

THE STATE OF TEXAS

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* KNOW ALL MEN BY THESE PRESENTS

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COUNTY OF WILLIAMSON

THAT Williamson County, Texas (County), and the **Florence** Volunteer Fire Department (Department), an incorporated volunteer fire department as describes in V.A.T.C., LOCAL GOVERNMENT CODE, 352.001(c), have entered into the following


AGREEMENT

1. Pursuant to its power to provide financial assistance for fire protection in and for Williamson County, and its duty to protect the public health and welfare, the County agrees to pay to the Department the sum of \$30,000.00, in two (2) payments. The first payment being made when the county has received a signed agreement accompanied by a detailed accounting of the past year's expenditures of the county allotment. The second payment will be disbursed on or before September 30, 2008. All funds are to be used to defray the cost of equipment and labor required to provide the services described in Paragraph 2.
2. The Department agrees to provide fire protection services in any area in the County when requested by any other fire company, or when dispatched by the County, and shall expend all of the amount set forth in Paragraph 1 for only these purposes during the calendar year 2008.
3. It is understood by the Department that the County cannot commit funds for any future fiscal year, and that this Agreement does not, and cannot, commit the County to renew or repeat this Agreement unless approved by future action of the Williamson County Commissioners' Court.
4. It is understood and agreed that the County has no power to control or supervise the manner and means chosen by the Department to carry out the services specified in Paragraph 2, and that the County shall have no liability for any intentional acts of the Department which are not related to the provision of said services. The Department further agrees to indemnify the County for any loss or expense (including but not limited to attorneys' fees) incurred as a result of any claim against the County by any person or entity, should such claim be based upon any intentional act or omission by the Department which is not related to the provision of the services described in Paragraph 2.

Executed on this the 15th day of Aprn', 2008.


Charles Montgomery

Fire Chief
Florence V. F.D.


Williamson County, Texas by
Lisa L. Birkman
Dan A. Gattis, by authority of
Williamson County

FY 2006/2007 WILLIAMSON COUNTY EXPENSES FOR FLORENCE VFD

Fuel	\$9,152.96
Apparatus maintainace,Oil and Service	\$2,500.94
Tire replacement	\$330.04
Emergency Warning systems	\$48.59
Pump Parts/ Repair	\$934.61
Breathing Air Supplies testing	\$3,038.10
Hoses/Nozzles/Appliances	\$5,448.55
Foam Concentrate	\$1,237.00
Protective clothing	\$3,208.30
Scene Supplies	\$186.49
Incident command System	
Radio Maintance/reprograming	\$6,093.52
Radio Batterys	\$287.39
EMS Disposable Supplies	\$1,286.56
EMS Drugs	\$1,819.33
Fire, EMS and Rescue Training	\$3,385.96
Computer and software	
Accident/ Disability Insurance	
Semi annaual truck payment 3411	
Total Expenses	\$38,958.34

**Florence Volunteer Fire Department
Audit Report
for the Year Ended
September 30, 2006
with Comparative Totals
as of September 30, 2005**

Michael Warner & Associates, P.C.
A Professional Corporation
Certified Public Accountants

Florence Volunteer Fire Department*Table of Contents**September 30, 2006*

	Page
Independent Auditors' Report	1
Statements of Financial Position	2
Statement of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5

MICHAEL WARNER & ASSOCIATES, P.C.

*A Professional Corporation
Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Florence Volunteer Fire Department
Florence, Texas

We have audited the accompanying Statement of Financial Position of the Florence Volunteer Fire Department (a non-profit organization) as of September 30, 2006, and the related Statements of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Organization's 2005 financial statements, and in our report dated December 12, 2006, we expressed an unqualified opinion on those financial statements.

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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Florence Volunteer Fire Department as of September 30, 2006, and the results of activities and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Michael Warner, Associates, P.C.

Burnet, Texas
February 21, 2008

Florence Volunteer Fire Department*Statements of Financial Position**As of September 30, 2006 and 2005*

Assets		
	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and cash equivalents (Note 2)	\$ <u>21,590</u>	\$ <u>24,509</u>
Total Current Assets	<u>21,590</u>	<u>24,509</u>
Total Assets	\$ <u>21,590</u>	\$ <u>24,509</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 3,711	\$ 1,129
Accrued liabilities	<u>9,203</u>	<u>1,653</u>
Total Current Liabilities	<u>12,914</u>	<u>2,782</u>
Total Liabilities	<u>12,914</u>	<u>2,782</u>
Net Assets (Notes 3 and 4)		
Unrestricted	8,676	21,727
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>8,676</u>	<u>21,727</u>
Total Liabilities and Net Assets	\$ <u>21,590</u>	\$ <u>24,509</u>

The accompanying notes are an integral part of the financial statements.

Florence Volunteer Fire Department**Statement of Activities***For the Year Ended September 30, 2006
with Comparative Totals for 2005*

	<u>Unrestricted Operating</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
Revenues, Gains, and Other Support:					
Emergency Services District No. 7 contributions	\$ 63,238	\$ -	\$ -	\$ 63,238	\$ 8,160
County contract	17,457	-	-	17,457	17,457
Donations	17,082	-	-	17,082	22,719
Insurance billings	27,137	-	-	27,137	12,018
Grants	16,186	-	-	16,186	9,320
Gain on sale of assets	1,495	-	-	1,495	-
Miscellaneous income	2,175	-	-	2,175	1,069
Interest income	<u>236</u>	<u>-</u>	<u>-</u>	<u>236</u>	<u>81</u>
Total Revenues, Gains, and Other Support	<u>145,006</u>	<u>-</u>	<u>-</u>	<u>145,006</u>	<u>70,824</u>
Cost of Special Activities and Programs:					
Fire equipment	27,403	-	-	27,403	28,478
Apparatus equipment	16,300	-	-	16,300	13,953
Personnel and personnel expense	57,443	-	-	57,443	7,453
Station expense	23,348	-	-	23,348	5,736
Training and travel	8,362	-	-	8,362	2,569
Communication equipment	6,428	-	-	6,428	1,573
EMS supplies	4,811	-	-	4,811	711
Donations and scholarships	3,739	-	-	3,739	-
Insurance	<u>2,678</u>	<u>-</u>	<u>-</u>	<u>2,678</u>	<u>-</u>
Total Cost of Special Activities and Programs	<u>150,512</u>	<u>-</u>	<u>-</u>	<u>150,512</u>	<u>60,473</u>
Revenues Net of Cost of Special Activities and Programs	<u>(5,506)</u>	<u>-</u>	<u>-</u>	<u>(5,506)</u>	<u>10,351</u>
Supporting Services:					
Management and general	7,545	-	-	7,545	5,269
Professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,112</u>
Total Supporting Services	<u>7,545</u>	<u>-</u>	<u>-</u>	<u>7,545</u>	<u>9,381</u>
Changes in Net Assets	(13,051)	-	-	(13,051)	970
Net Assets at Beginning of Year	<u>21,727</u>	<u>-</u>	<u>-</u>	<u>21,727</u>	<u>20,757</u>
Net Assets at End of Year	\$ <u>8,676</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,676</u>	\$ <u>21,727</u>

The accompanying notes are an integral part of the financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Organization**

The Florence Volunteer Fire Department (the Organization) is a non-profit corporation, established to provide fire protection and emergency services to the City of Florence and the surrounding area. The Organization's primary source of revenue is from the Williamson County Emergency Services District No. 7. See Note 5.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in conformity with generally accepted accounting principles. The Organization follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 requires the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows. SFAS No. 117 also requires that net assets and revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted, or permanently restricted, based on the existence of or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions. There are no temporarily restricted net assets.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. There are no permanently restricted net assets.

Under SFAS No. 117, expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as a reclassification between the applicable classes of net assets.

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. The carrying amount for cash and cash equivalents approximates fair value.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled \$21,590 at September 30, 2006 and \$24,509 at September 30, 2005. Cash and cash equivalents consist of bank accounts that are available for use in current operations.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

There are no temporarily restricted net assets as of September 30, 2006 and 2005.

NOTE 4 - PERMANENTLY RESTRICTED NET ASSETS

There are no permanently restricted net assets as of September 30, 2006 and 2005.

NOTE 5 - EMERGENCY SERVICE DISTRICT

The Williamson County Emergency Services District No. 7 (the ESD) was created by an election held in July 2005. The District operates under Article III, Section 48-c of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a Board of Commissioners appointed by the Williamson County Commissioners Court. The District's major activities include providing emergency services to the residents of the District.

On July 25, 2005, the Florence Volunteer Fire Department entered into an agreement with the newly-formed ESD to provide emergency services to all persons and property within the ESD. The term is yearly and may be terminated by either party. Amounts to be paid to the Organization shall be disbursed at the discretion of the Commissioners and may include expenses for operations and other expenditures approved by the ESD for maintaining emergency services within the District.

Florence Volunteer Fire Department*Notes to the Financial Statements**September 30, 2006***NOTE 5 - EMERGENCY SERVICE DISTRICT (Continued)**

The Williamson County Emergency Services District No. 7 (ESD) owns firefighting vehicles and equipment with a fair market value of approximately \$750,000 that it provides for use by the Organization. These assets are not reflected in the Statement of Financial Position because title remains with the ESD.

NOTE 6 - CONCENTRATIONS OF RISK

Revenues from the Emergency Services District No. 7 were approximately 44 percent of the Organization's total revenues for the year ended September 30, 2006 and 12 percent for the year ended September 30, 2005. The Organization received approximately 12 percent of its revenue from the Williamson County Fire Protection Contract during the year ended September 30, 2006 and 25 percent for the year ended September 30, 2005. A significant reduction in or elimination of these funds would have a significant impact on the Organization.

NOTE 7 - SUBSEQUENT EVENTS

Beginning July 1, 2007, the Organization entered into a lease for administrative offices for \$300 per month. The lease expires on June 30, 2008.

**Williamson County Emergency
Service District #7
Financial Statements
For the Year Ended December 31, 2006**

Michael Warner & Associates, P.C.
A Professional Corporation
Certified Public Accountants

Williamson County Emergency Service District #7*Table of Contents**December 31, 2006*

	Page
Management's Discussion and Analysis	2
Independent Auditors' Report	8
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet - Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14
Required Supplementary Information Budgetary Comparison Schedule	24

**MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION**

As management of the Williamson County Emergency Service District #7 (the District), we are pleased to offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider it in conjunction with the additional information presented in the accompanying basic financial statements and the notes to the financial statements.

Financial Statements

- The net assets of the District increased by \$86,554 as a result of the current year's operations. Net assets at year end consisted of invested capital assets of \$69,724 and unrestricted net assets of \$278,089, for a total of \$347,813.
- Total revenues from all sources were \$241,272 which represents a decrease of \$61,224 over the prior year. This is due to the one-time 2005 contribution of equipment, from the City of Florence to start the District.
- Total costs of all programs were \$154,718. This is an increase of \$113,481 over the prior year due to increased funding of the Florence Volunteer Fire Department.
- As of December 31, 2006, the District's governmental fund reported an ending fund balance of \$247,831, an increase of \$73,066 in comparison with the prior fiscal year.

Using this Annual Report

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the District as a whole.
2. Fund financial statements provide detailed information for the District's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. This information includes this management's discussion and analysis as well as a budgetary comparison schedule.

Government-Wide Financial Statements

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

The *Statement of Net Assets* presents information on all of the assets and liabilities of the District. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Williamson County Emergency Service District #7*Management's Discussion and Analysis (Continued)**December 31, 2006*

The *Statement of Activities* presents information on how the District's net assets changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Both the Statement of Net Assets and the Statement of Activities present information for the following:

- Governmental activities—This includes all of the District's emergency protection services which are primarily supported by property taxes.

The government-wide financial statements begin on page 9. The following is a summary of net assets as of December 31, 2006 and 2005

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 285,327	\$ 202,683
Capital assets, net	<u>453,409</u>	<u>84,001</u>
Total assets	<u>738,736</u>	<u>286,684</u>
Current liabilities	7,238	285
Other liabilities	<u>383,685</u>	<u>25,140</u>
Total liabilities	<u>390,923</u>	<u>25,425</u>
Net assets:		
Invested in capital assets, net of related debt	69,724	58,861
Unrestricted	<u>278,089</u>	<u>202,398</u>
Total net assets	\$ <u>347,813</u>	\$ <u>261,259</u>

The following table is a summary of changes in net assets:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 17,457	\$ 17,457
Capital grants and contributions	-	63,778
General revenues:		
Property taxes	220,408	194,437
Interest	2,978	241
Gain on sale of equipment	-	26,583
Miscellaneous income	<u>429</u>	<u>-</u>
Total revenues	<u>241,272</u>	<u>302,496</u>
Expenses:		
General government	6,379	3,895
Public safety	<u>148,339</u>	<u>37,342</u>
Total expenses	<u>154,718</u>	<u>41,237</u>
Increase in net assets	86,554	261,259
Net assets - January 1	<u>261,259</u>	<u>-</u>
Net assets - December 31	\$ <u>347,813</u>	\$ <u>261,259</u>

Fund Financial Statements

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

The fund financial statements provide detailed information about the District's significant funds - not the District as a whole. The District's funds fall into one category - governmental funds.

The *governmental funds statements* provide a detailed short-term view of the government operations and the basic services it provided, and are reported on the modified accrual basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the District's short-term financing requirements. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to the government-wide financial statements.

The District adopts an annual budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance. The governmental fund financial statements begin on page 11, and the budgetary comparison schedule is on page 24.

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 to the financial statements can be found on pages 14 through 22 of this report.

Financial Analysis of the Governmental Funds

The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund Budgetary Highlights

The District Commissioners did not amend the budget during the year ended December 31, 2006.

Actual results on a budgetary basis were 16 percent less than budgeted expenditures due to a decrease in transfers to the Florence Volunteer Fire Department. The District's overall actual revenue was 21 percent more than budgeted due to unexpected property tax value increases.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2006, amounts to \$453,409 (net of accumulated depreciation). This investment in capital assets includes vehicles, machinery and equipment.

Williamson County Emergency Service District #7*Management's Discussion and Analysis (Continued)**December 31, 2006*

**Capital Assets
Governmental Activities
(net of depreciation)**

	<u>2006</u>	<u>2005</u>
Vehicles	\$ 357,222	\$ 58,386
Machinery and equipment	<u>96,187</u>	<u>25,615</u>
Total	\$ <u>453,409</u>	\$ <u>84,001</u>

This year's major additions at cost included:

2007 Pierce Fire Truck	\$ 313,350
SCBA Compressor	18,600
Thermal Imaging Camera	9,500
DPU30 Power Unit	7,425
Weather Station	<u>6,095</u>
Total	\$ <u>354,970</u>

Additional information on the District's capital assets can be found in Note 4 on page 20 of this report.

Debt Administration

As of December 31, 2006, the District was obligated on the following debt:

Outstanding Debt at Period End

	<u>Governmental Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
Notes payable	\$ 70,335	\$ 70,335	\$ 25,140
Capital lease obligation	<u>313,350</u>	<u>313,350</u>	<u>-</u>
Total	\$ <u>383,685</u>	\$ <u>383,685</u>	\$ <u>25,140</u>

During the year, the District assumed a loan of \$50,985 for equipment and assumed a capital lease for a 2007 Pierce Fire Truck in the amount of \$313,350.

The District incurred \$8,621 in interest expense as of December 31, 2006. All interest was charged to public safety expense.

Additional information on the District's non-current liabilities can be found in Note 5 beginning on page 21 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's tax revenues are expected to continue to grow with the steady population growth. These additional funds will be used for future capital asset purchases of the District as needed.

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 money it receives from the citizens of the Williamson County Emergency Service District #7. If you have any questions about this report or need further information, contact the Williamson County Emergency Service District #7, P.O. Box 523, Florence, TX 76527, or call 254-793-2591.

MICHAEL WARNER & ASSOCIATES, P.C.

*A Professional Corporation
Certified Public Accountants*

*P.O. Box 784, 412 Buchanan Drive, Suite C, Burnet, Texas 78611
512/756-4904; Fax: 512/756-4227*

INDEPENDENT AUDITORS' REPORT

To The Commissioners
Williamson County Emergency Service District #7

We have audited the accompanying basic financial statements of the Williamson County Emergency Service District #7 (District), as of and for the year ended December 31, 2006, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Williamson County Emergency Service District #7 as of December 31, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison schedule are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Michael Warner & Associates, P.C.

Burnet, Texas
February 21, 2008

Williamson County Emergency Service District #7*Statement of Net Assets**As of December 31, 2006*

	<u>Primary Government</u>	
	<u>Governmental</u>	
	<u>Activities</u>	<u>Total</u>
Assets		
Cash and cash equivalents	\$ 152,828	\$ 152,828
Receivable property taxes (net of uncollectible taxes)	132,499	132,499
Capital assets, net	<u>453,409</u>	<u>453,409</u>
Total assets	<u>738,736</u>	<u>738,736</u>
Liabilities		
Accrued expenses	7,238	7,238
Non-current liabilities		
Due within one year	36,177	36,177
Due in greater than one year	<u>347,508</u>	<u>347,508</u>
Total liabilities	<u>390,923</u>	<u>390,923</u>
Net Assets		
Invested in capital assets, net of related debt	69,724	69,724
Unrestricted assets	<u>278,089</u>	<u>278,089</u>
Total Net Assets	\$ <u>347,813</u>	\$ <u>347,813</u>

The accompanying notes are an integral part of the financial statements

Williamson County Emergency Service District #7*Statement of Activities**For the Year Ended December 31, 2006*

		<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
General government	\$ 6,379	\$ -	\$ -	\$ -	\$ (6,379)	\$ (6,379)
Public safety	<u>148,339</u>	<u>17,457</u>	<u>-</u>	<u>-</u>	<u>(130,882)</u>	<u>(130,882)</u>
Total net (expense) revenue for governmental activities and the primary government	\$ <u>154,718</u>	\$ <u>17,457</u>	\$ <u>-</u>	\$ <u>-</u>	<u>(137,261)</u>	<u>(137,261)</u>
General revenues:						
Taxes:						
					220,408	220,408
					2,978	2,978
					<u>429</u>	<u>429</u>
					<u>223,815</u>	<u>223,815</u>
					86,554	86,554
					<u>261,259</u>	<u>261,259</u>
					\$ <u>347,813</u>	\$ <u>347,813</u>

The accompanying notes are an integral part of the financial statements.

Williamson County Emergency Service District #7*Balance Sheet - Governmental Funds**As of December 31, 2006*

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets		
Cash	\$ 152,828	\$ 152,828
Taxes receivable	<u>133,954</u>	<u>133,954</u>
Total Assets	\$ <u>286,782</u>	<u>286,782</u>
Liabilities		
Accrued expenses	\$ 7,238	7,238
Deferred revenue	<u>31,713</u>	<u>31,713</u>
Total Liabilities	<u>38,951</u>	<u>38,951</u>
Fund Balance		
Unreserved	<u>247,831</u>	<u>247,831</u>
Total Fund Balance	<u>247,831</u>	247,831
Total Liabilities and Fund Balance	\$ <u>286,782</u>	

Amounts reported for governmental activities
in the Statement of Net Assets are different because:

Capital assets used in governmental
activities are not financial resources and
therefore are not reported in the funds. (See Note 4) 453,409

Other long-term assets that are not available to pay
for current period expenditures and therefore are not
reported in the governmental funds balance sheet. 30,258

Long-term liabilities that are not due and payable in
the current period and therefore are not reported as
liabilities in the governmental funds balance sheet. (See Note 5) (383,685)

Net Assets of Governmental Activities \$ 347,813

The accompanying notes are an integral part of the financial statements.

Williamson County Emergency Service District #7*Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds**For the Year Ended December 31, 2006*

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Property taxes	\$ 217,784	\$ 217,784
Williamson County contract	17,457	17,457
Interest income	2,978	2,978
Miscellaneous income	<u>428</u>	<u>428</u>
Total Revenues	<u>238,647</u>	<u>238,647</u>
Expenditures		
Contract fire disbursements	86,238	86,238
Insurance	13,344	13,344
Equipment rental	11,332	11,332
Legal and professional	4,157	4,157
Office and administration	2,022	2,022
Travel	240	240
Training	<u>460</u>	<u>460</u>
Total Expenditures	<u>117,793</u>	<u>117,793</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>120,854</u>	<u>120,854</u>
Other Financing Sources (Uses):		
Loan and Lease Proceeds	364,335	364,335
Principal Payments	(5,790)	(5,790)
Interest Expense	(8,621)	(8,621)
Capital Outlay-Assets Purchased	<u>(397,712)</u>	<u>(397,712)</u>
Total Other Financing Sources (Uses)	<u>(47,788)</u>	<u>(47,788)</u>
Excess (Deficiencies) of Revenues and Other Sources Over Expenditures and Other (Uses)	73,066	73,066
Fund Balance, Beginning of Year	<u>174,765</u>	
Fund Balance, End of Year	\$ <u>247,831</u>	

The accompanying notes are an integral part of the financial statements.

Williamson County Emergency Service District #7

*Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds to the Statement
of Activities*

For the Year Ended December 31, 2006

Net Change in Fund Balance-Governmental Funds	73,066
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Amounts reported for governmental activities
in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the investment period. (See Note 4)	369,408
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Revenues in the government-wide Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	2,625
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. (See Note 5)	(358,545)
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Change in Net Assets of Governmental Activities	\$ <u>86,554</u>
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The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Reporting Entity***

Williamson County Emergency Service District #7 (the District) was created by election held on February 15, 2005. The District operates under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a Board of Commissioners appointed by the Williamson County Commissioners Court. The District's major activities include providing emergency services to the residents of the District.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant indication of this ability is financial interdependency. Other indications 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. The other 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 District is able to exercise oversight responsibilities. The District had no component units for the year ended December 31, 2006.

Financial Reporting Model

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Management's Discussion and Analysis***

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the District's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets

The Schedule of Net Assets is designed to display the financial position of the primary government (governmental activities) and its directly presented component units, if any. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - invested in capital assets, net of related debt; restricted; and unrestricted.

Statement of Activities

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the District's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Fund Financial Statements

Fund financial statements are provided for the governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***General Fund***

The General Fund is the principal fund of the District which accounts for all financial transactions not accounted for in other funds. The District had no other funds for the year ended December 31, 2006.

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments are required to provide the District's original budget with the comparison of final budget and actual results.

The budget is adopted by the Commissioners prior to the beginning of the fiscal year. Amendments are made during the year on approval by the Commissioners. The original and final amended budgets are used in this report. The District adopted the current year budget on a line item basis.

Basis of Presentation

The accounting and reporting policies of the District relating to the accompanying financial statements conform to generally accepted accounting principles as applicable to governmental units. Generally accepted accounting principles for governmental units include those principles prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and appropriate pronouncements of the American Institute of Certified Public Accountants (AICPA).

Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. In the GASB 34 reporting model the focus is on either the District as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. As of December 31, 2006, the District had no business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide Statement of Net Assets, both the governmental and business-type activities (if any) columns are presented on a consolidated basis by column, and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The District may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety), which are otherwise being supported by general government revenues (property, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety) or a business-type activity, if any. The District does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The major fund statements for governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, financial transactions of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The focus of the reporting model is on the District as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories (if any), as well as the fiduciary funds, and the component units (if any). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All revenue and expenditure recognition for governmental funds are accounted for using the modified accrual basis of accounting. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The District's revenues are recognized when they become measurable and available as current assets. Available means collectible within the current period or as soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The government-wide statements of net assets and statements of activities, all proprietary funds, and private purpose trust fund and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Capital Assets***

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements of the District. Depreciation is recorded on general fixed assets on a government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-10 years
Vehicles	5-20 years

NOTE 2 - PROPERTY TAXES

The District's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real property located in the District. The tax levy for October, 2006 was \$214,971.

The tax assessment of October 1, 2006 sets the tax levy at \$0.10 per \$100 of assessed valuation at 100 percent of market value.

Delinquent property taxes estimated to be collectible within the next fiscal year are recognized as revenues. Other delinquent property taxes receivable at year end that are deemed to be ultimately collectible are recorded as deferred revenues.

Williamson County Emergency Service District #7*Notes to the Financial Statements**December 31, 2006***NOTE 3 - DEPOSITS, SECURITIES AND INVESTMENTS**

As of December 31, 2006, cash deposits were with a depository bank in interest bearing accounts, and these balances approximated fair value. As of the balance sheet date, the District's deposits totaled \$152,828 and the bank balance was \$157,407.

GASB Statement No. 3 "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements," requires governmental entities to categorize their deposits and investments into one of three credit risk categories. At December 31, 2006 all of the District's balances are either insured by the FDIC or are collateralized by registered securities and therefore are included in credit risk category number 1.

NOTE 4 - CHANGES IN CAPITAL ASSETS

Changes in general fixed assets during the year ended December 31, 2006, were as follows:

	Balance January 1, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2006</u>
Capital Assets				
Machinery and equipment	\$ 26,733	\$ 84,362	\$ -	\$ 111,095
Vehicles	<u>62,185</u>	<u>313,350</u>	<u>-</u>	<u>375,535</u>
 Total Capital Assets	88,918	397,712	-	486,630
Less accumulated depreciation	<u>(4,917)</u>	<u>(28,304)</u>	<u>-</u>	<u>(33,221)</u>
 Total Capital Assets, Net of Depreciation	\$ <u>84,001</u>	\$ <u>369,408</u>	\$ <u>-</u>	\$ <u>453,409</u>

Current year depreciation expense of \$28,304 was charged to public safety.

The District uses a City owned building to house the operations of the Florence Volunteer Fire Department. The value of the building is approximately \$300,000. Because there is no alternate use for the facility, contributions revenue has not been recorded for December 31, 2006 and 2005.

NOTE 5 - CHANGES IN NONCURRENT LIABILITIES

The following is a summary of noncurrent liability transactions during the year ended December 31, 2006:

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>Payments</u>	Balance December 31, <u>2006</u>
Note payable	\$ 25,140	\$ 50,985	\$ 5,790	\$ 70,335
Capital lease obligation	<u>-</u>	<u>325,000</u>	<u>11,650</u>	<u>313,350</u>
Total	\$ <u>25,140</u>	\$ <u>375,985</u>	\$ <u>17,440</u>	\$ <u>383,685</u>

<u>Payee and Terms</u>	<u>Per Annum Interest Rate</u>	Principal Balance at December 31, <u>2006</u>
Union City Bank, payable in annual installments of \$7,173 including interest, beginning October, 2006, due October, 2009, secured by the 2004 Excursion.	5.5%	\$ 19,350
Union State Bank, payable in annual installments of \$11,940 including interest, beginning February, 2007, due February, 2011, secured by fire equipment.	5.5%	50,985
Capital lease obligation for a 2007 Pierce Fire Truck dated May 2006, payable in annual installments of \$31,697, final payment due May, 2020, secured by the truck recorded in vehicles at \$313,350.	5.182%	313,350
Less current portion		<u>(36,177)</u>
Total Long-Term Debt		\$ <u>347,508</u>

Williamson County Emergency Service District #7*Notes to the Financial Statements**December 31, 2006***NOTE 5 - CHANGES IN NONCURRENT LIABILITIES (Continued)**

Annual payments required to amortize all long-term debt outstanding as of December 31, 2006 including interest payments, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 36,177	\$ 14,633	\$ 50,810
2008	32,628	18,182	50,810
2009	34,368	16,442	50,810
2010	29,032	14,605	43,637
2011	30,565	13,067	43,632
2012 to 2016	112,300	46,183	158,483
2017 to 2020	<u>108,616</u>	<u>14,124</u>	<u>122,740</u>
	\$ <u>383,686</u>	\$ <u>137,236</u>	\$ <u>520,922</u>

NOTE 6 - COMMITMENTS

Effective July 25, 2006, the District entered into an agreement with the Florence Volunteer Fire Department (the Department) under which the District will provide funding and equipment to the Department. The Department agreed to provide emergency services to all persons and property within the Emergency Services District, including response to life-threatening emergencies and rescue calls by making available adequate staff and administrative assistance.

Amounts to be paid to the Volunteer Fire Department shall be disbursed at the discretion of the Commissioners and may include expenses for operations and other expenditures approved by the District for maintaining emergency services within the District. In addition the District provides equipment that it owns for the Volunteer Fire Department's use.

NOTE 7 - SUBSEQUENT EVENTS

In May 2007, the District assumed a lease in the amount of \$60,819, to purchase a 2004 Pierce Fire Truck from the City of Florence. In November 2007, the District assumed a loan of \$79,564 to purchase portable and mobile radios.

In November 2007, the District approved changing their fiscal year end from December to September effective January 1, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

Williamson County Emergency Service District #7*Budgetary Comparison Schedule**For the Year Ended December 31, 2006*

	General Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	
	Original	Final	Budgetary Basis	
Revenues				
Property taxes	\$ 180,000	\$ 180,000	\$ 217,784	\$ 37,784
Williamson County contract	17,450	17,450	17,457	7
Interest income	-	-	2,978	2,978
Miscellaneous income	-	-	428	428
Total Revenues	197,450	197,450	238,647	41,197
Expenditures				
Contract fire disbursements	111,950	111,950	86,238	25,712
Insurance	10,000	10,000	13,344	(3,344)
Equipment rental	-	-	11,332	(11,332)
Legal and professional	12,500	12,500	4,157	8,343
Office and administration	2,700	2,700	2,022	678
Travel	2,300	2,300	240	2,060
Training	-	-	460	(460)
Total Expenditures	139,450	139,450	117,793	21,657
Excess (Deficiencies) of Revenues Over (Under) Expenditures	58,000	58,000	120,854	62,854
Other Financing Sources (Uses):				
Loan and Lease Proceeds	298,850	298,850	364,335	65,485
Principal Payments	-	-	(5,790)	(5,790)
Interest Expense	(11,350)	(11,350)	(8,621)	2,729
Capital Outlay-Assets Purchases	(345,500)	(345,500)	(397,712)	(52,212)
Total Other Financing Sources (Uses)	(58,000)	(58,000)	(47,788)	10,212
Excess (Deficiencies) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ -	\$ -	73,066	\$ 73,066
Fund Balauce, Beginning of Year			174,765	
Fund Balance, End of Year			\$ 247,831	