

TRAVIS COUNTY
EMERGENCY SERVICES DISTRICT #3

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

FOR THE YEAR ENDED
SEPTEMBER 30, 2011

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, 2011 from John F. Lewis P.C. was reviewed and approved at a meeting of the Board of Commissioners held on the 27th day of January, 2012.



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, 2011

Board of Commissioners

J. Edd New President
John Villanacci Vice President
Carroll Knight Treasurer/Secretary
Gina Starr-Hill Assistant Treasurer
Robert L. Taylor Commissioner

Command Staff

J.J. Wittig Acting Fire Chief
Robert Hartigan District Chief
Madeline Miller 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

Independent Auditors' Report

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

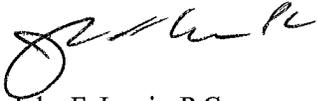
We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Travis County Emergency Services District #3, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Travis County Emergency Services District #3's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Travis County Emergency Services District #3, as of September 30, 2011, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Travis County Emergency Services District #3'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 information has 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.
December 7, 2011

Required Supplementary Information

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Management's Discussion and Analysis For the Year Ended September 30, 2011

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, 2011. 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 \$3,851,195 and expenditures of \$3,271,562 for the year ended September 30, 2011.
- The District had total net assets of \$6,222,087 at September 30, 2011.
- The District's cash and investment balances were \$3,362,818 as of September 30, 2011.
- The District's debt obligations consisted of capital leases payable, notes payable, and bonds payable with outstanding amounts of \$407,888, \$435,415, and \$3,555,000, respectively as of September 30, 2011.

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 assets* presents information on all of the District's assets and liabilities, with the difference between the two 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 declining.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

In the Statement of Net Assets, 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 Assets* 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 17-30 of this report.

Each year the District adopts a budget for its General Fund. A budgetary comparison schedule has been provided for the Governmental Funds to demonstrate compliance with this budget. This information can be found on page 31 of this report.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

**Management's Discussion and Analysis
For the Year Ended September 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's net assets increased by \$292,334 during fiscal year 2011. At September 30, 2011, the District's assets exceed liabilities by \$6,222,087. The information below presents a summary of the net assets and changes in net assets 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 ESD #3 - Net Assets

	Governmental Activities		
	2009	2010	2011
Assets:			
Current and other assets	\$ 2,667,065	\$ 3,163,138	\$ 3,422,476
Capital assets, net of accumulated depreciation	7,962,585	7,677,558	7,455,376
Intangible assets, net of accumulated amortization	69,630	64,987	60,346
Total Assets	\$ 10,699,280	\$ 10,905,683	\$ 10,938,198
Liabilities:			
Current and other liabilities	\$ 575,520	\$ 559,627	\$ 630,251
Non-current liabilities	4,719,802	4,416,303	4,085,860
Total Liabilities	\$ 5,295,322	\$ 4,975,930	\$ 4,716,111
Net Assets:			
Invested in capital assets, net of related debt	\$ 2,985,067	\$ 2,974,180	\$ 3,057,073
Restricted	45,036	45,258	53,984
Unrestricted	2,373,855	2,910,315	3,111,030
Total Net Assets	\$ 5,403,958	\$ 5,929,753	\$ 6,222,087

Travis County ESD #3 - Changes in Net Assets

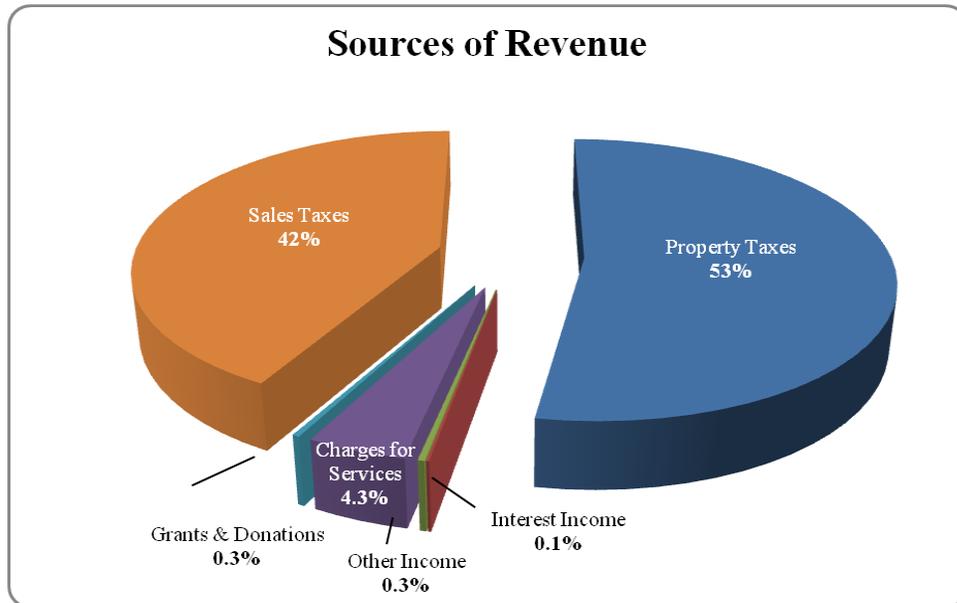
	Governmental Activities		
	2009	2010	2011
Revenues:			
Program revenue	\$ 203,226	\$ 198,849	\$ 181,669
General revenues:			
Property taxes	2,017,566	2,105,183	2,040,122
Sales taxes	1,500,372	1,593,159	1,620,115
Interest and other income	134,322	16,076	17,585
Total General Revenues	3,652,260	3,714,418	3,677,822
Total Revenues	3,858,486	3,913,267	3,859,491
Expenses:			
Fire and Emergency Services	3,392,010	3,387,472	3,567,157
Total Expenses	3,392,010	3,387,472	3,567,157
Increase in Net Assets	\$ 463,476	\$ 525,795	\$ 292,334

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

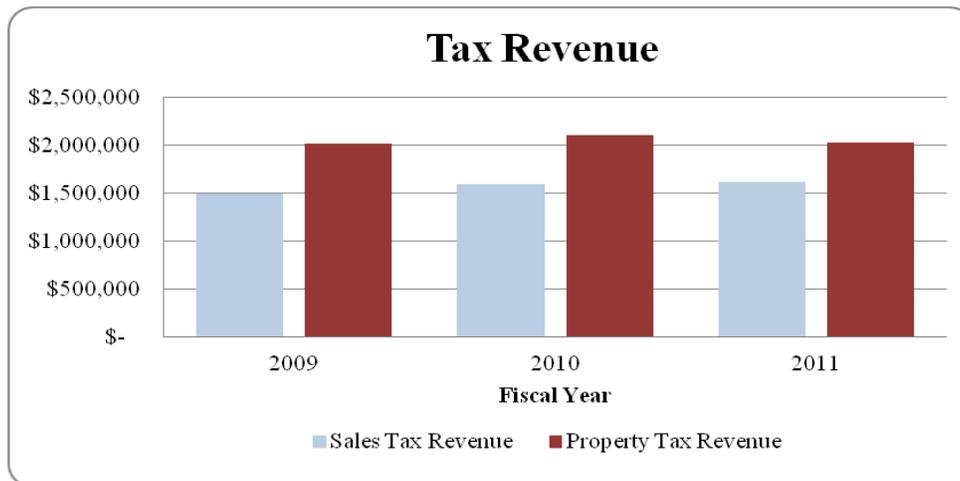
Management's Discussion and Analysis For the Year Ended September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District receives the majority of its revenue from property taxes and sales taxes collected by Travis County and remitted to the District. The following graph presents the different sources of revenue recorded by the District during fiscal year 2011.



Property tax revenues decreased \$65,061 or 3.1% from fiscal year 2010. The related tax rate held by the District remained unchanged at \$0.10/\$100. The amount of sales tax collected by the District increased \$26,956 or 1.7% from fiscal year 2010. 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, 2009, 2010, and 2011.



TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

Management's Discussion and Analysis For the Year Ended September 30, 2011

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.

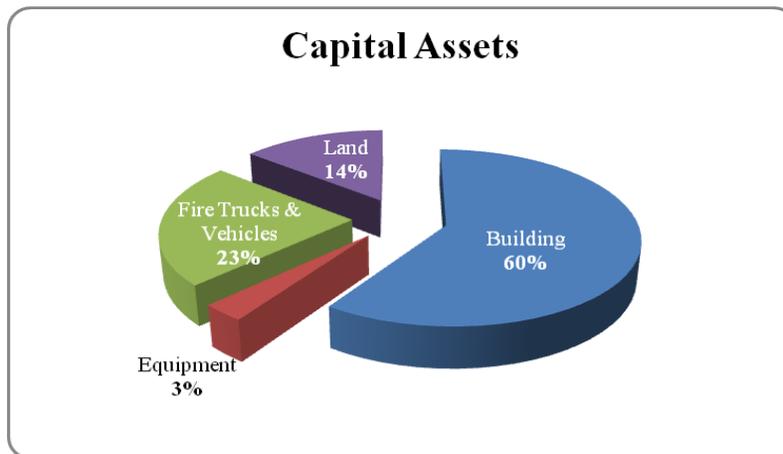
Total revenues for the District's governmental funds were \$3,851,195 while total expenditures were \$3,271,562. The excess of revenues over expenditures was \$579,633.

As of September 30, 2011, the fund balance in the General Fund was \$3,219,901, and \$53,984 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, 2011, the District had \$9,612,773 invested in capital assets, less accumulated depreciation of \$2,157,397. The following graph presents a detail of the types of capital assets held by the District at the year ended September 30, 2011.



In addition to the capital assets listed above, the District had an intangible asset consisting of bond issuance costs in the amount of \$60,346, net of accumulated amortization.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

**Management's Discussion and Analysis
For the Year Ended September 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt

As of September 30, 2011, 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	\$ 76,187	\$ 331,701	\$ 407,888
Notes Payable	29,256	424,159	453,415
Bonds Payable	225,000	3,330,000	3,555,000
Total	\$ 330,443	\$ 4,085,860	\$ 4,416,303

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 and to decrease spending in continuing education. The result was going from a projected budget deficit of (\$71,344) to a projected surplus of \$196,548.

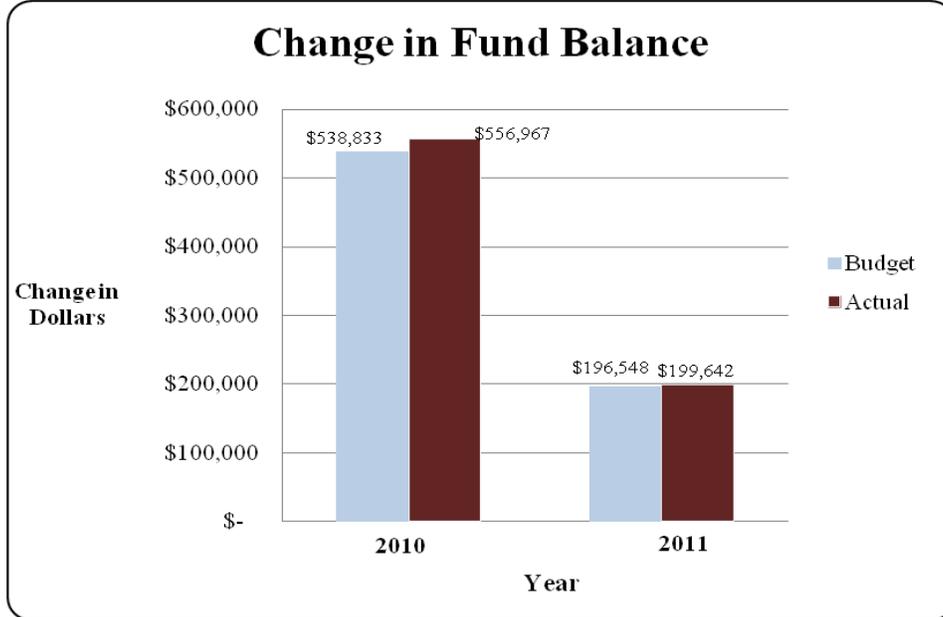
During the year the District's general fund was over/under budget in various categories. The amount of these variances was not significant to the overall budget of the District and was caused by unexpected increases/decreases in operating costs and other maintenance items.

The District was able to generate an increase in fund balance above the amount that was budgeted for the year ended September 30, 2011. The following graph shows the final budgeted and actual amounts of the change in fund balance of governmental funds for the years ended September 30, 2010 and 2011. For a more detailed budget to actual comparison see page 31 of this report.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3

**Management's Discussion and Analysis
For the Year Ended September 30, 2011**

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 ASSETS
SEPTEMBER 30, 2011

ASSETS	<u>Governmental Activities</u>	<u>Component Units</u>
Current Assets		
Cash and cash equivalents	\$ 1,122,605	\$ 12,242
Investments	2,240,213	-
Property tax receivables (net of uncollectible taxes)	41,020	-
Accounts receivable - other	951	-
Prepaid expenses	17,687	-
Total Current Assets	<u>3,422,476</u>	<u>12,242</u>
Noncurrent Assets		
Capital assets (net of accumulated depreciation)	7,455,376	-
Intangible assets (net of accumulated amortization)	60,346	-
Total Noncurrent Assets	<u>7,515,722</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 10,938,198</u></u>	<u><u>\$ 12,242</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 23,441	\$ -
Salaries payable	80,849	-
Accrued liabilities	3,281	-
Accrued interest on long-term liabilities	27,377	-
Compensated absences payable	164,860	-
Leases payable, current portion	76,187	-
Notes payable, current portion	29,256	-
Bonds payable, current portion	225,000	-
Total Current Liabilities	<u>630,251</u>	<u>-</u>
Noncurrent Liabilities		
Leases payable, less current portion	331,701	-
Notes payable, less current portion	424,159	-
Bonds payable, less current portion	3,330,000	-
Total Noncurrent Liabilities	<u>4,085,860</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,716,111</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,057,073	-
Restricted for debt service	53,984	-
Unrestricted	3,111,030	12,242
TOTAL NET ASSETS	<u><u>\$ 6,222,087</u></u>	<u><u>\$ 12,242</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, 2011

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Component Unit</u>	
Governmental Activities:					
Fire and Emergency Services	\$ 3,008,928	\$ 169,329	\$ 12,340	\$ (2,827,259)	\$ -
General Government	269,380	-	-	(269,380)	-
Interest on long-term debt	288,849	-	-	(288,849)	-
 Total Governmental Activities	 <u>\$ 3,567,157</u>	 <u>\$ 169,329</u>	 <u>\$ 12,340</u>	 <u>\$ (3,385,488)</u>	 <u>-</u>
 Response Training Foundation	 <u>\$ 8,850</u>	 <u>\$ -</u>	 <u>\$ 5,830</u>	 <u>-</u>	 <u>(3,020)</u>
 General revenue					
				2,040,122	-
				1,620,115	-
				5,792	-
				11,793	-
				<u>3,677,822</u>	<u>-</u>
				292,334	(3,020)
				<u>5,929,753</u>	<u>15,262</u>
				<u>\$ 6,222,087</u>	<u>\$ 12,242</u>

See independent auditors' report and accompanying notes to financial statements

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,068,621	\$ 53,984	\$ 1,122,605
Investments	2,240,213	-	2,240,213
Property taxes receivable (net of uncollectible taxes)	41,020	-	41,020
Accounts receivable - other	951	-	951
Prepaid expenses	<u>17,687</u>	<u>-</u>	<u>17,687</u>
TOTAL ASSETS	<u>\$ 3,368,492</u>	<u>\$ 53,984</u>	<u>\$ 3,422,476</u>
LIABILITIES			
Accounts payable	\$ 23,441	\$ -	\$ 23,441
Salaries payable	80,849	-	80,849
Accrued liabilities	3,281	-	3,281
Deferred revenue	<u>41,020</u>	<u>-</u>	<u>41,020</u>
TOTAL LIABILITIES	<u>148,591</u>	<u>-</u>	<u>148,591</u>
FUND BALANCE			
Restricted	-	53,984	53,984
Committed	32,865	-	32,865
Assigned	1,129,361	-	1,129,361
Unassigned	<u>2,057,675</u>	<u>-</u>	<u>2,057,675</u>
TOTAL FUND BALANCE	<u>3,219,901</u>	<u>53,984</u>	<u>3,273,885</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,368,492</u>	<u>\$ 53,984</u>	<u>\$ 3,422,476</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 ASSETS
SEPTEMBER 30, 2011

Total Governmental Fund Balances	\$	3,273,885
Amounts reported for governmental activities in the Statement of Net Assets 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.		7,515,722
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.		(4,581,163)
Expenses in the statement of activities that do not use current financial resources are not reported as expenses in the funds.		(27,377)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		<u>41,020</u>
Net Assets of Governmental Activities	\$	<u><u>6,222,087</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, 2011

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Revenues			
Property taxes	\$ 2,032,225	\$ -	\$ 2,032,225
Sales tax	1,620,115	-	1,620,115
Grants and donations	12,340	-	12,340
Charges for services	169,329	-	169,329
Miscellaneous income	11,793	-	11,793
Interest income	<u>5,393</u>	<u>398</u>	<u>5,791</u>
Total Revenues	<u>3,851,195</u>	<u>398</u>	<u>3,851,593</u>
Expenditures			
Current:			
General and administrative	270,029	-	270,029
Public safety	2,804,451	-	2,804,451
Capital outlay	49,316	-	49,316
Debt Service:			
Principal retirement	102,076	215,000	317,076
Interest and fees	<u>45,690</u>	<u>156,663</u>	<u>202,353</u>
Total Expenditures	<u>3,271,562</u>	<u>371,663</u>	<u>3,643,225</u>
Excess (Deficiency) of Revenues Over Expenditures	579,633	(371,265)	208,368
Other Financing Sources (Uses)			
Transfers In	-	379,991	379,991
Transfers Out	<u>(379,991)</u>	<u>-</u>	<u>(379,991)</u>
Total Other Financing Sources (Uses)	<u>(379,991)</u>	<u>379,991</u>	<u>-</u>
Net Change in Fund Balance	199,642	8,726	208,368
Fund Balance, beginning of year	<u>3,020,259</u>	<u>45,258</u>	<u>3,065,517</u>
Fund Balance, end of year	<u>\$ 3,219,901</u>	<u>\$ 53,984</u>	<u>\$ 3,273,885</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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	208,368
<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>		(222,832)
<p>Governmental funds report bond issuance as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which bond issuance was reduced by amortization expense in the current period.</p>		(4,642)
<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 Assets. This is the amount of principal repayments on long-term debt in the current period.</p>		317,075
<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>		7,897
<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>(13,532)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>292,334</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, 2011

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 Assets 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 Assets 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, 2011

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 a 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, 2011

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 Assets 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 Assets 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 Assets.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 Assets.

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, 2011

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, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 53% of the District's revenue for the year ended September 30, 2011.

Equity Classifications

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

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

As of September 30, 2011, the District implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable 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 \$53,984 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. At year-end, the District had committed \$32,865 for the purchase of equipment.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 that are intended to be used for specific purposes. At year-end, the District had assigned \$1,129,361 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 2011 was \$0.10/\$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, 2010 was \$2,022,133,803. Property taxes receivable for 2011 are \$52,355 net of allowance for doubtful accounts of \$11,335.

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, 2011

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 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 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, 2011, the District's carrying amount of cash deposits was \$1,0568,484, and the bank balance was \$1,116,210. All cash deposits were categorized as Category 1 as of September 30, 2011.

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

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE B - CASH AND CASH EQUIVALENTS (continued)

Deposit and Investments (continued)

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 \$1.00. The market value of the TexPool investments at September 30, 2011, was \$2,240,213.

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	\$ 2,240,213	\$ 2,240,213	AAAm	82
Total Investments	\$ 2,240,213	\$ 2,240,213		

(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, 2011 is as follows:

	Balance 9/30/2010	Additions	Disposals	Balance 9/30/2011
<i>Governmental Activities</i>				
Depreciable Assets:				
Building & Improvements	\$ 5,707,801	\$ -	\$ -	\$ 5,707,801
Equipment	302,544	6,500	-	309,044
Fire Trucks & Vehicles	2,217,800	43,467	(16,000)	2,245,267
Total Depreciable Assets	8,228,145	49,967	(16,000)	8,262,112
Nondepreciable Assets:				
Land (non-depreciable)	1,350,661	-	-	1,350,661
Total Nondepreciable Assets	1,350,661	-	-	1,350,661
Less: Accumulated Depreciation	(1,901,249)	(272,148)	16,000	(2,157,397)
Total Capital Assets, net of Accumulated Depreciation	\$ 7,677,557	\$ (222,181)	\$ -	\$ 7,455,376

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ <u>272,148</u>
Total Depreciation Expense	\$ <u>272,148</u>

NOTE D - INTANGIBLE ASSETS

Intangible assets for the year ended September 30, 2011 are as follows:

	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Bond Issuance Costs	\$ 92,840	\$ -	\$ -	\$ 92,840
Total Intangible Assets	<u>92,840</u>	<u>-</u>	<u>-</u>	<u>92,840</u>
Less: Accumulated Amortization	<u>(27,853)</u>	<u>(4,642)</u>	<u>-</u>	<u>(32,495)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$ 64,987</u>	<u>\$ (4,642)</u>	<u>\$ -</u>	<u>\$ 60,345</u>

Amortization was charged to governmental functions as follows:

General Government	\$ <u>4,642</u>
Total Amortization Expense	\$ <u>4,462</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 \$467,016, with principal payments during the year of \$69,267. The total outstanding balance at September 30, 2011 was \$397,749.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE E - CAPITAL LEASE OBLIGATIONS (continued)

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 \$13,578, with principal payments during the year of \$3,439. The total outstanding balance at September 30, 2011 was \$10,139.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 76,187	\$ 19,116
2013	79,838	15,465
2014	81,845	11,658
2015	83,077	7,906
2016	<u>86,941</u>	<u>4,043</u>
Totals	<u>\$ 407,888</u>	<u>\$ 58,368</u>

NOTE F - NOTES PAYABLE

The District maintains a loan agreement used for the construction of an emergency services training facility. The note is secured by a ground lease agreement which began July 17, 2007 and runs through July 17, 2037. Per the agreement, the District receives \$1 per year on the date of commencement for the use and occupancy of the property. The terms of the note are as follows:

Loan Amount: \$500,000
 Maturity Date: July 17, 2007
 Interest Rate: 5.1% per annum
 Payment Terms: Payments are due and payable in annual installments of \$40,462 beginning July 17, 2008 and ending July 17, 2027. The balance at the beginning of the year was \$452,785, with principal payments during the year of \$17,370. The total outstanding balance at September 30, 2011 was \$435,415.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE F - NOTES PAYABLE (continued)

The future debt service for the note is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 18,256	\$ 22,206
2013	19,187	21,275
2014	20,166	20,297
2015	21,194	19,268
2016	22,275	18,187
Thereafter	<u>334,337</u>	<u>110,747</u>
Totals	<u>\$ 435,415</u>	<u>\$ 211,980</u>

The District received an overpayment of sales tax revenue from the Texas State Comptroller's office. In order to reimburse the Comptroller's office, the District makes payments of \$1,000 per month until the amount has been repaid in full. There is no interest involved in the repayment plan. The balance at the beginning of the year was \$30,000, with payments during the year of \$12,000, leaving a balance of \$18,000 at September 30, 2011.

The future payments for the repayment of sales tax are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>
2012	\$ 12,000
2013	<u>6,000</u>
Totals	<u>\$ 18,000</u>

NOTE G - LIMITED TAX BONDS

The District has two series of bonds outstanding. The bonds were issued for the purpose of acquiring land and constructing, and equipping fire stations and fire training facilities. For each, interest is paid twice per year and principal once per year.

The beginning principal balance of the Limited Tax Bond, Series 2003 was \$2,545,000, with a principal payment made during the year of \$155,000, leaving a principal balance of \$2,390,000 at September 30, 2011.

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE G - LIMITED TAX BONDS (Continued)

Future payments for the Limited Tax Bond, Series 2003 are as follows:

Year Ending September 30,	Principal	Interest	Total
2012	\$ 160,000	\$ 99,712	\$ 259,712
2013	165,000	94,032	259,032
2014	170,000	88,010	258,010
2015	180,000	81,720	261,720
2016	185,000	74,790	259,790
2017	190,000	67,390	257,390
2018	200,000	59,505	259,505
2019	210,000	51,005	261,005
2020	220,000	41,870	261,870
2021	225,000	32,080	257,080
2022	235,000	22,067	257,067
2023	250,000	11,375	261,375
Total	<u>\$ 2,390,000</u>	<u>\$ 723,556</u>	<u>\$ 3,113,556</u>

The beginning principal balance of the Limited Tax Bond, Series 2005 was \$1,225,000, with a principal payment made during the year of \$60,000, leaving a principal balance of \$1,165,000 at September 30, 2011.

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

Year Ending September 30,	Principal	Interest	Total
2012	\$ 65,000	\$ 45,047	\$ 110,047
2013	65,000	46,448	111,448
2014	70,000	43,848	113,848
2015	70,000	41,047	111,047
2016	75,000	38,248	113,248
2017	75,000	35,060	110,060
2018	80,000	31,873	111,873
2019	85,000	28,472	113,472
2020	85,000	24,860	109,860
2021	90,000	21,248	111,248
2022	95,000	17,422	112,422
2023	100,000	13,385	113,385
2024	105,000	9,135	114,135
2025	105,000	4,561	109,561
Total	<u>\$ 1,165,000</u>	<u>\$ 400,654</u>	<u>\$ 1,565,654</u>

TRAVIS COUNTY EMERGENCY SERVICES DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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 currently matches up to 9.5% of employee contributions. 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. Employee and employer contributions to the plans as of September 30, 2011 were \$142,447 and \$138,000, respectively. At September 30, 2011, the Plans each had 30 active participants. 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.

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.

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property taxes	\$ 1,962,640	\$ 2,032,073	\$ 2,032,225	\$ 152
Sales tax	1,447,446	1,620,115	1,620,115	-
Grants and donations	3,000	6,490	12,340	5,850
Charges for services	183,975	193,158	169,329	(23,829)
Miscellaneous income	16,210	11,597	11,793	196
Interest income	10,000	5,500	5,393	(107)
Total Revenues	<u>3,623,271</u>	<u>3,868,933</u>	<u>3,851,195</u>	<u>(17,738)</u>
Expenditures				
Cost of revenue acquisition	76,502	78,853	66,853	12,000
Emergency response	257,647	216,382	223,183	(6,801)
Continued education	232,935	143,789	109,634	34,155
Human resources	2,283,486	2,397,278	2,402,550	(5,272)
Administration	271,875	265,107	270,029	(4,922)
Prevention/public education	3,425	2,231	2,231	-
Capital outlay	49,316	49,316	49,316	-
Debt service:				
Principal	102,076	102,076	102,076	-
Interest	45,690	45,690	45,690	-
Total Expenditures	<u>3,322,952</u>	<u>3,300,722</u>	<u>3,271,562</u>	<u>29,160</u>
Excess of Revenues Over Expenditures	<u>300,319</u>	<u>568,211</u>	<u>579,633</u>	<u>11,422</u>
Other Financing Sources (Uses)				
Transfers out	<u>(371,663)</u>	<u>(371,663)</u>	<u>(379,991)</u>	<u>(8,328)</u>
Total Other Financing Sources (Uses)	<u>(371,663)</u>	<u>(371,663)</u>	<u>(379,991)</u>	<u>(8,328)</u>
Net Change in Fund Balance	(71,344)	196,548	199,642	<u>\$ 3,094</u>
Fund Balance, beginning of year	<u>3,020,259</u>	<u>3,020,259</u>	<u>3,020,259</u>	
Fund Balance, end of year	<u>\$ 2,948,915</u>	<u>\$ 3,216,807</u>	<u>\$ 3,219,901</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, 2011
(UNAUDITED)

Tax Year	Taxable Assessed Valuation	Tax Rate (a)	Amount Levied	Current	Current & Prior	As of September 30,
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

(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, 2011
 (UNAUDITED)

	401(A) Pension Trust Fund	457 Pension Trust Fund
ASSETS		
Cash, Cash Equivalents and Investments	\$ <u>128,714</u>	\$ <u>299,332</u>
Total Assets	\$ <u><u>128,714</u></u>	\$ <u><u>299,332</u></u>
NET ASSETS		
Held in Trust for Pension Benefits	\$ <u>128,714</u>	\$ <u>299,332</u>
Total Net Assets	\$ <u><u>128,714</u></u>	\$ <u><u>299,332</u></u>

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, 2011
 (UNAUDITED)

	401(A) Pension Trust Fund	457 Pension Trust Fund
ADDITIONS:		
Employer Contributions	\$ 138,000	\$ -
Participant Contributions	-	142,447
Participant Rollovers	5,517	190,224
Net Decrease in Fair Value of Investments	<u>(13,190)</u>	<u>(31,102)</u>
 Total Additions	 <u>130,327</u>	 <u>301,569</u>
DEDUCTIONS:		
Administrative Fees	1,613	-
Benefits Paid or Withdrawals	<u>-</u>	<u>2,237</u>
 Total Deductions	 <u>1,613</u>	 <u>2,237</u>
 CHANGE IN NET ASSETS	 128,714	 299,332
 NET ASSETS, BEGINNING OF THE YEAR	 <u>-</u>	 <u>-</u>
 NET ASSETS, END OF THE YEAR	 <u>\$ 128,714</u>	 <u>\$ 299,332</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.