404,365</u>	<u>(85,689)</u>
Total expenditures	<u>218,676</u>	<u>318,676</u>	<u>404,365</u>	<u>(85,689)</u>
Deficiency of revenues under expenditures	(218,676)	(318,676)	(404,365)	(85,689)
Fund balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u><u>\$ (218,676)</u></u>	<u><u>(318,676)</u></u>	<u><u>(404,365)</u></u>	<u><u>(85,689)</u></u>

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

Travis County Emergency Services District No. 17

Notes to Basic Financial Statements

Period from May 1, 2021 to September 30, 2021

1. Summary of Significant Accounting Policies

Travis County Emergency Services District No. 17 (the “District”) was created through a local election held on May 1, 2021 and operates under Chapters 773 and 775 of the Texas Health & Safety Code. The District is one of many emergency service districts located in Travis County, Texas. The District provides advanced life support emergency medical services and ambulance transport services to a service area of approximately 16 square miles in northeast Travis County through a contract entered into on November 11, 2021 with Travis County Emergency Services District No. 2 (“ESD 2”) (See Note 8).

The reporting entity of the District encompasses those activities and functions over which the District’s appointed officials exercise significant oversight or control. The District is governed by a three member Board of Commissioners (the “Board”) which has been appointed by the Travis County Commissioners’ Court, in accordance with state law. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) since Board members have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units which are included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “General Fund” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues. During the period from May 1, 2021 to September 30, 2021 the District did not generate any revenue as the District’s first property tax levy did not occur until October 1, 2021.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District reports the following major governmental fund -

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

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. 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 adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Public meetings are conducted at which all interested persons' comments concerning the budget are heard. After such meetings, the Board formally adopts the budget through passage of an ordinance. The District may amend the budget throughout the year, approving such additional expenditures as may be required. All annual appropriations for the General Fund lapse at the fiscal year-end.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - The District is entitled to invest any and all of its funds in 1) obligations of, or guaranteed by, the United States of America or its agencies and instrumentalities; 2) obligations of, or guaranteed by, the State of Texas or its agencies and instrumentalities; 3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States of America with a stated maturity date of ten years or less; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by at least one nationally recognized investment rating firm not less than A or its equivalent; 5) certificates of deposit domiciled in the State of Texas; and 6) bankers' acceptances, repurchase agreements, commercial paper, mutual funds, and certain public fund investment pools to the extent authorized by Section 2256 of the Government Code ("Public Funds Investment Act") and only upon the Board's adoption of a separate resolution authorizing such investment. The District's investment policies and types of investments are governed by the Health and Safety Code, Chapter 775 Emergency Services Districts, Section 775.043, and the Public Funds Investment Act. The District's management believes that it complied with the requirements of the District's investment policy and the Public Funds Investment Act. At September 30, 2021, the District held no investments.

Debt - Tax anticipation notes are considered short-term debt and are reported as a current liability in the General Fund.

Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 4 for additional information on those fund balance classifications. The District's General Fund had a deficit fund balance at September 30, 2021 of \$404,365. This deficit will be eliminated through the levy of property taxes in fiscal year 2022.

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

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

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

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

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

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

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

Recently Issued Accounting Pronouncements

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

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The objective of GASB Statement No. 96 is to improve accounting and financial reporting by establishing a definition for a subscription-based information technology arrangement (“SBITA”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 96 will require a government to report a right-to-use subscription asset as an intangible asset and a corresponding subscription liability for a SBITA, and also require certain disclosures about the SBITA. GASB Statement No. 96 also provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. Management is evaluating the effects that the full implementation of GASB Statement No. 96 will have on its financial statements for the year ended September 30, 2023.

2. Cash

The District’s deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2021, such deposits were entirely covered by Federal Deposit Insurance Corporation (“FDIC”) insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District’s 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.

3. Tax Anticipation Note

On September 9, 2021, the District signed a tax anticipation note with a bank for \$1,010,000 to allow the District to pay maintenance and operation expenditures. The tax anticipation note bears interest at 1.5% and matures on September 9, 2022.

The payment schedule for District’s tax anticipation note is summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2022	\$ 1,010,000	15,150	1,025,150

4. Fund Balance

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

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

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

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

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

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

The detail of the fund balance is included in the Governmental Fund Balance Sheet on page 6.

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

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

5. Contracted Services

The District entered into an agreement with ESD 2 where ESD 2 will provide the District with administrative, management and bookkeeping services ("Administrative Agreement"). The Administrative Agreement requires the District to pay ESD 2 a fee in quarterly installments each year based on the consideration determined as part of the District's budget and tax planning process for the fiscal year in which the services are provided. The Administrative Agreement was effective on July 15, 2021 and continues through September 30, 2026 unless terminated based on the terms of the Administrative Agreement. During the period from May 1, 2021 to September 30, 2021, the District incurred \$24,000 of expenditures related to the Administrative Agreement.

6. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases its insurance from regular commercial companies.

7. Contingencies

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

8. Subsequent Event

On November 11, 2021, the District entered into an agreement with ESD 2 where ESD 2 will provide the District with advanced life support emergency medical services and ambulance transport services authorized by Chapter 773 and 775 of the Texas Health & Safety Code ("EMS Agreement"). The EMS Agreement requires the District to pay ESD 2 an annual fee of \$1,116,254 in equal monthly installments for the services provided. The EMS Agreement is effective on January 1, 2022 and continues through September 30, 2026 unless terminated based on the terms of the EMS Agreement. The EMS Agreement will automatically renew for up to five renewals of five-year terms unless written notice of the intent to not renew is delivered by the District or ESD 2 to the other no less than ninety days prior to the end of the then current term of the EMS Agreement.