Travis County Emergency Services District No. 2

Independent Auditor's Report and Financial Statements

September 30, 2015

Travis County Emergency Services District No. 2

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PS&Co.

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Padgett Stratemann

Independent Auditor's Report

To the Board of Commissioners
Travis County Emergency Services District No. 2

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Emergency Services District No. 2 (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 7 to the financial statements, effective June 1, 2015, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 Schedule – General Fund – Budgetary Basis, as listed under the required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
March 8, 2016

1.0 <u>Introduction</u>

Travis County Emergency Services District No. 2 (the "District") is pleased to submit the following discussion and overview analysis concerning the District's financial statements for the year ended September 30, 2015. The accompanying Financial Audit for fiscal year ("FY") 2015 was performed by Padgett, Stratemann & Co., L.L.P. ("PS&Co."), Austin, Texas.

2.0 <u>Background</u>

Travis County Emergency Services District No. 2, a governmental entity authorized under Texas statute, is a fire and first response medical provider within Travis County, Texas. The district currently has a population estimated at almost one hundred thousand (100,000) people and covers about seventy-seven (77) square miles of northeast Travis County.

The City of Pflugerville lies within the district, with another large unincorporated subdivision known as Wells Branch in the western half of the district. The area is roughly bound by Farm-to-Market Road 1325 in the West; the Travis-Williamson County line on the North; Manda Carlson Road and Cameron Road on the East; and Yager Lane, Dessau Road and Howard Lane on the South. The population of the district is essentially evenly divided on the east and west side of Interstate 35. This heavily traveled highway is the most direct route from middle America to Mexico, and is called by many, "The North American Free Trade Agreement Highway." Two (2) additional tollways run through the north and eastern part of the district: State Highway 45 and State Highway 130, respectively.

The District is a taxing authority limited by statute to a maximum tax of ten (10) cents per hundred (100) dollars of property valuation. The District's fiscal year begins on October 1 and ends on September 30. The majority of income to operate the District, over ninety-six (96) percent, comes from property tax and the percent of sales tax approved by the voters.

The District's vision is to continue as a financially stable organization that delivers a superior level of traditional and innovative emergency and non-emergency services. The District exists solely to improve the quality of life, health, and safety of its constituents. The District will maximize the commonly accepted service methodologies and go beyond traditionally accepted practices to better serve the community.

The District is "full service" in that it provides all the services normally expected from a fire department. Our District/Fire Department is as complex as all the functions and services it provides, including Fire Prevention; Fire Suppression/Rescue; and, "first response" Emergency Medical Care. The District is comprised of three major components or Divisions: Administration – Staff Services; Emergency Operations; and Prevention – Code Enforcement. While each Division works independently of each other, all Divisions must work together in order to meet the District's mission. The District is currently served by personnel and equipment working out of four (4) fire stations. The four (4) modern fire stations are ready twenty-four (24) hours a day and house the District's fleet of firefighting apparatus. The District uses the latest fire suppression technology of Compressed Air Foam Systems "CAFS."

The District has an automatic aid agreement with the Austin Fire Department and five (5) other emergency services districts in the County. This automatic aid agreement assures that the closest appropriate resource is dispatched to an emergency regardless of the jurisdiction. Mutual aid agreements are commonly based upon requests for specific resources and are not necessarily implemented at the time of initial dispatch. The automatic aid agreement not only assures closest unit response, it specifies full response requirements that provide an "Effective Firefighting Force." The Effective Firefighting Force will bring fourteen (14) to sixteen (16) firefighters in the first alarm along with a specific number of engines and aerial apparatus. Likewise, alarm assignments have been pre-determined for various emergency types. The District provides automatic aid assistance to the other jurisdictions, as well as benefits from their assistance on a daily basis.

Travis County Commissioners' Court appoints five (5) Commissioners who govern the operation of the District. These Commissioners represent a cross-section of the District and meet on a regular basis to determine administrative policy and perform financial oversight. Commissioners are appointed for two (2) year terms and continue the original spirit of volunteerism that started this organization.

3.0 Financial Highlights – Comparison of FY 2015 and FY 2014

- The District's auditors for FY 2015, PS&Co. has been working with the District since the audit for FY 2008.

- A 2.6% increase in the number of taxable properties in the District, coupled with property tax valuation increases, increased the District's revenues from property taxes in FY 2015 when compared with FY 2014. Sales taxes also increased in FY 2015, primarily due to the additional 1/2-cent sales tax approved by the voters. This sales tax was approved for purchases within the District, but outside the City of Pflugerville and Wells Branch Library District, since these areas were already at the 8 1/4 cent state maximum sales tax rate. The additional sales tax was approved by voters, and collections began in October 2014. During FY 2015, the District experienced a 10.9% increase in revenues from property tax revenue, as well as a 46.6% increase in sales tax revenue from FY 2014 levels. During FY 2014, property tax revenue increased 5.9% and sales tax revenues increased 13.3% from the previous year.

- In FY 2015, the Operations Division increased staffing by six (6) firefighter positions and recruited for twelve (12) new positions in FY 2016. These additional positions, as well as annual pay increases for existing staff increased the FY 2015 Salaries by 6.1% over FY 2014 levels. This increase in staffing in FY 2015 is a positive step toward meeting strategic goals such as achieving adequate staffing on all response apparatus.

- In June 2015, the District changed from a 401(a) Defined Contribution retirement plan for employees to a Defined Benefit pension plan by joining the Texas County and District Retirement System (TCDRS). Employees contribute 7% of their gross pay to the plan. The District's Board approved a $1 to $1 matching rate of the employees' contributions. Because actuarial valuations of TCDRS are measured at December 31 each year, no actuarial valuation data was available to determine the total pension liability used to calculate the net pension liability to fully implement Government Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* ("GASB Statement No. 68"), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Data – An Amendment of GASB Statement No. 68*. The District's matching contribution for the period from June 1, 2015 to September 30, 2015 totaled $220,737.

- With a focus on continuing to "fill gaps" identified during the strategic planning process, Operation expenses increased by approximately 55.3% in FY 2015 compared to FY 2014 levels. The additional expenses were used to purchase self-contained breathing apparatus, communications equipment, and personal protective equipment, partly for the new firefighter positions and partly to replace worn equipment. Annual depreciation expenses are reflected in the Division utilizing the capital assets being depreciated. As a result, there is a $424,013 adjustment in the Operations expenditures which is the annual depreciation expense for the District's fire vehicles and fire and communication equipment, fire, and communication equipment.

- As the District's operational demands and needs grew during FY 2015, expenses increased; however, the net change in fund balance was positive for the fiscal year. This positive fund balance change includes a positive change in the GASB Statement No. 34 adjustments for loan and capital lease proceeds of $1,577,476 received for several projects including: the purchase of a new fire vehicle; the remodel and purchase of new furniture and fixtures at Fire Station No. 2; the purchase of equipment to be used on a new Aerial ladder truck that will be purchased in FY 2016; repairs to roofs, insulation, and overhead doors at the fire stations; improvements to the Training Field; purchase and installation of parking lot lights at the Central complex; and purchase of new file servers.

- In FY 2015, Administrative Costs increased over the FY 2014 levels by approximately 41.0%. This was predominantly due to annual depreciation expenses in FY 2015 being reflected in the Division utilizing the capital asset. As a result, there is a $319,889 adjustment in Administrative Costs. The additional increase due to fees for collection of taxes to the State's Comptroller's office and Travis Central Appraisal District.

- Below is a summary comparison of revenues and expenditures for FY 2015 and FY 2014:

	September 30, 2015	September 30, 2014	Variance
Revenues:			
Property taxes – including penalties and interest	$ 7,023,486	$ 6,332,726	$ 690,760
Sales tax receipts	7,291,962	4,975,068	2,316,894
Other revenue	573,679	385,093	188,586
Total revenues	14,889,127	11,692,887	3,196,240
Total expenditures	11,877,749	11,550,795	(326,954)
Other financing sources – net	53,282	28,310	24,972
Change in net position	3,064,660	170,402	$ 2,894,258
Net position – beginning of year	8,536,923	8,366,521	
Net position – end of year	$ 11,601,583	$ 8,536,923	

- Below is a summary comparison of the Statement of Net Position accounts for FY 2015 and FY 2014:

	September 30, 2015	September 30, 2014	Variance
Current and other assets	$ 8,525,040	$ 6,001,044	$ 2,523,996
Capital assets and noncurrent assets	10,491,940	9,701,655	790,285
Total assets	19,016,980	15,702,699	3,314,281
Deferred outflow of resources – employer pension contributions	220,737	-	220,737
Total assets and deferred outflow of resources	$ 19,237,717	$ 15,702,699	$ 3,535,018
Other liabilities	$ 884,519	$ 867,830	$ 16,689
Long-term liabilities outstanding	6,751,615	6,297,946	453,669
Total liabilities	7,636,134	7,165,776	470,358
Net position			
Net investment in capital assets	4,335,231	4,107,473	227,758
Restricted for debt service	146,377	148,570	(2,193)
Unrestricted – board designated	-	275,000	(275,000)
Unrestricted	7,119,975	4,005,880	3,114,095
Total net position	11,601,583	8,536,923	3,064,660
Total liabilities and net position	$ 19,237,717	$ 15,702,699	$ 3,535,018

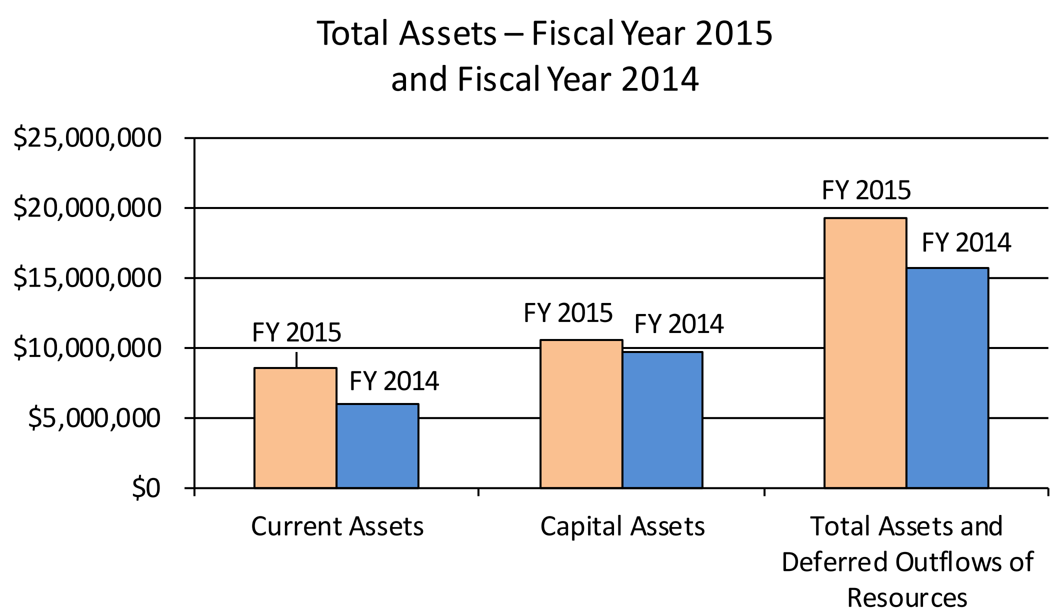
Because of the increased property and sales tax collections through FY 2015, Cash and Investment accounts were $2,032,539 above ending FY 2014 levels. The remaining difference in Current Assets is a result of the end-of-year sales tax receivable for the period of October and November, FY 2015 versus the same period of FY 2014, due to an overall increase in sales tax collections.

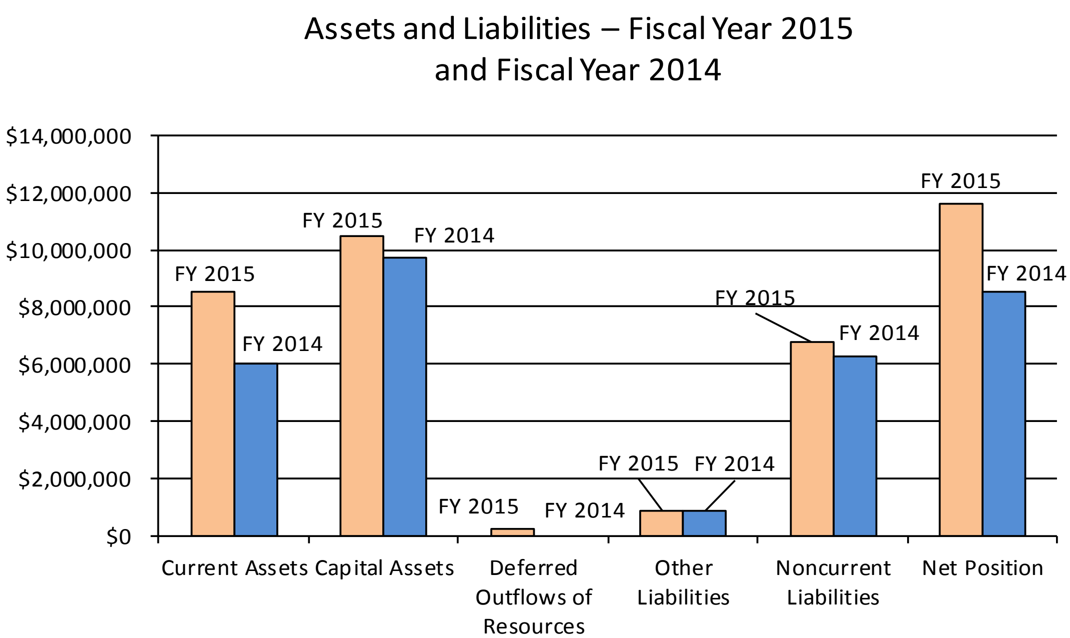
- In Noncurrent Assets, during FY 2015, Capital Additions totaled $1,534,537, and Depreciation Expense for the year was $744,252, resulting in the positive $790,285 variance for the year. In FY 2014, Capital Additions totaled $577,463, while Depreciation Expense for the year was $673,400.

- In FY 2015, the increase in Other Liabilities was due to several factors. First, end-of-year payroll and employee benefits accrual was approximately $177,846 higher than FY 2014 because the end-of-year payroll accrual was larger, and the September retirement plan contributions were not paid until October 15. Accounts payable at the end of FY 2015 was $51,339 lower than in FY 2014, in part due to better management of end-of-year purchasing, which allowed the receipt and payment of more end-of-year items than in the past. The District's accrued tax liabilities were $119,988 lower than in FY 2014 because of the repayment of sales taxes by September 30, 2015. The District owed the Comptroller's Office sales tax from an error discovered by the Comptroller's Office in 2012. The amount was paid in full by September 30, 2015. Lastly, deferred revenues were approximately $10,170 higher than last year.

- Long-term liabilities outstanding are higher in FY 2015 because of new payments associated with the purchase of a new fire engine and a new sales tax note.

- During FY 2015, the Board of Commissioners (the "Board") approved several large projects identified in the strategic plan including: the remodel of Station No. 2 and purchase of new furniture and fixtures for the Station; the purchase of a new fire engine; some continued improvements to the Training Field; the purchase of equipment to be used on a new Aerial ladder truck that will be purchased in FY 2016; repairs to roofs, insulation, and overhead doors at the fire stations; purchase and installation of parking lot lights at the Central complex; and, purchase of new file servers. Capital purchases in FY 2015 totaled $1,534,538. The changes in total assets and net assets is reflected in the charts below:





- Fund balance divided by fund (General Fund and Debt Service Fund) was as follows when compared between FY 2014 and FY 2015. Beginning fund balance for the General Fund $4,761,226, ending balance $7,277,417. The Debt Service Fund decreased from $148,570 to an ending balance of $146,377. This fund balance represents the debt amount paid by the City of Austin to the District on property annexed away from the District in prior years.

4.0 Overview of the Financial Statements

The District's financial statements presented in this report include basic financial statements, as well as, information on required supplementary information.

The basic financial statements attached hereto are comprised of the following major components:

The *statement of net position and governmental funds balance sheet* 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 and governmental fund revenues, expenditures, and changes in fund balances/net position* 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 companies. All changes in fund balances of the governmental fund are reported on the modified accrual basis of accounting.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures, or expenses as appropriate. Government resources are allocated and accounted for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

In the District's basic financial statements, you will see the following major governmental funds:

- ***General Fund*** – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

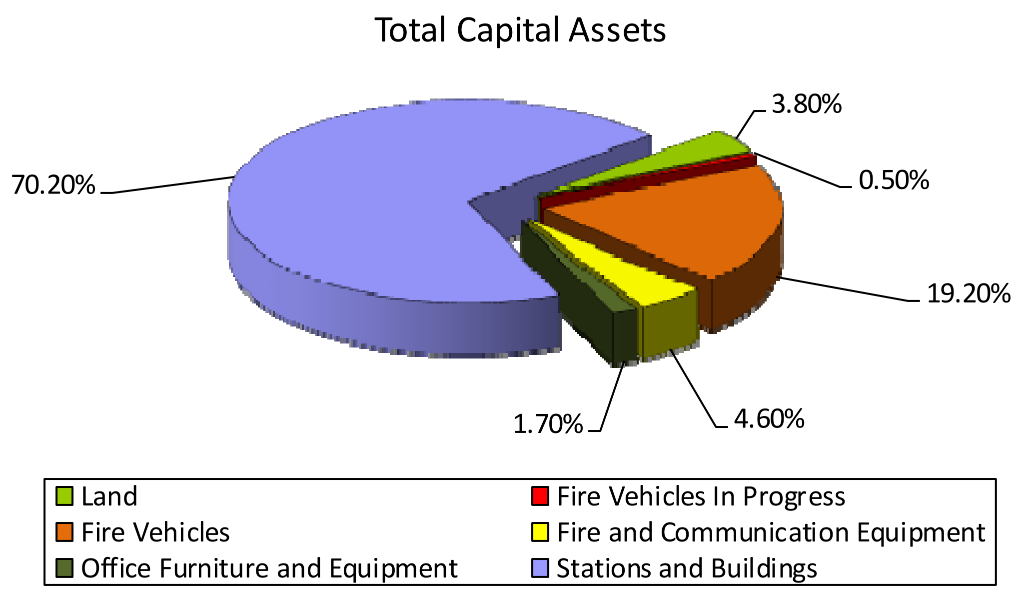
- ***Debt Service Fund*** – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The fund did not meet the criteria for a major fund; however, management decided to include it as a major fund in the interest of the users of the financial statements.

5.0 District's FY 2015 – Financial Analysis Summary

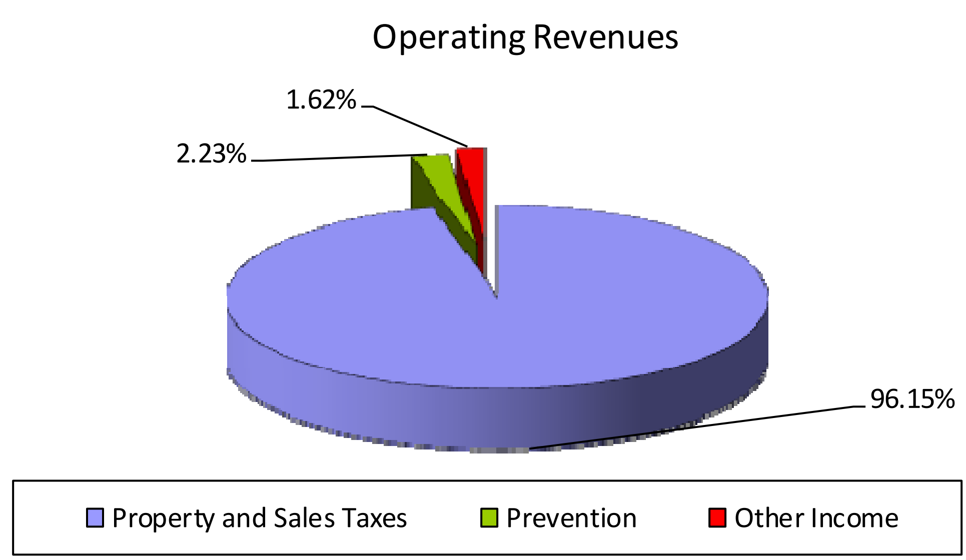
The District's current assets consist of cash and cash equivalents, investments, property, sales tax, other receivables, prepaids and other current assets. The District maintains the majority of its investments with the Texas Local Government Pool ("TexPool") which is a local government investment pool created on behalf of Texas entities whose investment objectives are preservation and safety of principal, liquidity and yield consistent with the Public Funds Investment Act. The TexPool program offers a convenient and effective choice for the investment of local funds. And, as an AAAm rated local government investment pool, TexPool is committed to maintaining safety and stability. This investment strategy has served the District well through the volatile, downturn in the economy, and in the financial markets worldwide.

During FY 2015, the District continued to keep part of its cash investment in an interest bearing savings account with Wells Fargo Bank. The bank was able to offer a slightly higher interest rate than TexPool and credited individual client analysis fees, and this account assisted with routine cash management.

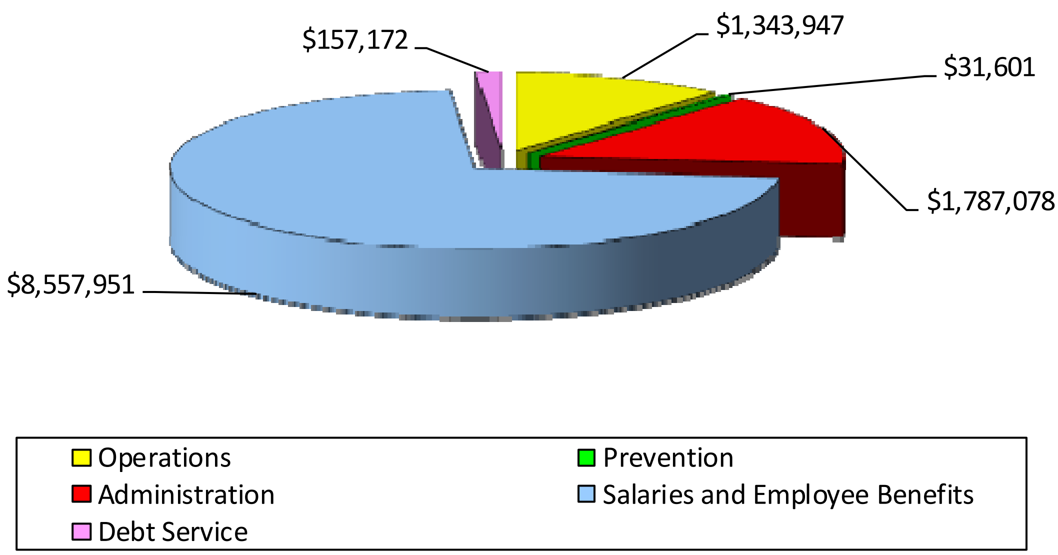
The District's total assets at $19.2 million, represented mostly by capital assets, at $10.5 Million net of accumulated depreciation, and over $18.6 million gross. Capital assets are shown divided into the different categories in the chart below.



Currently, the source of the District's operating revenues is almost exclusively from property and sales tax collections. Operating revenues for FY 2015 totaled about $14.9 million, of which 96.2% was received from tax collections. Operating expenses totaled about $11.9 million, of which 72.1% of operating expenses were related to employee salaries and benefits for FY 2015.



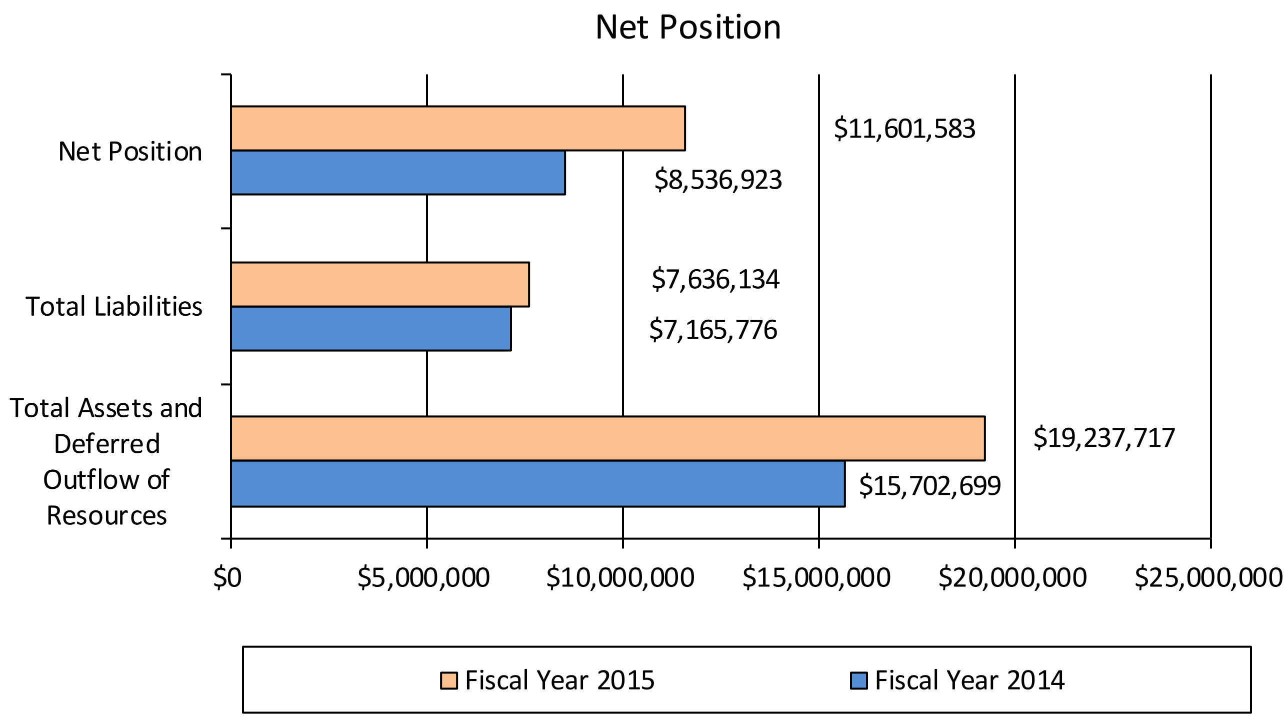
Operating Expenses – Including Depreciation



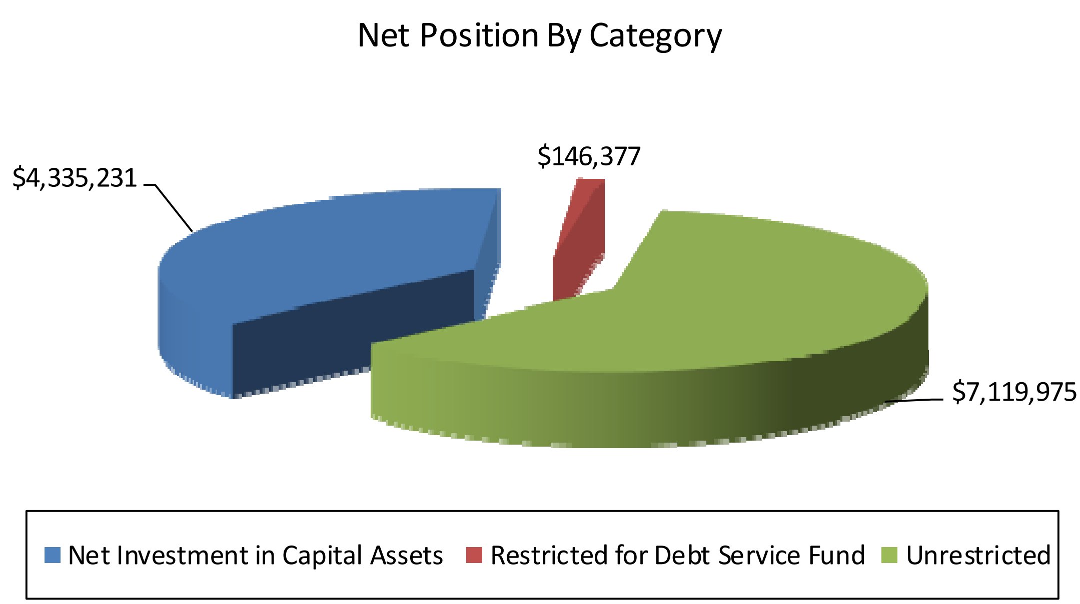
6.0 <u>Capital Asset and Outstanding Debt</u>

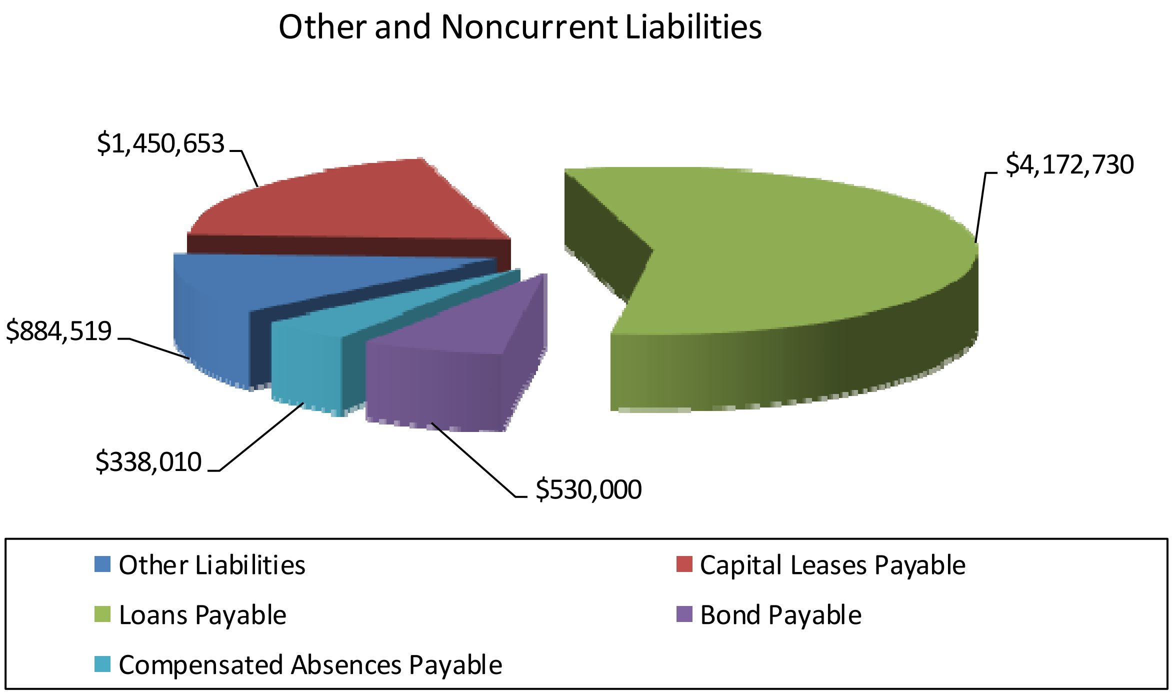
District liabilities increased during FY 2015, as the District obtained approximately $850,000 in a new loan secured by sales tax collections and a new capital lease for approximately $730,000 for a new fire engine. The District made scheduled payments of both principal and interest on bonds, capital leases, and loans, and, although the new debt was incurred during the fiscal year, increases to the District's liabilities was less than $500,000. The new debt incurred was financed at a rate of 2.4% for the loan and 3.3% for the capital lease.

The chart below shows a comparison between FY 2015 and FY 2014 net position. Net position represents the difference between total assets and total liabilities.



Additionally, the charts below detail the components of net position and total liabilities for FY 2015 for the District:





7.0 Economic Factors and Budgetary Highlights

In September 2014, the District's commissioners approved a resolution to levy ad valorem at a tax rate of $0.0930 on each $100.00 of taxable property within the District in order to provide funds for maintenance and operating purposes, and a tax rate of $0.0052 on each $100.00 in order to provide for payment and principal of and interest and associated obligations on the District's unlimited tax bonds now outstanding. The total levy of ad valorem tax for FY 2015 was a rate of $0.0982. In September 2015, the District's commissioners approved a levy of ad valorem tax for FY 2016 of a total $0.0958 rate. This rate is equal to the rollback rate for FY 2016.

No strategic plan or operation can be successful without a solid financial basis. Efforts to increase revenue sources resulted in the voter approved additional 1/2-cent sales tax in areas in the District outside the City of Pflugerville and the Wells Branch Library District. Economic conditions in the area seem to be improving with increased properties on the tax roll, as well as increases to property valuations. The District remains cautiously optimistic this trend will continue. The District is currently focused on strengthening operational capabilities to meet service demands of projected growth and exploring funding sources for additional or improved services.

With the need to address an increasing call burden in the most effective and safest way possible, without additional large revenue streams, a strategic plan was proposed and adopted by the Board of Commissioners. The goals outlined in the adopted strategic plan center around two guiding principles: first, analyze our current deployment strategies and resource allocations and develop a plan to address gaps in equipment, vehicles, and personnel; and then, if additional revenue streams are found, develop an enhanced level of EMS care (paramedics and possibly transport service) and address growing gaps in response times goals (through additional stations and response vehicles).

The recent planning process involved a re-evaluation of finance and economic forecasts placed against service and personnel gaps. Revenue growth at a rate of less than ten percent (10%) would cause long-term budget deficits that could not be offset with reserved revenues because of complete depletion. Cost per incident has remained relatively flat over the years, at or around $1,500 per incident. In fact, the cost of an incident in 2012 is actually about nine percent (9%) less than the same incident ran in 2008. However, the volume of incidents has increased tremendously, between 2008 and 2012, the number of incidents rose by 38.2%, from less than 5,000 to 6,723. The District also ran over 7,700 incidents in calendar year 2015.

As of December 1, 2013, the District and the Pflugerville Professional Firefighters Association, Local 4137, approved and signed a Collective Bargaining Agreement effective from December 1, 2013, through September 30, 2016.

Each fiscal year, the District prepares a budget for most income and expense items in the General Fund. During FY 2015, the District revised the annual budget and variances between budgeted and actual amounts are very slight when compared.

A quick comparison of actual to budgeted amounts reveals several small variances. The positive variance of $80,874 in property tax revenues is due to better than budgeted collection rate for property taxes during the year. The positive variance in sales tax receipts of $627,973 is partly due to a difference in category and partly due to the annual adjustment of sales tax receipts to include October and November 2015 collections for the new 1/2-cent sales tax. The difference in category is because the budgeted amount for sales tax receipts is shown net of fees in the revenue section, while the actual amount shown is gross (or total collected) and the fee is shown below as an expenditure creating a related variance in the expenditure category as well.

Prevention actual revenues show a positive variance of $91,287 due to increased levels of Plan Reviews and Inspections during the year. Facilities income had a positive variance of $15,002 because rentals of Pfluger Hall were more than anticipated. Operations expenses were under budget by $86,266 because budgeted training expenses for tuition for the new paramedic classes did not begin until October 2015. Additionally, as stated above, planned purchasing resulted in large cost savings for budgeted costs for various equipment maintenance supplies (breathing apparatus and fire hose), as well as personal protective equipment. Prevention expenses were under budget by $13,449 due to reduced fleet maintenance costs and training costs being less than anticipated. Budgeted expenses for computer service and support as well as miscellaneous professional services, were more than actual expenses, creating the $85,590 positive variance in Professional Services. The $76,254 positive variance in General and Administrative costs are due to newsletter printing and postage costs being less than budgeted, and budgeted expenses for facility maintenance and services at Pfluger Hall and the Education building being less than expected. Salaries expense was $138,189 less than budget due to less overtime utilization during 2015. The $221,614 positive variance in Employee Benefits is due to the GASB Statement No. 71

retirement plan expense reclassification for expenses for the period of June 1 through September 30 for employer retirement plan contributions. Capital outlay is under budget by $79,781 because some planned equipment purchases for the new Aerial ladder truck were delayed until FY 2016.

As in past years, the Board approved a Strategic Plan document, which sets the direction for the FY 2016 Budget. The work at the Strategic Planning session was focused not only on needs at the Division level, but on how those needs related to the District overall. Planning was also structured to be mindful of long-term endeavors like the continued effort to provide emergency medical services at an advanced life support level. With the voter approval in 2014 and collection of the additional 1/2-cent sales tax, the District is now financially capable of making significant strides in advancing the goal of advanced emergency medical care and becoming a full-service fire-based EMS system.

Financial constraints do not allow for all things in all Divisions to be met in a single year, so priorities have to be identified. District needs are planned across a time spectrum that goes beyond a single budget. Gaps in infrastructure, such as number of personnel, facilities and equipment, and internal functions created by growth and development and increased service demands, are planned to be filled before considerations for expansion of services.

For FY 2016, revenue is budgeted to increase, after netting loan proceeds from the FY 2015 revenue budget. An eleven-point-nine (11.9%) percent increase in property taxes has been budgeted due to increased properties and higher taxable property valuations reported on the certified tax rolls. Sales tax revenue has been growing and when coupled with the additional ½-cent voter approved tax, an approximate twenty-three (23%) percent increase has been budgeted. Other revenue categories, such as Grants and Gifts and Miscellaneous Income were not budgeted in FY 2016 because, at this time, no Grants are anticipated, and the uncertainty of receiving Miscellaneous Income makes it prudent not to budget revenue in this category. A fourteen (14%) percent increase has been budgeted for Prevention revenues due to increased Plan Reviews, and an approximate twenty-six (26%) percent increase is anticipated in Fees for Services because of expected increased billings for Ambulance Services.

The FY 2016 budget continues to reflect the Strategic Plan and is the benchmark for the District in a rapidly changing community. Population growth projections for the upcoming fiscal years, as reported by the City of Pflugerville, reflect a 3.6% increase for each year from 2015 to 2020. This growth is similar to the population increases seen in the entire Central Texas (Austin metropolitan) area. Commercial expansion in the District's Area also continues at a rapid pace with Stone Hill Town Center and 130 Commerce Park, Pflugerville's largest commercial centers. New commerce continues with small retail stores, neighborhood service businesses, and larger national establishments coming into the District.

For FY 2016, Salaries and Employee Benefits budgeted expenses have increased, because twelve (12) new Firefighter positions, three (3) Paramedic Field Training Officers, one (1) full-time Fitness Coordinator, and one (1) Paramedic Program Coordinator position will be added during the fiscal year. Professional Services have also been budgeted for an increase over the FY 2016 budget due to additional fees for services by both the Travis Central Appraisal District for property taxes and the Texas Comptroller's Office for collection of sales taxes. In Operations, the FY 2016 budget includes increased amounts for EMS Medical Equipment and Supplies, Fleet Maintenance costs, and Training expenses, as well as equipment and supplies for the new positions and specialized equipment and supplies necessary to implement the advanced emergency medical level care.

Budget preparation and budget review is a valued process at the District. The budget's use as a planning tool and the continuous review of the budgeted amounts against actual amounts enhances the monitoring of day to day operations and assists to highlight unexpected income or expense items.

Financial Statements

Travis County Emergency Services District No. 2

Statement of Net Position and Governmental Funds Balance Sheet

September 30, 2015

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets and Deferred Outflows of Resources					
Assets					
Cash and cash equivalents	$ 4,355,273	$ 5,771	$ 4,361,044	$ -	$ 4,361,044
Investments	2,164,258	140,606	2,304,864	-	2,304,864
Receivables:					
Property taxes	258,987	14,495	273,482	-	273,482
Sales taxes	1,300,244	-	1,300,244	-	1,300,244
Other	17,912	-	17,912	-	17,912
Prepaids and other current assets	267,494	-	267,494	-	267,494
Security deposit, noncurrent	3,326	-	3,326	-	3,326
Capital assets:					
Nondepreciable assets	-	-	-	443,329	443,329
Depreciable assets (net of accumulated depreciation)	-	-	-	10,045,285	10,045,285
Total capital assets	-	-	-	10,488,614	10,488,614
Total assets	8,367,494	160,872	8,528,366	10,488,614	19,016,980
Deferred Outflows of Resources					
Employer pension contributions	-	-	-	220,737	220,737
Total Assets and Deferred Outflow of Resources	$ 8,367,494	$ 160,872	$ 8,528,366	$ 10,709,351	$ 19,237,717
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 365,537	$ -	$ 365,537	$ -	$ 365,537
Accrued payroll and employee benefits	445,583	-	445,583	-	445,583
Accrued interest	-	-	-	53,429	53,429
Unearned revenue – other	1,950	-	1,950	-	1,950
Deposits	18,020	-	18,020	-	18,020
Noncurrent liabilities:					
Due within one year:					
Capital leases payable	-	-	-	204,936	204,936
Loans payable	-	-	-	710,570	710,570
Bond payable	-	-	-	360,000	360,000
Compensated absences payable	-	-	-	260,222	260,222
Due in more than one year:					
Capital leases payable	-	-	-	1,245,717	1,245,717
Loans payable	-	-	-	3,462,160	3,462,160
Bond payable	-	-	-	170,000	170,000
Compensated absences payable	-	-	-	338,010	338,010
Total liabilities	831,090	-	831,090	6,805,044	7,636,134
Deferred inflows of resources					
Unavailable property tax revenue	258,987	14,495	273,482	(273,482)	-
Fund Balances					
Restricted – retirement of long-term debt	-	146,377	146,377	(146,377)	-
Unassigned	7,277,417	-	7,277,417	(7,277,417)	-
Total fund balances	7,277,417	146,377	7,423,794	(7,423,794)	-
Total liabilities, deferred inflows of resources, and fund balances	$ 8,367,494	$ 160,872	$ 8,528,366		
NET POSITION					
Net investment in capital assets				4,335,231	4,335,231
Restricted for debt service fund				146,377	146,377
Unrestricted				7,119,975	7,119,975
Total net position				$ 11,601,583	$ 11,601,583

Notes to the financial statements form an integral part of this statement.

Travis County Emergency Services District No. 2

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances/Net Position

September 30, 2015

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes – including penalties and interest	$ 6,645,812	$ 371,941	$ 7,017,753	$ 5,733	$ 7,023,486
Sales tax receipts	7,291,962	-	7,291,962	-	7,291,962
Fee for services	33,894	-	33,894	-	33,894
Prevention	331,287	-	331,287	-	331,287
Facilities income	173,042	-	173,042	-	173,042
Miscellaneous	35,456	-	35,456	-	35,456
Total revenues	14,511,453	371,941	14,883,394	5,733	14,889,127
Expenditures					
Current:					
Operations	919,934	-	919,934	424,013	1,343,947
Prevention	31,251	-	31,251	350	31,601
Administrative:					
Professional services	559,410	-	559,410	-	559,410
General and administrative	905,292	2,487	907,779	319,889	1,227,668
Salaries	7,292,311	-	7,292,311	-	7,292,311
Employee benefits	1,595,236	-	1,595,236	(329,596)	1,265,640
Debt service:					
Principal retirement	669,950	345,000	1,014,950	(1,014,950)	-
Interest	116,646	28,100	144,746	12,426	157,172
Capital outlay	1,534,537	-	1,534,537	(1,534,537)	-
Total expenditures	13,624,567	375,587	14,000,154	(2,122,405)	11,877,749
Excess (deficiency) of revenues over (under) expenditures	886,886	(3,646)	883,240	2,128,138	3,011,378
Other Financing Sources (Uses)					
Interest income	36,632	1,650	38,282	-	38,282
Proceeds from sale of capital assets	15,000	-	15,000	-	15,000
Proceeds from capital leases	727,476	-	727,476	(727,476)	-
Proceeds from loans	850,000	-	850,000	(850,000)	-
Transfers in	373,518	373,321	746,839	-	746,839
Transfers out	(373,321)	(373,518)	(746,839)	-	(746,839)
Total other financing sources (uses)	1,629,305	1,453	1,630,758	(1,577,476)	53,282
Net change in fund balances/net position	2,516,191	(2,193)	2,513,998	550,662	3,064,660
Fund balances/net position – beginning of the year	4,761,226	148,570	4,909,796	3,627,127	8,536,923
Fund balances/net position – end of the year	$ 7,277,417	$ 146,377	$ 7,423,794	$ 4,177,789	$ 11,601,583

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Travis County Emergency Services District No. 2 (the "District"), included in the accompanying financial statements, conform to accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental entities. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which constitutes the primary source of GAAP for governmental units. The following represents the more significant accounting and reporting policies and practices used by the District.

Reporting Entity

The District was created by order of the Travis County Commissioners Court following a conversion election, which was held within the boundaries of Travis County Rural Fire Prevention District No. 3. A majority of the voters within the Rural Fire Prevention District voted to convert the Rural Fire Prevention District to the Emergency Services District. This election was held on January 18, 1992. The District operates under Article III, Section 48-e of the Texas Constitution and Chapter 775 of the Texas Health and Safety Code and is run by a five-member Board of Commissioners (the "Board") appointed by the Travis County Commissioners Court. The District's major activities include providing emergency services to the residents of the District.

Effective October 1, 1994, the District assumed, through a series of agreements, the assets, leases, and other obligations of the Pflugerville Volunteer Fire Department.

The accompanying financial statements present information required to account for those activities, organizations, and functions which are related to the District and are controlled by, or dependent upon, the District's governing body, the Board.

The District does not meet the criteria for inclusion as a component unit of any entity nor does any entity meet the criteria for inclusion as a component unit of the District.

The criteria used by the District for including activities in its financial statements are in conformity with GASB Accounting Standards Codification ("ASC"), Section 2100, *Defining the Financial Reporting Entity*. GASB has concluded that the criterion for including a legally separate organization in a governmental unit's reporting entity for general purpose financial reports is financial accountability of the primary government for the legally separate organization. Based upon that criterion, there are no legally separate organizations, which fall within the financial reporting entity of the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and charges to customers.

The 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 or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District's primary function is to provide emergency services.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The District has the following major governmental funds:

- ***General Fund*** **–** The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- ***Debt Service Fund*** **–** The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The fund did not meet the criteria for a major fund; however, management decided to include it as a major fund in the interest of the users of the financial statements.

Measurement Focus

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. All governmental funds are accounted for on a "spending" or "financial flow" measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance of governmental funds is considered a measure of "available spendable resources."

The government-wide financial statements follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Sales taxes are recognized as revenues in the year in which the taxes are remitted to the state of Texas.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. Revenues, other than grants, are considered to be available when they are expected to be collected during the current budgetary period, or within 60 days thereafter, to pay liabilities outstanding at the close of the budgetary period. Funds received but unavailable are reflected as unavailable revenues, and funds expended but not yet received are shown as receivables. Interest revenue is recorded when earned since it is measurable and available. Other revenues are recognized when measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Net Position
Net position represents the difference between assets plus deferred outflow of resources less liabilities less deferred inflows of resources. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position restricted for debt service is reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is comprised of the remainder of net position that has no restrictions.

Fund Balance
For fiscal year 2015, the District reported the following types of governmental funds balances: Restricted and Unassigned.

- Restricted fund balances are those that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (e.g., debt covenants), grantors, contributors, or laws/regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party.

- Unassigned fund balances are those within the General Fund and represent fund balance that has not been restricted, committed, or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first, followed by committed fund balances, then assigned fund balances, and finally unassigned fund balances, as needed, unless the Board or its delegated official has provided otherwise in its commitment or assignment actions.

Budgets and Budgetary Accounting
A budget adopted by the Board is presented in the accompanying financial statements on the budgetary basis. The budget is not legally binding. Annual appropriations lapse at the end of the fiscal year.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Items for which estimates are necessary include the amount of receivables, which may not be collectible, and the service lives and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amounts from contingencies such as litigation.

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be demand deposits.

Investments
The District's general investment accounting policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means the investment's value does not vary with market interest rate changes.

Accounts Receivable
The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the allowance. No allowance was deemed necessary at September 30, 2015.

Capital Assets
Capital assets include property, buildings, and equipment. Capital assets are defined by the District as assets with an initial individual cost of $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Assets under capital lease are recorded at the present value of future minimum lease payments at the inception of the lease.

Donated capital assets are valued at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Estimated Useful Lives
Buildings	40 years
Building improvements	20 years
Fire and other vehicles	7 to 10 years
Fire and communication equipment	10 years
Office furniture and equipment	10 years

Unavailable Revenue
Delinquent property taxes receivable are recorded as unavailable revenue in the governmental funds since they are not currently available. Unavailable revenue also includes deposits and customer advances to rent a facility owned by the District.

Long-Term Debt
General obligation bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences
Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure has been recorded. The amount of vested or accumulated vacation and sick leave that is not expected to be liquidated with expendable available financial resources is reported as a long-term liability in the Statement of Net Position and Governmental Funds Balance Sheet. The District's liability for accrued vacation and sick time at September 30, 2015 totaled $598,232.

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes totaling $273,482. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from Volunteer Fireman's Insurance Services and has effectively managed risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

GASB Implementation

As of June 1, 2015, the District became a member of Texas County District Retirement System ("TCDRS"). The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* ("GASB Statement No. 68"), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Data – An Amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of GASB Statement No. 68, as well as for nonemployer governments that have a legal obligation to contribute to those plans. As a result, the District is required to assume their proportionate share of the net pension liability of TCDRS. The adoption of GASB Statement No. 68 did not require an adjustment to the District's financial statements. See additional information on the adoption of GASB Statement No. 68 in Note 7. GASB Statement No. 71 establishes the accounting for contributions made subsequent to the measurement date and did require an adjustment to the District's financial statements.

Reclassification

Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation.

2. Cash and Cash Equivalents and Investments

The investment policies of the District are governed by state statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be Federal Deposit Insurance Corporation ("FDIC") insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third-party trustees.

Cash and cash equivalents are carried at cost, which approximates market value totaled $4,361,044. At September 30, 2015, the bank balance totaled $4,506,717, which was covered by the FDIC and pledged collateral.

Investments
The District's investments at September 30, 2015 are as follows:

	Carrying Amount	Amortized Cost, Which Approximates Fair Value
Texas Local Government Investment Pool ("TexPool")	$ 2,304,864	$ 2,304,864

TexPool is a public funds investment pool created pursuant to the Act, Chapter 791 of Texas Government Code. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board's members review the investment policy and management fee structure.

The District believes TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, the District uses amortized cost to report net position and share prices since that amount approximates fair value.

Interest Rate Risk – In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the types of investments it allows and the maturity.

Credit Risk – The District's investment policy allows for various types of investments including: obligations of, or guaranteed by the United States, certificates of deposit, and TexPool. At September 30, 2015, the District's investments in TexPool were rated AAAm by Standard & Poor's.

3. Ad Valorem Property Taxes

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis County Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Collector bills and collects the District's property taxes.

The property tax rates, established in accordance with state laws, were based on 100% of the net assessed valuation of real property within the District on the 2014 tax roll. The assessed value of the 2013 tax roll reported by the County, upon which the levy for the 2014 fiscal year was based, was initially $7,156,672 and subsequently updated to $7,147,711. The tax rates assessed for the year ended September 30, 2014 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.09300 and $0.0052 per $100 valuation, respectively, for a total of $0.0982 per $100 valuation.

At September 30, 2015, unavailable property tax revenue totaled $273,482. Property taxes receivable at September 30, 2015 consisted of the following:

	General Fund	Debt Service Fund
Current year levy	$ 43,716	$ 2,447
Prior year's levy	215,271	12,048
	$ 258,987	$ 14,495

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

4. Interfund Receivables and Payables

At September 30, 2015, there were no interfund receivables and/or payables.

Transfers are used to move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due. As of September 30, 2015, $373,321 was transferred in to the debt service fund from the General Fund. In addition, transfers are used to move restricted amounts from borrowings to the Debt Service Fund to establish mandatory reserve accounts. As of September 30, 2015, $373,518 was transferred into the General Fund from the Debt Service Fund.

5. Capital Assets

Capital assets activity for September 30, 2015 is as follows:

	Balance at October 1, 2014	Additions	Deletions and Other Adjustments	Balance at September 30, 2015
Capital assets not depreciated:				
Land	$ 395,545	$ -	$ -	$ 395,545
Fire vehicles in progress	210,187	49,770	(212,173)	47,784
Total capital assets not depreciated	605,732	49,770	(212,173)	443,329
Capital assets being depreciated:				
Fire vehicles	4,757,344	880,250	(84,493)	5,553,101
Fire and communication equipment	2,211,419	53,431	-	2,264,850
Office furniture and equipment	573,047	71,721	-	644,768
Station #2	850,776	418,523	-	1,269,299
Station #3	544,240	-	-	544,240
Station #4	742,118	-	-	742,118
Training center	1,208,359	-	-	1,208,359
Central station	1,116,075	-	-	1,116,075
Administrative building	2,280,073	-	-	2,280,073
Education building	2,130,318	-	-	2,130,318
Pfluger Hall	236,848	-	-	236,848
Improvements	591,040	60,842	-	651,882
Total capital assets being depreciated	17,241,657	1,484,767	(84,493)	18,641,931
Less accumulated depreciation for:				
Fire vehicles	(3,515,648)	(319,882)	296,666	(3,538,864)
Fire and communication equipment	(1,674,204)	(104,481)	-	(1,778,685)
Office furniture and equipment	(427,134)	(40,025)	-	(467,159)
Station #2	(329,676)	(25,473)	-	(355,149)
Station #3	(234,780)	(17,017)	-	(251,797)
Station #4	(250,464)	(18,553)	-	(269,017)
Training center	(343,329)	(30,209)	-	(373,538)
Central station	(431,175)	(29,282)	-	(460,457)
Administrative building	(332,432)	(57,002)	-	(389,434)
Education building	(346,177)	(53,258)	-	(399,435)
Pfluger Hall	(56,252)	(5,921)	-	(62,173)
Improvements	(207,789)	(43,149)	-	(250,938)
Total accumulated depreciation	(8,149,060)	(744,252)	296,666	(8,596,646)
Capital assets being depreciated – net	9,092,597	740,515	212,173	10,045,285
Total capital assets – net	$ 9,698,329	$ 790,285	$ -	$ 10,488,614

Depreciation expense was charged to functions as follows:

Operations	$ 424,013
Prevention	350
Administrative	319,889
	$ 744,252

6. Long-Term Debt

The District issued limited tax bonds for construction of fire protection facilities and equipment. Tax revenue from yearly ad valorem tax assessments will pay principal and interest on the outstanding tax-supported bonds of the District. General obligation bonds currently outstanding are as follows for the year ended September 30, 2015:

	Balance at October 1, 2014	Additions	Deletions	Balance at September 30, 2015	Due Within One Year
Bond payable – Series 2005	$ 875,000	$ -	$ 345,000	$ 530,000	$ 360,000
Other debt:					
Capital leases payable	849,031	727,476	125,855	1,450,653	204,936
Loans payable	3,866,825	850,000	544,095	4,172,730	710,570
Compensated absences payable	707,090	-	108,857	598,232	260,222
Total long-term debt	$ 6,297,946	$ 1,577,476	$ 1,123,807	$ 6,751,615	$ 1,535,728

Bond Payable

Detailed information on the original limited tax bond obligation is as follows:

	Date of Issue	Interest Rate	Original Principal Balance
$2,604,999 Limited Tax Bond – Series 2005	April 15, 2005	3%-4%	$ 2,604,999

The following schedule sets forth the debt service requirements on the general obligations outstanding bond indebtedness of the District at September 30, 2015:

	Principal	Interest	Total
Year ending September 30,			
2016	$ 360,000	$ 14,000	$ 374,000
2017	170,000	3,400	173,400
	$ 530,000	$ 17,400	$ 547,400

Loans Payable

Long-term debt at September 30, 2015 is comprised of the following items:

Note payable to Wells Fargo; interest at 3.15%; secured by sales taxes; due in annual installments through July 2016	$ 83,739
Note payable to Wells Fargo; interest at 3.35%; secured by District assets; due in semi-annual installments through April 2016	80,033
Note payable to Wells Fargo; interest at 2.25%; secured by sales tax revenues; due in annual installments through February 2021	1,041,875
Note payable to Wells Fargo was restructured; interest at 2.40%; secured by sales taxes; due in quarterly installments through July 2021	2,117,083
Note payable to Wells Fargo; interest at 2.40%; secured by sales taxes; due in annual installments through July 2022	850,000
	4,172,730
Less current portion	710,570
	$ 3,462,160

Maturities of long-term debt for the fiscal years subsequent to September 30, 2015 are as follows:

	Principal	Interest	Total
Year ending September 30,			
2016	$ 710,570	$ 101,537	$ 812,107
2017	632,151	78,066	710,217
2018	647,269	62,948	710,217
2019	662,750	47,467	710,217
2020	678,563	31,654	710,217
Thereafter	841,427	17,558	858,985
	$ 4,172,730	$ 339,230	$ 4,511,960

Capital Lease Payable

The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $2,760,719 at September 30, 2015, and accumulated amortization at September 30, 2015 totaled $1,270,958. The amortization of assets held under capital leases is included with depreciation expense. Lease obligations are repaid with general revenue sources.

The District's obligations under capital leases are reported as a long-term liability in the statement of net position and governmental funds balance sheet.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments at September 30, 2015:

Year ending September 30,	
2016	$ 253,367
2017	252,422
2018	247,698
2019	212,503
2020	168,153
Thereafter	521,983
Minimum lease payments for all capital leases	1,656,126
Lease amount representing interest at the District's incremental borrowing rate	(205,473)
Present value of minimum lease payments	1,450,653
Less current portion	204,936
Capital leases payable – long-term	$ 1,245,717

7. Employee Retirement Plans

Defined Contribution Plan

In April 2007, the Board authorized the creation of the Travis County Emergency Services District No. 2 457(b) Plan [the "457(b) Plan"] with Principal Financial Group. Employees are eligible to participate in the Plan after meeting defined requirements. The Plan replaced the Travis County Emergency Services District No. 2 401(a) plan as the employer funded plan of the District until January 1, 2010. On January 1, 2010, the Board again authorized employer contributions into the Travis County Emergency Services District No. 2 401(a) plan and continued the 457(b) plan for employee contributions only. During fiscal year 2013, the Board also approved changes to the plan administrator and investments held in the Plan, following a recommendation from the District's Investment Workgroup. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District contributes 10% of the employee's base salary each month. The District's contributions for each employee (and interest allocated to the employee's account) vest 20% per year during the first five years of service. The District's contribution for the year ended September 30, 2015 totaled $343,547. Participant contributions for the year ended September 30, 2015 totaled $233,144. The District was no longer making contributions to the 401(a) plan for payroll earned after May 31, 2015.

Defined Benefit Plan

Plan Description – Beginning on June 1, 2015, the District began its participation in TCDRS. TCDRS is a non-profit public trust providing pension, disability, and death benefits for the eligible employees of participating counties and districts. TCDRS was established by legislative act in 1967 under authority of Article XVI of the Texas Constitution. The TCDRS Act (Subtitle F, Title 8, Texas Government Code) is the basis for TCDRS administration. TCDRS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That annual report may be downloaded at http://www.tcdrs.com.

Benefits Provided – Effective the date of employment, the District provides retirement benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage has been set by the District at 7% and has elected a matching rate of $1 to $1. The employee's savings grow at a rate of 7%, compounded annually. At retirement, the employee's account balance is combined with the District's matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month that they make a deposit into their account. District employees also receive service time for the years worked prior to the District's participation in TCDRS. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the employer matching contribution, at age 60 or older.

The District's employees must work five years to be vested. Once vested, an employee has earned the right to receive a lifetime monthly retirement benefit and is eligible to retire at age 60. The District has also adopted the Rule of 75, which gives all vested employees the right to retire and receive a lifetime monthly benefit when the employee's age plus years of service equals 75 or more. Any employee with 30 years of service, regardless of age, will also have the right to retire and receive a lifetime monthly benefit.

Any TCDRS member who is a vested member may terminate employment prior to attaining age 60, and remain eligible to retire and receive a monthly benefit after attaining age 60 provided his or her membership is not terminated other than by retirement.

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Prior service gives employees credit for time worked for an eligible organization before it joined the system. Partial lump sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit. District employees all have the option to receive a lump-sum payment at retirement up to the amount of their final account balance.

Contributions – Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established and may be amended. For 2015, the contribution rate for the plan members was 7% of gross pay. The District pays a matching portion to the pension plan and elected to contribute 10% of gross pay for 2015, rather than 7%, which totaled $220,738 for the period from June 1, 2015 to September 30, 2015. Participant contributions for the period from June 1, 2015 to September 30, 2015 totaled $154,517.

Net Pension Liability – The District participates in an agent plan that has a fiscal year and measurement date of December 31, 2014. The District started to participate in the plan effective June 1, 2015, which is after the Plan's fiscal year end and measurement date, therefore no actuarial valuation data was available to determine the total pension liability used to calculate the net pension liability.

8. Commitments

Effective April 25, 2000, the District entered into an agreement with ICProcess.com ("ICP") to provide billing services for the District's fees charged to respond to fire calls and other related departmental services provided to the general public. The District may terminate this agreement at any time upon 30 days' prior written notice to ICP. The agreement calls for the District to pay ICP a 20% commission of the total amount collected on behalf of the District.

Effective December 31, 2001, the District entered into an agreement with the City of Austin Fire Department to provide dispatch services to the District service area on a fee-for-service basis. The service fee is based on the number of calls dispatched in the District service area in the preceding year and was $24 per call and totaled $185,544 during 2015. Either party may terminate this agreement with 90 days' prior written notice to the other party.

9. Reconciliation of Government Wide Financial Statements and Fund Financial Statements

The statement of net position and governmental funds balance sheet include adjustments between governmental funds balances and net position. The details on those adjustments are as follows:

Total governmental fund balances	$ 7,423,794
Recording of capital assets – net of accumulated depreciation	10,488,614
Unavailable property tax revenue recognized	273,482
Employer pension contributions deferred	220,737
Accrued interest payable	(53,429)
Capital leases payable	(1,450,653)
Loans payable	(4,172,730)
Bond payable	(530,000)
Compensated absences payable	(598,232)
Total net position	$ 11,601,583

The statement of activities and governmental funds revenues, expenditures, and changes in fund balances includes the following adjustments:

Net change in governmental fund balances	$ 2,513,998
Capital outlay	1,534,537
Depreciation	(744,252)
Employee benefits	329,596
Principal retirement	1,014,950
Proceeds from loans	(850,000)
Proceeds from capital leases	(727,476)
Property taxes	5,733
Interest	(12,426)
Change in net position of governmental activities	$ 3,064,660

Required Supplementary Information

Travis County Emergency Services District No. 2

Budgetary Comparison Schedule – General Fund – Budgetary Basis

Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Adjustments	Actual Budget Basis	Variance With Final Budget Favorable (Unfavorable)
Revenues						
Property taxes – including penalties and interest	$ 6,564,938	$ 6,564,938	$ 6,645,812	$ -	$ 6,645,812	$ 80,874
Sales tax receipts	5,815,812	6,464,312	7,291,962	(199,677)	7,092,285	627,973
Fee for services	125,000	75,000	33,894	50,000	83,894	8,894
Prevention	210,000	240,000	331,287	-	331,287	91,287
Facilities income	187,002	158,040	173,042	-	173,042	15,002
Miscellaneous	-	37,796	35,456	-	35,456	(2,340)
Total revenues	12,902,752	13,540,086	14,511,453	(149,677)	14,361,776	821,690
Expenditures						
Current:						
Operations	1,006,200	1,006,200	919,934	-	919,934	86,266
Prevention	44,700	44,700	31,251	-	31,251	13,449
Administrative:						
Professional services	645,000	645,000	559,410	-	559,410	85,590
General and administrative	1,059,046	1,031,546	905,292	50,000	955,292	76,254
Salaries	7,430,500	7,430,500	7,292,311	-	7,292,311	138,189
Employee benefits	1,816,850	1,816,850	1,595,236	-	1,595,236	221,614
Debt service:						
Principal retirement	716,653	669,955	669,950	-	669,950	5
Interest and fees	128,118	116,649	116,646	-	116,646	3
Capital outlay	25,000	1,662,101	1,534,537	47,783	1,582,320	79,781
Total expenditures	12,872,067	14,423,501	13,624,567	97,783	13,722,350	701,151
Excess (deficiency) of revenues over (under) expenditures	30,685	(883,415)	886,886	(247,460)	639,426	1,522,841
Other Financing Sources (Uses)						
Interest income	5,150	5,150	36,632	-	36,632	31,482
Proceeds from sale of capital assets	-	-	15,000	-	15,000	15,000
Proceeds from capital leases	-	-	727,476	(727,476)	-	-
Proceeds from loans	-	1,577,476	850,000	727,476	1,577,476	-
Transfers in	-	-	373,518	(373,518)	-	-
Transfers out	-	-	(373,321)	373,321	-	-
Total other financing sources (uses)	5,150	1,582,626	1,629,305	(197)	1,629,108	46,482
Net change in fund balances	35,835	699,211	2,516,191	(247,657)	2,268,534	1,569,323
Fund balances – beginning of the year	4,761,226	4,761,226	4,761,226	479,497	5,240,723	1,696,773
Fund balances – end of the year	$ 4,797,061	$ 5,460,437	$ 7,277,417	$ 231,840	$ 7,509,257	$ 3,266,096