

TRAVIS COUNTY  
EMERGENCY SERVICES DISTRICT #3

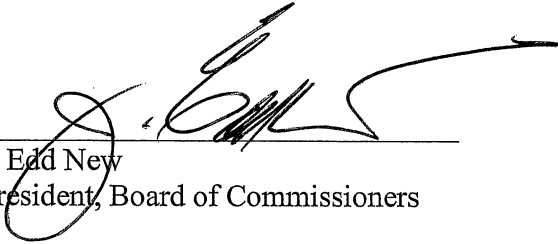
ANNUAL FINANCIAL STATEMENTS  
WITH OTHER SUPPLEMENTAL INFORMATION  
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED  
SEPTEMBER 30, 2013

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Certificate of Board Approval

I, J. Edd New, President of the Board of Travis County Emergency Services District #3, do hereby certify that this accompanying audit report for the year ended September 30, 2013 from John F. Lewis P.C. was reviewed and approved at a meeting of the Board of Commissioners held on the 24<sup>th</sup> day of March, 2014.



\_\_\_\_\_  
J. Edd New  
President, Board of Commissioners

TRAVIS COUNTY  
EMERGENCY SERVICES DISTRICT #3

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TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
LISTING OF OFFICIALS  
SEPTEMBER 30, 2013

**Board of Commissioners**

J. Edd New .....	President
John Villanacci .....	Vice President
Carroll Knight .....	Treasurer/Secretary
Gina Starr-Hill .....	Assistant Treasurer
David Detwiler .....	Commissioner

**Command Staff**

J.J. Wittig .....	Fire Chief
Robert Hartigan .....	District Chief
Herb Holloway .....	Business / HR Manager

**JOHN F. LEWIS, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

3613 WILLIAMS DRIVE, SUITE 501  
GEORGETOWN, TX 78628

LOCAL (512) 863-5720  
AUSTIN METRO 931-2801  
FAX (512) 863-5170  
[www.johnlewiscpa.com](http://www.johnlewiscpa.com)

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Travis County Emergency Services District #3  
Austin, Texas

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Travis County Emergency Services District #3 (the District), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which 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 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 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 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the respective governmental activities, the aggregate discretely presented component units, and each major fund of the Travis County Emergency Services District #3 as of September 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note A to the financial statements, in 2013, the District adopted new accounting guidance Governmental Accounting Standards Board (“GASB”) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to these matters.

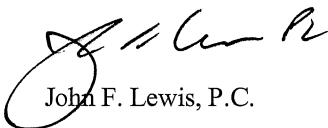
***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4 through 10, and page 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s financial statements as a whole. The introductory section, statistical section, and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The fiduciary fund financial statements are the responsibility of management as its administrator; and were derived from and relate directly to the underlying accounting and other records used to prepare those financial statements. The introductory section, statistical section, and fiduciary fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



John F. Lewis, P.C.

Georgetown, Texas  
March 21, 2014

**Required Supplementary Information**

## TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

### Management's Discussion and Analysis For the Year Ended September 30, 2013

Our discussion and analysis of the financial performance of Travis County Emergency Services District #3, and provides an overview of the District's financial activities for the year ended September 30, 2013. Please read it in conjunction with the District's basic financial statements, which begin on page 11 of this report.

#### FINANCIAL HIGHLIGHTS

- The District's general fund had revenues of \$4,258,695 and expenditures of \$3,373,470 for the year ended September 30, 2013.
- The District had total net position of \$7,041,972 at September 30, 2013.
- The District's cash and investment balances were \$4,263,478 as of September 30, 2013.
- The District's debt obligations consisted of capital leases payable, notes payable, and bonds payable with outstanding amounts of \$251,863, \$443,173, and \$3,120,000, respectively as of September 30, 2013.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Travis County ESD #3. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

##### Government-wide Financial Statements

The government-wide financial statements 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 Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the accrual basis of accounting is used, which is similar to the accounting used by most private-sector businesses. Some revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



## TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

In the Statement of Net Position, we present the District as one type of fund:

*Governmental* - Most of the District's activities are reported here.

The government-wide financial statements are found on pages 11-12 of this report.

#### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The fund financial statements begin on page 13, and provide detailed information about the most significant funds - not the District as a whole. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are included in one category: governmental funds. Some funds are required to be established by State law and by bond covenants; currently, the only fund required is the general fund. As the District ventures further into securing bonded debt on future endeavors it may be necessary to establish other funds.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities and governmental funds in the *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position* and the *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities* found on pages 14 and 16 of this report.

The *Notes to Financial Statements* provide additional information that is essential for 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 17-31 of this report.

Each year the District adopts a budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. This information can be found on page 32 of this report.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3**

**Management's Discussion and Analysis  
For the Year Ended September 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's net position increased by \$456,347 during fiscal year 2013. At September 30, 2013, the District's assets exceed liabilities by \$7,041,972. The information below presents a summary of the net position and changes in net position of governmental activities over the past three years. Details of this information can be found in the Government-wide financial statements on pages 11-12 of this report.

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3 - Net Position**

	Governmental Activities		
	2011	2012	2013
Assets:			
Current and other assets	\$ 3,422,476	\$ 3,844,420	\$ 4,316,411
Capital assets, net of accumulated depreciation	7,455,376	7,221,751	6,982,856
Total Assets	\$ 10,877,852	\$ 11,066,171	\$ 11,216,664
Deferred Charges on Refunds	\$ -	\$ -	\$ 44,834
Liabilities:			
Current and other liabilities	\$ 630,251	\$ 685,712	\$ 699,056
Non-current liabilities	4,085,860	3,794,833	3,603,073
Total Liabilities	\$ 4,716,111	\$ 4,480,545	\$ 4,302,129
Net Position:			
Invested in capital assets, net of related debt	\$ 3,057,073	\$ 3,092,416	\$ 3,007,468
Restricted	53,984	59,142	5,009
Unrestricted, as restated	3,050,684	3,434,067	4,029,495
Total Net Position	\$ 6,161,741	\$ 6,585,625	\$ 7,041,972

**TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3 - Changes in Net Position**

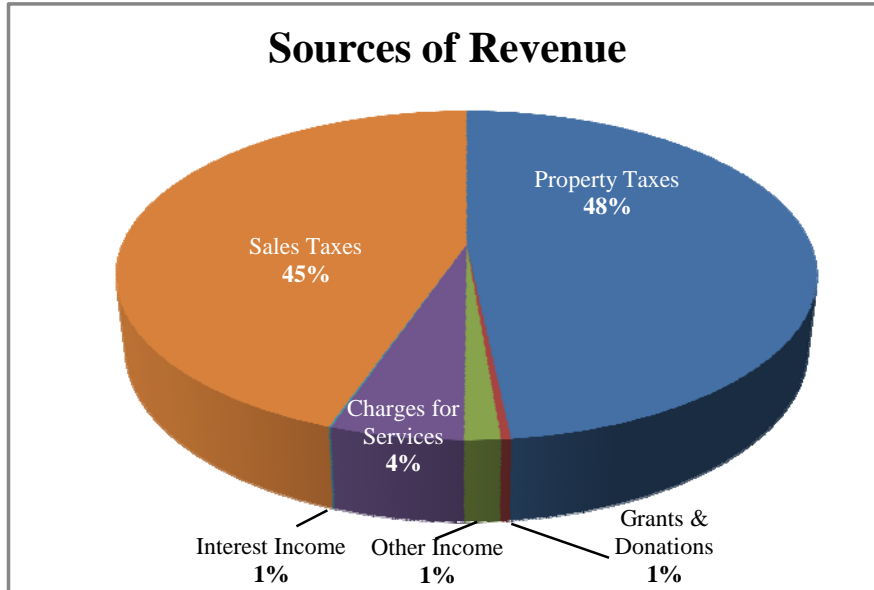
	Governmental Activities		
	2011	2012	2013
Revenues:			
Program revenue	\$ 181,669	\$ 236,839	\$ 223,809
General revenues:			
Property taxes	2,040,122	2,029,113	2,059,108
Sales taxes	1,620,115	1,690,988	1,902,968
Interest and other income	17,585	24,844	75,604
Total General Revenues	3,677,822	3,744,945	4,037,680
Total Revenues	3,859,491	3,981,784	4,261,489
Expenses:			
Fire and Emergency Services	3,562,515	3,557,900	3,805,142
Total Expenses	3,562,515	3,557,900	3,805,142
Change in Net Position	\$ 296,976	\$ 423,884	\$ 456,347

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

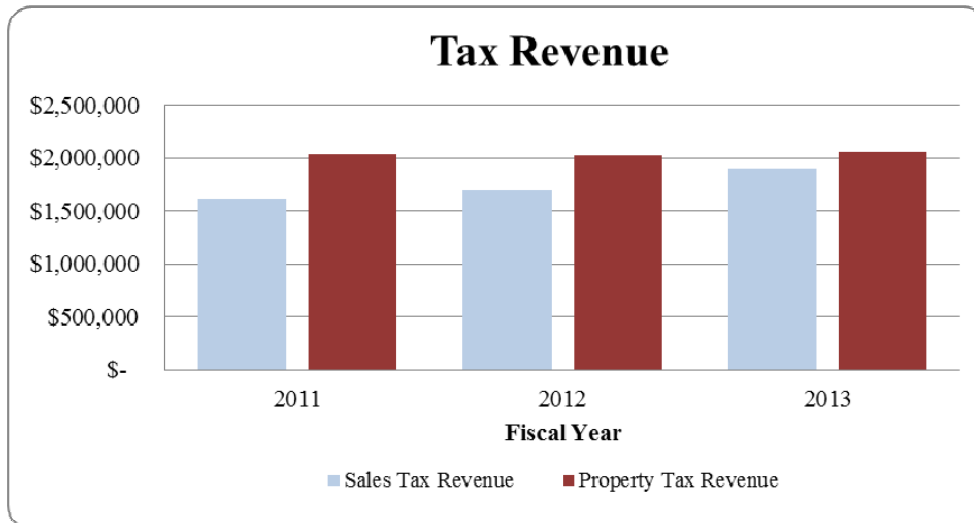
## Management's Discussion and Analysis For the Year Ended September 30, 2013

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District receives the majority of its revenue from property taxes and sales taxes collected by Travis County Tax Collector and the State Comptroller, respectively, and remitted to the District. The following graph presents the different sources of revenue recorded by the District during fiscal year 2013.



Property tax revenues increased \$29,995 or 1.5% from fiscal year 2012. The related tax rate held by the District remained virtually unchanged at \$0.0989/\$100. The amount of sales tax collected by the District increased \$211,980 or 12.5% from fiscal year 2012. The following graph presents a comparison of the amount of property tax and sales tax revenue collected by the District for the years ended September 30, 2011, 2012, and 2013.



# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

## Management's Discussion and Analysis For the Year Ended September 30, 2013

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

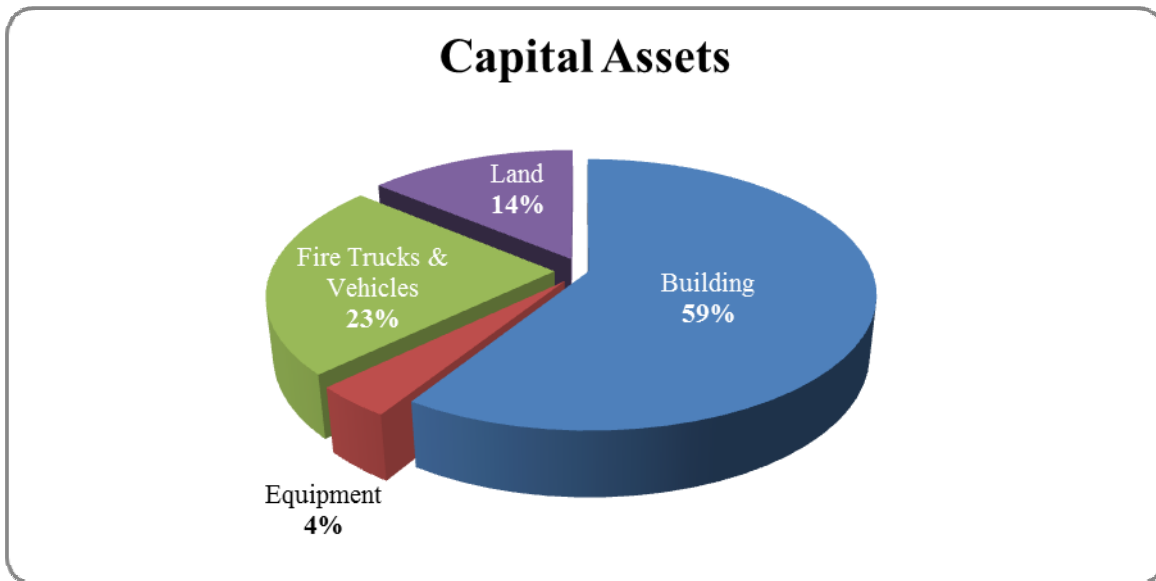
Total revenues for the District's governmental funds were \$4,259,002 while total expenditures were \$3,791,791. The excess of revenues over expenditures was \$467,211.

As of September 30, 2013, the fund balance in the General Fund was \$4,139,651 and \$5,009 in the Debt Service Fund. Details of this information can be found on pages 13 and 15 of this report.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of September 30, 2013, the District had \$9,672,748 invested in capital assets, less accumulated depreciation of \$2,689,892. The following graph presents a detail of the types of capital assets held by the District at the year ended September 30, 2013.



## TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

##### Debt

As of September 30, 2013, the District had long-term debt consisting of capital leases payable, notes payable, and bonds payable. The following chart presents the current and long-term portions of each type of debt obligation.

	Current Portion	Long-Term Portion	Total
Capital Leases Payable	\$ 81,845	\$ 170,018	\$ 251,863
Notes Payable	25,470	417,703	443,173
Bonds Payable	265,000	2,855,000	3,120,000
Total	\$ 372,315	\$ 3,442,721	\$ 3,815,036

During 2013 the District issued \$3,030,000 of Limited Tax Refund Bonds, Series 2013. See Note G to the Financial Statements for more detail.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's appointed officials consider many factors when setting the fiscal budget, tax rates, and necessary expenses to be incurred in the next fiscal year's activities. The District's budgetary growth has mirrored its residential growth and economy.

The original budget was amended due to increased revenue and a decision to increase spending in payroll and benefits, decrease spending in continuing education and various small adjustments. The result was going from a projected budget surplus of \$89,655 to a projected surplus of \$429,200.

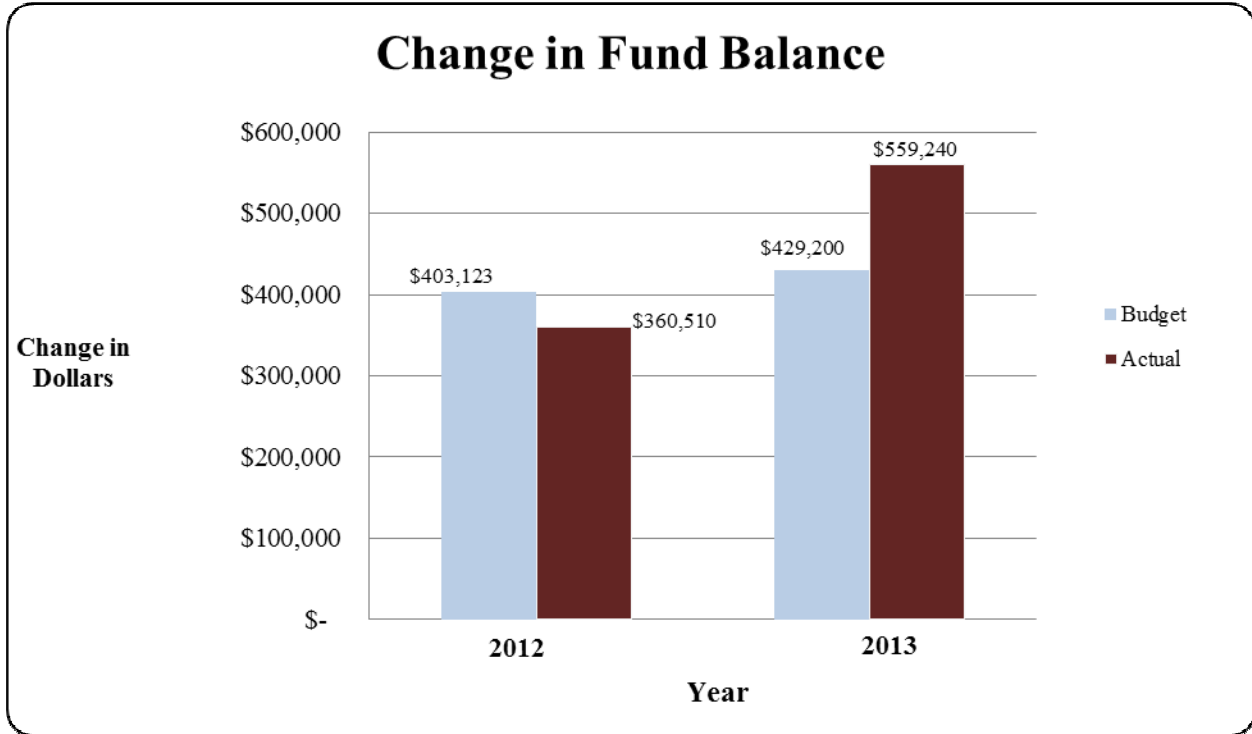
During the year the District's general fund was over/under budget in various categories. The amount of these variances was not significant to the overall budget of the District and was caused by unexpected increases/decreases in operating costs and other maintenance items.

The District was able to generate an increase in fund balance above the amount that was budgeted for the year ended September 30, 2013. The following graph shows the final budgeted and actual amounts of the change in fund balance of the general fund for the years ended September 30, 2012 and 2013. For a more detailed budget to actual comparison see page 32 of this report.

# TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

## Management's Discussion and Analysis For the Year Ended September 30, 2013

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)



### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at:

Travis County Emergency Services District #3  
Attn: Treasurer  
4111 Barton Creek Boulevard  
Austin, Texas 78735

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

ASSETS	<u>Governmental Activities</u>	<u>Component Units</u>
Current Assets		
Cash and cash equivalents	\$ 2,036,446	\$ 17,993
Investments	2,227,032	-
Property tax receivables (net of uncollectible taxes)	47,886	-
Accounts receivable - other	3,300	-
Prepaid expenses	1,747	-
Total Current Assets	<u>4,316,411</u>	<u>17,993</u>
Noncurrent Assets		
Capital assets (net of accumulated depreciation)	<u>6,982,856</u>	-
Total Noncurrent Assets	<u>6,982,856</u>	-
<b>TOTAL ASSETS</b>	<u><u>11,299,267</u></u>	<u><u>17,993</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	<u>44,834</u>	-
LIABILITIES		
Current Liabilities		
Accrued salaries payable	93,685	-
Accrued liabilities	30,180	-
Accrued interest on long-term liabilities	23,219	-
Compensated absences payable	179,657	-
Leases payable, current portion	81,845	-
Notes payable, current portion	25,470	-
Bonds payable, current portion	265,000	-
Total Current Liabilities	<u>699,056</u>	-
Noncurrent Liabilities		
Leases payable, less current portion	170,018	-
Notes payable, less current portion	417,703	-
Bonds payable, less current portion	2,855,000	-
Bonds refunding premium (net of accumulated amortization)	160,352	-
Total Noncurrent Liabilities	<u>3,603,073</u>	-
<b>TOTAL LIABILITIES</b>	<u><u>4,302,129</u></u>	-
NET POSITION		
Invested in capital assets, net of related debt	3,007,468	-
Restricted for debt service	5,009	-
Unrestricted	<u>4,029,495</u>	<u>17,993</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 7,041,972</u></u>	<u><u>\$ 17,993</u></u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Component Unit
Governmental Activities:					
Fire and Emergency Services	\$ 3,359,660	\$ 220,299	\$ 3,510	\$ (3,135,851)	\$ -
General Government	213,054	-	-	(213,054)	-
Amortization of Deferred Charges	156,592	-	-	(156,592)	-
Interest on Long-Term Debt	75,836	-	-	(75,836)	-
Total Governmental Activities	<u>\$ 3,805,142</u>	<u>\$ 220,299</u>	<u>\$ 3,510</u>	<u>\$ (3,581,333)</u>	<u>\$ -</u>
Response Training Foundation	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 4,551</u>	<u>\$ -</u>	<u>\$ 1,551</u>
General revenue					
Property taxes				2,059,108	-
Sales taxes				1,902,968	-
Interest income				16,209	-
Other income				59,395	-
Total General Revenue				<u>4,037,680</u>	<u>-</u>
Change in Net Position				456,347	1,551
Net Position, beginning of year, as restated				6,585,625	16,442
Net Position, end of year				<u>\$ 7,041,972</u>	<u>\$ 17,993</u>

See independent auditors' report and accompanying notes to financial statements



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,031,437	\$ 5,009	\$ 2,036,446
Investments	2,227,032	-	2,227,032
Property taxes receivable (net of uncollectible taxes)	47,886	-	47,886
Accounts receivable - other	3,300	-	3,300
Prepaid expenses	1,747	-	1,747
<b>TOTAL ASSETS</b>	<u>\$ 4,311,402</u>	<u>\$ 5,009</u>	<u>\$ 4,316,411</u>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 30,180	\$ -	\$ 30,180
Accrued salaries payable	93,685	-	93,685
Deferred revenue	47,886	-	47,886
<b>TOTAL LIABILITIES</b>	<u>171,751</u>	<u>-</u>	<u>171,751</u>
<b>FUND BALANCE</b>			
Restricted	-	5,009	5,009
Assigned	1,238,221	-	1,238,221
Unassigned	2,901,430	-	2,901,430
<b>TOTAL FUND BALANCE</b>	<u>4,139,651</u>	<u>5,009</u>	<u>4,144,660</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 4,311,402</u>	<u>\$ 5,009</u>	<u>\$ 4,316,411</u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

Total Governmental Fund Balances	\$	4,144,660
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (net) and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,027,690
Long-term liabilities, including bonds payable, notes payable capital leases and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.		(4,178,264)
Expenses in the Statement of Activities that do not use current financial resources are not reported as expenses in the funds.		45,399
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		<u>2,487</u>
Net Position of Governmental Activities	\$	<u><u>7,041,972</u></u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Debt Service	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Property taxes	\$ 2,056,621	\$ -	\$ 2,056,621
Sales tax	1,902,968	-	1,902,968
Grants and donations	3,510	-	3,510
Charges for services	220,299	-	220,299
Miscellaneous income	59,395	-	59,395
Interest income	15,902	307	16,209
	<u>4,258,695</u>	<u>307</u>	<u>4,259,002</u>
Total Revenues			
Expenditures			
Current:			
General and administrative	213,084	-	213,084
Public safety	3,000,576	-	3,000,576
Capital outlay	24,590	-	24,590
Debt Service:			
Bond issuance cost	-	84,026	84,026
Principal retirement	104,299	280,000	384,299
Interest and fees	30,921	54,295	85,216
	<u>3,373,470</u>	<u>418,321</u>	<u>3,791,791</u>
Total Expenditures			
Excess (Deficiency) of			
Revenues Over Expenditures	885,225	(418,014)	467,211
Other Financing Sources (Uses)			
Premiums on refunding of bonds	-	169,322	169,322
Proceeds of refunding bonds	-	3,030,000	3,030,000
Payment to refunded bond escrow agent	-	(3,161,426)	(3,161,426)
Transfers in	-	325,985	325,985
Transfers out	(325,985)	-	(325,985)
	<u>(325,985)</u>	<u>363,881</u>	<u>37,896</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	559,240	(54,133)	505,107
Fund Balance, beginning of year	<u>3,580,411</u>	<u>59,142</u>	<u>3,639,553</u>
Fund Balance, end of year	<u>\$ 4,139,651</u>	<u>\$ 5,009</u>	<u>\$ 4,144,660</u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	505,107
<p>Amounts reported for governmental activities in the  Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlay 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 of  depreciation expense for the period in excess of capital outlay.</p>		(238,894)
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds,  but repayment reduces long-term liabilities in the Statement of Net Position. This  is the amount of principal repayments on long-term debt in the current period.</p>		384,299
<p>Some revenues in the Statement of Activities do not provide current financial  resources and therefore are not reported as revenues in the governmental funds.</p>		2,487
<p>Some expenses reported in the Statement of Activities do not require the use of  current financial resources and therefore are not reported as expenditures  in the governmental funds.</p>		<u>(196,652)</u>
Change in Net Position of Governmental Activities	\$	<u><u>456,347</u></u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District currently reports under the financial reporting requirements of GASB Statement Nos. 34 and 37, subsequent with other statements applicable to the reporting period. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**Financial Reporting Entity**

Prior to October 1, 1992, the District operated as a rural fire prevention district (Travis County Rural Fire Prevention District No. 6) under Article III, Section 48-d of the Texas Constitution. On January 18, 1992, the voters of the District approved the formation of an emergency services district under Article III, Section 48-e of the Texas Constitution. On January 18, 1992, the County Commissioners Court of Travis County, State of Texas approved the order to form the Travis County Emergency Services District No. 3. The District was formed on October 1, 1992, and operates under a Board of Directors appointed by the Commissioners Court of Travis County. The District is exempt from federal income taxes, state sales tax and state franchise tax.

**Discretely Presented Component Unit**

Oak Hill Regional Emergency Response Training Foundation (the Foundation) is a discretely presented component unit of the District. The Foundation is a non-profit corporation dedicated to providing emergency service training. The Foundation is a legally separate entity determined to be a non-major discretely presented component unit of the District due to the District's voting majority in the governing body, financial support and the ability to impose its will on the Foundation. The Foundation is reported on the accrual basis of accounting, following accounting principles generally accepted in the United States of America, and is only reported in the Statement of Net Position and Statement of Activities located on page 11 and 12. Complete information and financial statements can be obtained from the Foundation's office, which is located at 4111 Barton Creek Blvd., Austin, Texas 78735.

**Mission Statement**

The mission of the District is "To Preserve Life and Property."

**Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District as a whole, except for fiduciary activities. Governmental activities generally are supported by taxes, intergovernmental and non-exchange revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District currently does not have any business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated to functions based on reasonableness. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Also included in program revenues are grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- B. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

*General Fund* - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

*Debt Service Fund* - The Debt Service Fund is used to accumulate resources for the payment of general long-term debt principal, interest, and related costs (other than those payable from enterprise funds and special assessment funds).

*Pension Trust Fund*, a fiduciary fund type, is used to track the defined contribution plan's assets that are held by third party administrator in the District's name for the sole benefit of the plan's participants.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe what transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus. This approach differs for the manner in which governmental fund financial statements are prepared, as discussed below. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

The financial transactions of the District are recorded in individual funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the 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.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

GASB Statement No. 34 eliminates the presentation of Accounts Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 34 also requires, as supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified general fund budget with actual results.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgeting

The District annually formally adopts a budget on a basis consistent with generally accepted accounting principles. Budgeted amounts in the financial statements have been revised for amendments authorized during the year.

**Assets, Liabilities, and Equity**

Cash

The District maintains pooled cash, which are separately held and maintained in their respective funds or component units as "cash and cash equivalents".

Cash deposits and investments are reported at the carrying amount, which reasonably estimates fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Equity (continued)**

Capital Assets (continued)

The District currently maintains a policy of capitalizing all items that meet or exceed \$5,000 individually. Those items that do not meet the capitalization requirements are expensed accordingly.

The range of estimated useful lives by type of asset is as follows:

Fire Trucks and Vehicles	5-20 Years
Building and Improvements	20-40 Years

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

Compensated Absences

Accruals for vacation and sick pay are reflected in the government-wide statements for unpaid amounts of vacation and sick pay earned by employees. It is the policy of the Department to provide vacation leave to every full-time shift and full-time regular (administrative) employee who work 30 hours or more per week. This benefit is an investment by the Department in the health and well being of each employee; consequently, every employee is encouraged to use at least two-thirds of his/her annual accumulation of vacation leave during the year. Vacation leave has a 240 hour cap in terms of accumulation at the end of the calendar year. In case of termination or layoff, any vacation leave accrued balances, after applicable adjustments for usage or bought/sold vacation leave, will be paid to the employee during the next payroll cycle.

The District also provides sick leave to the full-time employees as mentioned above. Sick leave has a 480 hour cap in terms of accumulation at the end of the calendar year. Upon separation, an employee shall be compensated for accrued sick leave at their final salary rate with a maximum of one-half of the accrued sick leave but not to exceed 240 hours (that is one-half of 480 accrued hours). Employees who leave the department before their probationary period has ended or because of sick leave abuse shall forfeit any accrued sick leave and shall not be compensated.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists of capital leases, notes payable, and bonds payable.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-Term Debt (continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Source of Funds

Ad valorem taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Property taxes accounted for approximately 48% of the District's revenue for the year ended September 30, 2013.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District has \$5,009 restricted for debt service.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through approval by the Board.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Equity Classifications (continued)

Assigned - amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes. At year-end, the District had assigned \$1,238,221 for special use and emergencies in order to sustain service levels in the event of conditions which would have a significant impact on its revenues or expenses. The annual reservation is calculated based on prior year operating results per the reserves policy. The use of the reserves must be authorized by a vote of the Board.

Unassigned - all other spendable amounts.

**Revenue, Expenditures and Expenses**

Property Taxes

Property taxes are collected by Nelda Wells Spears, Travis County Tax Assessor Collector, and are forwarded to the District through bank transfer. The tax rate held by the District during 2012 was \$0.0989/\$100. Property tax revenues are considered available when they become due or past due and are considered receivable within the current period, including those property taxes expected to be collected during a sixty-day period after the close of the District's fiscal year. Property taxes are billed on October 1 of each year, a lien is placed on the property on January 1, and the taxes become due on January 31. The assessed value for the roll of at December 31, 2012 was \$2,066,357,755. Property taxes receivable for 2013 are \$54,118 net of allowance for doubtful accounts of \$6,232.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)

Non-Current

Capital Outlay

**Other**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other (continued)**

Deferred Outflows and Inflows of Resources

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent 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. GASB Statement No. 63 became effective for fiscal years beginning after December 15, 2011 and has been implemented in these financial statements.

Items Previously Reported as Assets and Liabilities

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for fiscal years beginning after December 12, 2012 but has been early implemented in these financial statements. See Note L for the prior period adjustment related to the adoption of GASB Statement No. 65.

**NOTE B - CASH AND CASH EQUIVALENTS**

Deposit and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

The District's investment policy allows it to invest in the following types of investments, which are authorized for the investment of funds of local government under the Public Funds Investment Act.

1. Obligations of, or Guaranteed by, The United States
2. Certificates of Deposit
3. TexPool Investments Pools

The District is authorized to invest in the following types of investments to the extent authorized by Chapter 2256, Government Code, only upon the board's adoption of a separate resolution authorizing an investment: obligations of, or guaranteed by, government entities other than the

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE B - CASH AND CASH EQUIVALENTS (continued)**

Deposit and Investments (continued)

United States or one of its agencies or instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, and mutual funds.

It is the District's policy for deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District's deposits are categorized to give an indication of the level of risk assumed by the District at the fiscal year-end.

The categories are described below:

Category 1 - Insured or collateralized by securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

At September 30, 2013, the District's carrying amount of cash deposits was \$2,036,446, and the bank balance was \$2,147,348. All cash deposits were categorized as Category 1 as of September 30, 2013.

The district has investments in the Texas Local Government Investment Pool (TexPool). TexPool is a public funds investment pool created by the Treasurer of the State of Texas pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated authority to hold legal title to TexPool as custodian and to make investment purchases with the District's funds. The District owns specific, identifiable investment securities of the pool; consequently, no disclosure of categories of credit risk is made.

The market value is determined by the number of pool shares owned on that day. Each share is valued at \$1. The market value of the TexPool investments at September 30, 2013, was \$2,032.

The District maintains an investment account with a bank composed of certificate of deposits (CD's) purchased from various institutions and held within the investment account. Each CD from each institution is less than the \$250,000 FDIC coverage limit. The total balance of CD's at September 30, 2013 was \$2,225,000.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE B - CASH AND CASH EQUIVALENTS (continued)**

Deposit and Investments (continued)

Types of investments:	Fair Value	Cost	Average Credit Rating (1)	Weighted Average Days to Maturity (2)
<u>Non-Pooled Investments (Government-wide):</u>				
<i>Governmental Activities</i>				
Major Funds:				
General Fund – TexPool	\$ 2,032	\$ 2,032	AAAm	78
General Fund – CD's	<u>2,225,000</u>	<u>2,225,000</u>	N/A	N/A
Total Investments	<u>\$ 2,227,032</u>	<u>\$ 2,227,032</u>		

- (1) Ratings are provided where applicable to indicate associated credit risk.  
 (2) Uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the investment.

**NOTE C - CAPITAL ASSETS**

A summary of changes in capital assets during the year ended September 30, 2013 is as follows:

	Balance 9/30/2012	Additions	Disposals	Balance 9/30/2013
<i>Governmental Activities</i>				
Depreciable Assets:				
Building & Improvements	\$ 5,707,801	\$ -	\$ -	\$ 5,707,801
Equipment	344,429	24,590	-	369,019
Fire Trucks & Vehicles	<u>2,245,267</u>	<u>-</u>	<u>-</u>	<u>2,245,267</u>
Total Depreciable Assets	<u>8,297,497</u>	<u>24,590</u>	<u>-</u>	<u>8,322,087</u>
Nondepreciable Assets:				
Land (non-depreciable)	<u>1,350,661</u>	<u>-</u>	<u>-</u>	<u>1,350,661</u>
Total Nondepreciable Assets	<u>1,350,661</u>	<u>-</u>	<u>-</u>	<u>1,350,661</u>
Less: Accumulated Depreciation	<u>(2,426,407)</u>	<u>(263,485)</u>	<u>-</u>	<u>(2,689,892)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$ 7,221,751</u>	<u>\$ (238,895)</u>	<u>\$ -</u>	<u>\$ 6,982,856</u>

Depreciation expense was charged to governmental functions as follows:

Firefighting and Emergency Services	\$ 254,754
General Government	<u>8,731</u>
Total Depreciation Expense	<u>\$ 263,485</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE D - DEFERRED OUTFLOWS OF RESOURCES**

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2013:

Deferred charges on refundings - September 30, 2013	\$	-
Additions from Series 2013 refundings		201,426
Retirements from Series 2013 refundings		<u>(156,592)</u>
Deferred charges on refundings - September 30, 2013	\$	<u>44,834</u>

**NOTE E - CAPITAL LEASE OBLIGATIONS**

The district maintains a capital lease collateralized by a Pierce Quantum Ladder Truck and a Quantum CAFS Pumper. The terms of the lease are as follows:

Loan Amount: \$714,643  
Maturity Date: March 2, 2016  
Interest Rate: 4.65% per annum  
Payment Terms: Payments are due and payable in annual installments of \$90,983 beginning March 2, 2007 and ending March 2, 2016. The loan is collateralized with the ladder truck and CAFS pumper. The balance at the beginning of the year was \$325,262, with principal payments during the year of \$75,859. The total outstanding balance at September 30, 2013 was \$249,403.

The district maintains a capital lease collateralized by two Sharp copiers. The terms of the lease are as follows:

Loan Amount: \$14,938  
Maturity Date: April 26, 2014  
Interest Rate: 6.1% per annum  
Payment Terms: Payments are due and payable in monthly installments of \$360 beginning April 26, 2010 and ending April 26, 2014. The loan is collateralized with the copiers. The balance at the beginning of the year was \$10,139, with principal payments during the year of \$3,439. The total outstanding balance at September 30, 2013 was \$2,460.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE E - CAPITAL LEASE OBLIGATIONS (continued)**

The future debt service for capital leases payable is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 81,845	\$ 11,658
2015	83,077	7,906
2016	86,941	3,781
Totals	<u>\$ 251,863</u>	<u>\$ 23,345</u>

**NOTE F - NOTES PAYABLE**

The District has a loan for the construction of an emergency services training facility. The terms of the note are as follows:

Loan Amount: \$467,634  
 Maturity Date: July 17, 2027  
 Interest Rate: 3.26% per annum  
 Payment Terms: Payments are due and payable in annual installments of \$39,917 beginning July 17, 2008 and ending July 17, 2027. The total outstanding balance at September 30, 2013 was \$443,173.

The future debt service for the note is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 25,470	\$ 14,447
2015	26,300	13,617
2016	27,157	12,760
2017	28,043	11,874
2018	28,957	10,960
Thereafter	307,246	52,250
Totals	<u>\$ 443,173</u>	<u>\$ 115,908</u>

**NOTE G - LIMITED TAX BONDS**

Prior to January 15, 2013, the District had two series of bonds outstanding; Limited Tax Bond, Series 2003 and Limited Tax Bond, Series 2005. These bonds were issued for the purpose of acquiring land and constructing, and equipping fire stations and fire training facilities. For each, interest was paid twice per year and principal once per year.



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE G - LIMITED TAX BONDS (continued)**

On January 15, 2013, the District issued \$3,030,000 of Limited Tax Refunding Bonds, Series 2013, to advance refund \$2,960,000 of its previously issued Series 2003 and 2005 bonds in order to lower its overall debt service requirements. The net proceeds of \$3,170,304 (after payment of \$84,042 in underwriting fees, insurance, and other issuance costs) were used for the following: \$3,161,426 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$8,878 was deposited in the Debt Service Fund for future interest and principal payments. As a result, \$2,960,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. At September 30, 2013, \$895,000 of the outstanding bonds are considered defeased as \$2,065,000 of the refunded bonds were retired prior to year-end. The reacquisition price exceeded the amount of the old debt by \$201,426, which will be amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$251,483.

The beginning principal balance of the Limited Tax Bond, Series 2003 was \$2,230,000, with a scheduled principal payment made during the year of \$165,000 and the defeased amount of \$2,065,000, leaving a principal balance of zero at September 30, 2013.

The beginning principal balance of the Limited Tax Bond, Series 2005 was \$1,100,000, with a scheduled principal payment made during the year of \$65,000 and the defeased amount of \$895,000, leaving a principal balance of \$140,000 at September 30, 2013.

Future payments for the Limited Tax Bond, Series 2005 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 70,000	\$ 5,600	\$ 75,600
2015	70,000	2,800	72,800
Total	<u>\$ 140,000</u>	<u>\$ 8,400</u>	<u>\$ 148,400</u>

The beginning principal balance of the Limited Tax Bond, Series 2013 was \$3,030,000, with a principal payment made during the year of \$50,000, leaving a principal balance of \$2,980,000 at September 30, 2013. Bond reoffering premium was \$169,322, with a current year amortization of \$8,970 (credited to interest expense) leaving a net reoffering premium at September 30, 2013 of \$160,352.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE G - LIMITED TAX BONDS (continued)**

Future payments for the Limited Tax Bond, Series 2013 are as follows:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 195,000	\$ 76,950	\$ 271,950
2015	200,000	73,050	273,050
2016	280,000	69,050	349,050
2017	280,000	63,450	343,450
2018	290,000	57,850	347,850
2019	300,000	52,050	352,050
2020	305,000	43,050	348,050
2021	310,000	33,900	343,900
2022	320,000	24,600	344,600
2023	335,000	15,000	350,000
2024	85,000	4,950	89,950
2025	80,000	2,400	82,400
Total	<u>\$ 2,980,000</u>	<u>\$ 516,300</u>	<u>\$ 3,496,300</u>

**NOTE H - PENSION PLANS**

The District offers its employees a two Pension Plans (the Plans) consistent with Internal Revenue Code Section 457(a) and 401(a). After the required minimum level of service requirements have been met, all eligible employees can join the Plans. The employees are immediately vested in personally contributed amounts. The Plans' funds are available to the employee at termination, retirement, death, loan or unforeseeable emergency as allowed by the Plans' documents. The District matches 100% of employee contributions that are limited to 9.5% of compensation. Employees are fully vested in employer contributions to the Plans on their behalf after a predetermined number of years of service. The specific requirements of each plan are as defined in the District's Plan documents. The Plans are reported in the accompanying unaudited fiduciary financial statements.

**NOTE I - RISK MANAGEMENT**

The District has insurable risks in various areas, including property, casualty, automobile, comprehensive liability and workmen's compensation. The District has obtained insurance against risks through commercial carriers. There were no related settlements in excess of insurance coverage during the year. All other insurance against risk is through the Texas Municipal League (TML) intergovernmental Risk Pool, as discussed below. Management believes the amount and types of coverage are adequate to protect the District from losses which could reasonably be expected to occur.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

**NOTE I - RISK MANAGEMENT (continued)**

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The District participates in the TML Intergovernmental Risk Pool for various risk areas, wherein member entities pool risks and funds and share in the costs of losses. Claims against the District in each respective are expected to be paid by that public entity risk pool. However, in the event the public entity risk pool became insolvent, or otherwise is unable to pay claims, the District may have to pay the claims.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

The District is committed under various leases for office equipment. These leases are considered for accounting purposes to be replaced in the ordinary course of business with similar leases. Future aggregate annual commitments are not material to the District's financial statements.

**NOTE K - SUBSEQUENT EVENTS**

Management has evaluated subsequent events for disclosure and/or recognition through the date of the *Independent Auditors' Report*, which is the date the financial statements were available to be issued.

**NOTE L - PRIOR PERIOD ADJUSTMENT**

In accordance with GASB Statement No. 65, bond issuance costs previously reported as assets in the Statement of Net Position and amortized over the life of the related debt are now recognized as an expense in the period in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net position – September 30, 2012	\$ 6,641,329
Effect of adjustments	<u>(55,704)</u>
Net position – September 30, 2012, as restated	\$ <u>6,585,625</u>

**Required Supplementary Information**

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property taxes	\$ 2,035,059	\$ 2,057,265	\$ 2,056,621	\$ (644)
Sales tax	1,644,578	1,902,968	1,902,968	-
Grants and donations	2,500	3,510	3,510	-
Charges for services	213,500	219,453	220,299	846
Miscellaneous income	58,400	63,837	59,395	(4,442)
Interest income	7,500	15,823	15,902	79
<b>Total Revenues</b>	<u>3,961,537</u>	<u>4,262,856</u>	<u>4,258,695</u>	<u>(4,161)</u>
<b>Expenditures</b>				
Cost of revenue acquisition	73,488	83,483	83,483	-
Emergency response	329,133	310,662	325,547	(14,885)
Continued education	120,775	80,995	85,436	(4,441)
Human resources	2,587,290	2,620,321	2,505,748	114,573
Administration	253,071	234,372	213,084	21,288
Prevention/public education	2,425	775	362	413
Capital outlay	-	24,590	24,590	-
Debt service:				
Principal	104,299	104,299	104,299	-
Interest	30,921	31,001	30,921	80
<b>Total Expenditures</b>	<u>3,501,402</u>	<u>3,490,498</u>	<u>3,373,470</u>	<u>117,028</u>
Excess of Revenues Over Expenditures	<u>460,135</u>	<u>772,358</u>	<u>885,225</u>	<u>112,867</u>
Other Financing Sources (Uses)				
Transfers out	<u>(370,480)</u>	<u>(343,158)</u>	<u>(325,985)</u>	<u>17,173</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(370,480)</u>	<u>(343,158)</u>	<u>(325,985)</u>	<u>17,173</u>
<b>Net Change in Fund Balance</b>	89,655	429,200	559,240	<u>\$ 130,040</u>
Fund Balance, beginning of year	<u>3,580,411</u>	<u>3,580,411</u>	<u>3,580,411</u>	
Fund Balance, end of year	<u>\$ 3,670,066</u>	<u>\$ 4,009,611</u>	<u>\$ 4,139,651</u>	

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
TAX COLLECTION HISTORY  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
(UNAUDITED)

<u>Tax Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Amount Levied</u>	<u>Current</u>	<u>Current &amp; Prior</u>	<u>As of September 30,</u>
2004	\$ 1,331,905,930.00	\$ 0.1000	\$ 1,331,905.93	98.80%	100.56%	2005
2005	1,382,643,672.00	\$ 0.0994	1,374,347.81	99.19%	100.57%	2006
2006	1,589,841,210.00	\$ 0.1000	1,589,841.00	99.31%	100.88%	2007
2007	1,810,474,670.00	\$ 0.1000	1,809,776.95	99.13%	99.97%	2008
2008	2,008,727,530.00	\$ 0.1000	2,008,727.53	95.55%	100.88%	2009
2009	2,093,040,980.00	\$ 0.1000	2,093,040.98	98.99%	100.14%	2010
2010	2,022,133,830.00	\$ 0.1000	2,022,133.83	99.04%	100.46%	2011
2011	2,015,744,360.00	\$ 0.1000	2,015,744.36	98.95%	97.18%	2012
2012	2,066,357,755.31	\$ 0.0989	2,066,357.76	99.21%	97.42%	2013

(a) Per \$100 of taxable assessed value

Source: Travis County Tax Assessor/Collector

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
 STATEMENTS OF FIDUCIARY NET ASSETS  
 SEPTEMBER 30, 2013  
 (UNAUDITED)

	401(A) Pension Trust Fund	457 Pension Trust Fund
ASSETS		
Cash, Cash Equivalents and Investments	\$ 424,388	\$ 785,886
Participant Notes/Loans	-	56,291
Total Assets	\$ 424,388	\$ 842,177
NET ASSETS		
Held in Trust for Pension Benefits	\$ 424,388	\$ 842,177
Total Net Assets	\$ 424,388	\$ 842,177

The District is the administrator of the above pension plans for the benefit of the employees. These funds are held by an outside Trustee.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3  
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
(UNAUDITED)

	<u>401(A) Pension Trust Fund</u>	<u>457 Pension Trust Fund</u>
ADDITIONS:		
Employer Contributions	\$ 123,339	\$ -
Participant Contributions	-	125,709
Participant Rollovers	-	47,843
Interest Earned on Loan Security Accounts	5	1,612
Increase in Fair Value of Investments	<u>40,755</u>	<u>77,729</u>
 Total Additions	 <u>164,099</u>	 <u>252,893</u>
DEDUCTIONS:		
Administrative Fees	2,580	3,879
Benefits Paid or Withdrawals	<u>10,529</u>	<u>15,646</u>
 Total Deductions	 <u>13,109</u>	 <u>19,525</u>
 CHANGE IN NET ASSETS	 150,990	 233,368
 NET ASSETS, BEGINNING OF THE YEAR	 <u>273,398</u>	 <u>608,809</u>
 NET ASSETS, END OF THE YEAR	 <u>\$ 424,388</u>	 <u>\$ 842,177</u>

The District is the administrator of the above pension plans for the benefit of the participants. These funds are held by an outside Trustee.