Travis County Emergency Services District No. 2

Basic Financial Statements
September 30, 2018

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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 the major fund of Travis County Emergency Services District No. 2 (the District) as of and for the year ended September 30, 2018, 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 the major fund of the District as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter—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, schedules of changes in net pension assets and related ratios and schedule of employer contributions, as listed 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 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.

RSM US LLP

Austin, Texas
February 18, 2019

The management of Travis County Emergency Services District No. 2 (the District) offers the readers of the District's financial statements the following financial highlights and analysis of the financial activities of the District for the year ended September 30, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities at the end of the fiscal year by $20.4 million (net position). Of this amount, $12.9 million (unrestricted net position) may be used to fulfill the ongoing obligations of the District to its creditors and citizens.

- Total net position increased by $2.4 million from fiscal year 2017 to 2018. This is a result of increased cash due to increasing revenue and a decrease in liabilities due to some capital leases being paid off.

- The fund balance of the general fund as of September 30, 2018, is $18.6 million, which is an increase of $6.0 million from the prior year-end balance. The net increase is mostly due to loan proceeds received for construction projects that have not yet been completed.

- At the end of the current fiscal year, unassigned general fund balance was $12.5 million or approximately 53 percent of total general fund expenditures.

- Total government-wide liabilities increased by $5.3 million from the prior year due to a net effect of paying off some capital leases and acquiring a $6.1 million loan for construction projects.

Overview of the Financial Statements

The District's financial statements presented in this report include the basic financial statements, as well as required supplementary information. The basic financial statements attached hereto are comprised of the following major components.

The governmental funds balance sheet and statement of net position presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as fund balance/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 governmental fund revenues, expenditures and changes in fund balances and statement of activities presents information showing how the District's net position/fund balance 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 basis 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, deferred inflows of resources, liabilities, deferred outflows of resources, 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 fund—the general fund. The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that would be required to be accounted for in another fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension benefits to its employees.

Financial Analysis

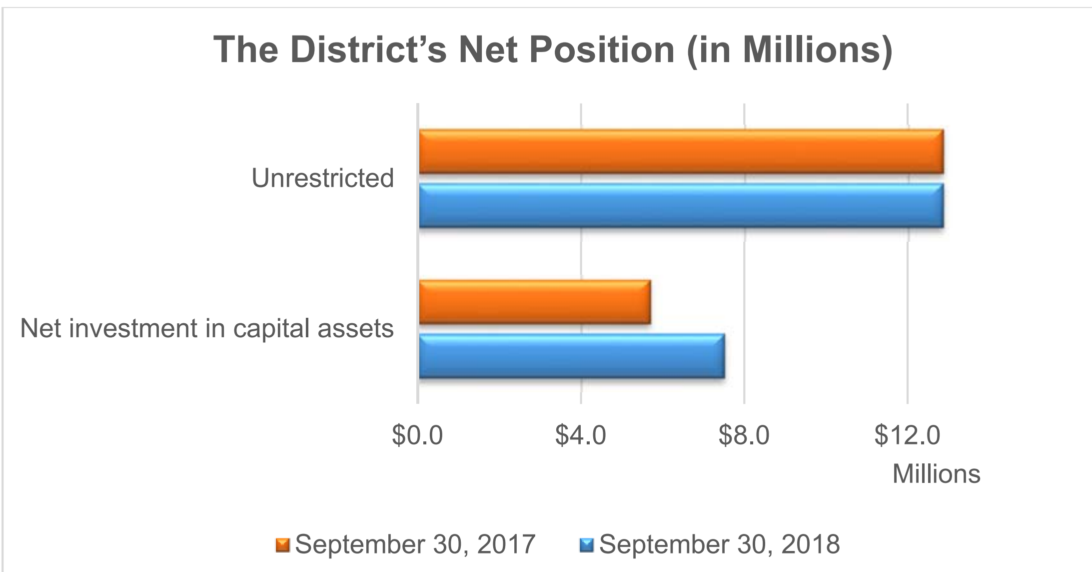
Government-Wide Overall Financial Analysis
As noted earlier, net position may be an indicator of a government's financial position. The District's assets and deferred outflows of resources exceed liabilities by $20.4 million at the close of fiscal year 2018 and represent an increase of $2.4 million from fiscal year 2017. Of this amount, $12.9 million (unrestricted net position) may be used to fulfill the ongoing obligations of the District to its creditors and citizens.

The District's Net Position

	September 30		
	2018	2017	Variance
Assets:			
Current assets	$ 14,130,744	$ 13,777,324	$ 353,420
Noncurrent assets	6,083,325	35,200	6,048,125
Capital assets	14,167,910	13,325,193	842,717
Total assets	34,381,979	27,137,717	7,244,262
Deferred outflows of resources—pension asset	1,379,662	869,232	510,430
Total assets and deferred outflow of resources	$ 35,761,641	$ 28,006,949	$ 7,754,692
Liabilities:			
Current liabilities	$ 3,850,591	$ 3,028,441	$ 822,150
Noncurrent liabilities	11,107,201	6,602,674	4,504,527
Total liabilities	14,957,792	9,631,115	5,326,677
Deferred inflows of resources—pension asset	415,810	409,163	6,647
Net position:			
Net investment in capital assets	7,515,516	5,702,812	1,812,704
Unrestricted	12,872,523	12,263,859	608,664
Total net position	20,388,039	17,966,671	2,421,368
Total liabilities and net position	$ 35,761,641	$ 28,006,949	$ 7,754,692

The District's largest portion of net position is unrestricted and the other portion reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles), less any related outstanding debt that was used to acquire those assets. The District is a stand-alone governmental entity and, therefore, has to ensure financial stability in the event of economic downturn. The District has also focused on ensuring sufficient fire station locations and equipment and continues to increase investment in capital assets to support this focus. Capital asset acquisition is funded mostly through debt and, as such, it should be noted that resources to pay the associated debt are derived from other sources than the assets themselves.

The District obtained a $6.1 million loan in fiscal year 2018 for the purpose of construction of Fire Station #5 and the central warehouse. The loan proceeds caused an increase in current assets and the debt caused an increase in the liability section.

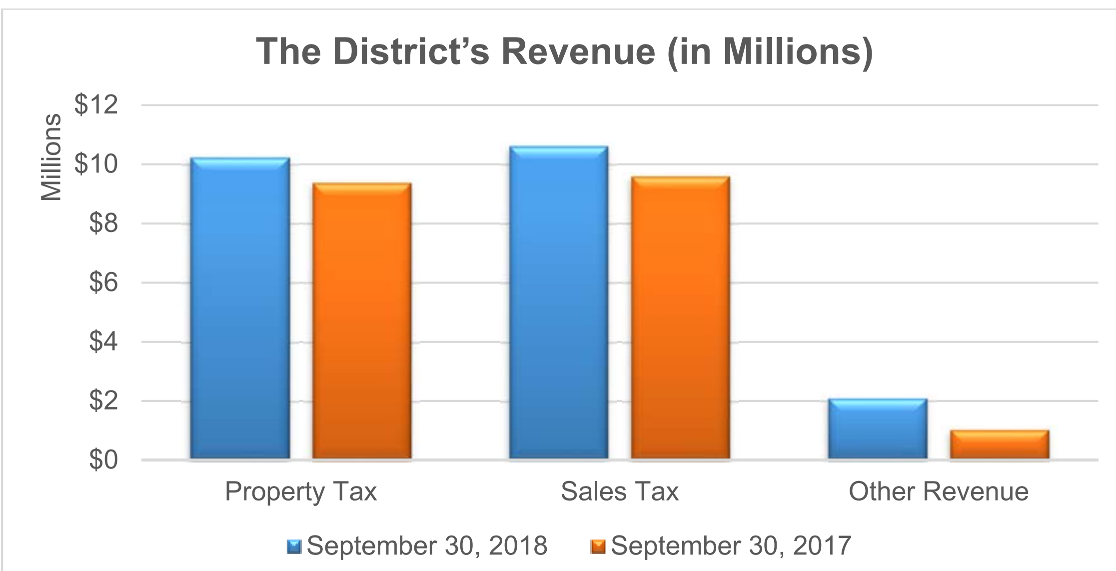


In fiscal year 2018, the District focused on investment in buildings and equipment to support the increased demand on services, which is reflected in the increased net investment in capital assets.

Net position increased $2.4 million from the beginning to the end of fiscal year 2018. The District experienced increases in revenues and expenses as a result of the growth within the service area. Increased population resulted in increased property and sales tax revenue and increased expenses for additional fire and emergency medical services (EMS) operations positions due to increased call volume.

The District's Changes in Net Position

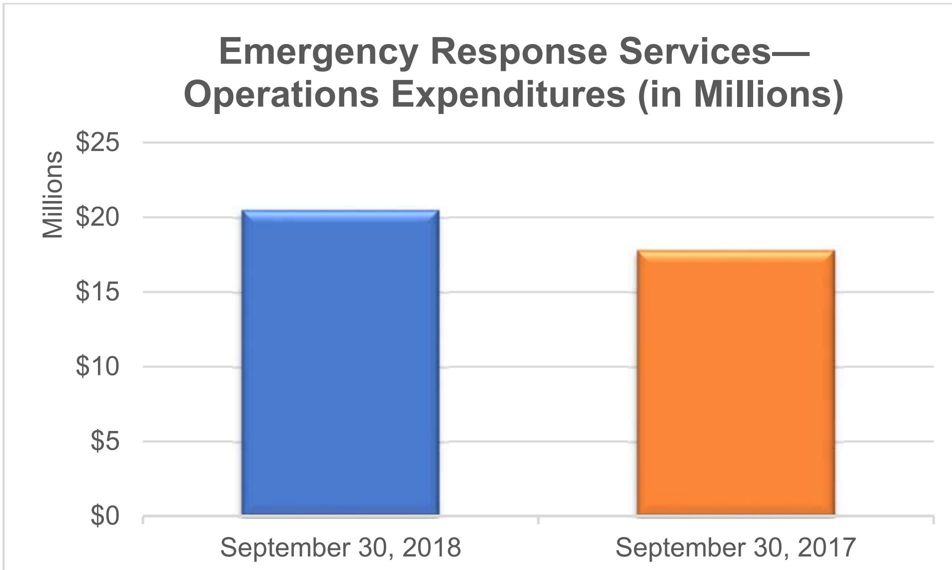
	September 30		
	2018	2017	Variance
Revenues:			
Property taxes—including penalties and interest	$ 10,238,347	$ 9,373,752	$ 864,595
Sales tax	10,617,743	9,592,499	1,025,244
Other revenue	2,087,998	1,030,617	1,057,381
Total revenues	22,944,088	19,996,868	2,947,220
Total expenses	20,522,720	17,785,922	2,736,798
Other financing sources, net	-	-	-
Change in net position	2,421,368	2,210,946	$ 210,422
Net position at beginning of year	17,966,671	15,755,725	
Net position at end of year	$ 20,388,039	$ 17,966,671	



Property tax revenue increased by $0.9 million or 9 percent from fiscal year 2017 to fiscal year 2018. The number and value of homes in the District's area has steadily increased and resulted in higher property tax revenue for the District even though the taxing rate remained constant at $0.10 per $100 valuation.

Sales tax revenue also increased from fiscal year 2017 to fiscal year 2018 by $1 million or 11 percent, also due to an increase in population in the District's area and new retail locations opening in the area.

Other revenue increased by $1.1 million or 103 percent from fiscal year 2017 to fiscal year 2018, which includes EMS transport fees and accounts for $0.9 million of the increase from fiscal year 2017 to fiscal year 2018 as a result of a full year of EMS transport service in fiscal year 2018.



The District's expenses increased by $2.7 million or 15 percent from fiscal year 2017 to fiscal year 2018. In fiscal year 2018, the District added 25 new full-time equivalent (FTE) positions to address increasing call volume and achieve enhanced safety goals. This addition in FTEs increased expenses for payroll, insurance/benefits, training, equipment and utilities. The increase in FTEs also increased the need for additional facilities to house and train operational employees and support staff. In fiscal year 2019, plans continued for construction of two new fire stations and a central warehouse.

Financial Analysis of the General Fund

The focus of the District's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by either an external party, the District itself or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's governing board. The governing board adopted a resolution on July 14, 2016, to maintain a minimum level of unassigned fund balance in the general fund of $3,500,000, which approximates three months of general fund annual expenditures.

The fund balance of the general fund as of September 30, 2018, was $18.6 million, which is an increase of $6.0 million from the prior year-end balance. The net increase is mostly due to the issuance of debt for construction projects that have not yet been completed.

At the end of the 2018 fiscal year, unassigned general fund balance was $12.5 million or approximately 53 percent of total general fund expenditures.

Budgetary Highlights

Property tax and sales tax exceeded budgeted amounts by $0.3 million or 3 percent and $0.4 million or 4 percent, respectively. This is as a combined result of conservative forecasting and continued growth in the area, causing revenue to exceed expectations. The District continues to utilize this methodology for forecasting in fiscal year 2019's budget.

For fiscal year 2018, the revenue budgeted for charges for services was $785,750 and the actual revenue at year end was $1.9 million. The increase in charges for services revenue was mainly the result of a full year of emergency medical service transport fees being billed and, due to the growth, two additional ambulances were placed into service earlier than planned. This caused increased expenses, as well as increased revenues from the resulting transport fees. For fiscal year 2019's budget, the District has utilized the historical information to forecast a more accurate revenue for this service.

The District received income of $0.2 million for a Federal Emergency Management Agency Staffing for Adequate Fire & Emergency Response grant in fiscal year 2018. At the time the fiscal year 2018 budget was approved, the District had not yet received notification of grant acceptance and, therefore, no grant revenue was included in the other income budget.

There were two unbudgeted occurrences during fiscal year 2018 which necessitated budget amendments and contributed to the budget variance. One was the addition of two new ambulances into service earlier than planned. This service was previously provided (and paid for) by Travis County so when the District had to provide this service, staffing was impacted. A large amount of overtime expense was incurred as additional FTEs were not planned for this purpose and there is an extended lead time to hire and properly train qualified staff. The salary and benefits portion of the budget was amended with an increase of $1.8 million.

The other large amendment was to account for the proceeds from the $6.1 million loan for the purpose of construction of Fire Station #5 and the central warehouse. This amendment impacted total other financing sources by the same amount and expenditures by $1.1 million, which represented the expected spending of the loan proceeds through September 30, 2018. The District experienced significant delays in obtaining final approval from required external sources to initiate construction, which resulted in a variance between the final budget and actual. Fiscal year 2019's budget was forecasted to include expenditures for the complete construction project.

General and administrative expenditures budget to actual amounts had a positive variance of $0.6 million. A few items that contributed to the savings were the District updating its dispatch agreement with the dispatch provided, which reduced the annual expense, and an improvement project that was budgeted under building maintenance for Fire Station #2 that was re-categorized to capital outlay.

The variance between the $6.1 million final budget for total other financing sources and the $6.5 million actual value include debt for acquisition of capital assets (discussed further in the Capital Asset section). The remaining total expenditures variance (budget savings) can be attributed to sound budget management and staff's focus on responsible spending of the District's funds that resulted in funds being saved.

Capital Assets and Debt Administration

The District's total capital assets consist of:

	September 30		
	2018	2017	Variance
Asset categories:			
Land	$ 919,017	$ 395,545	$ 523,472
Buildings	10,621,694	10,523,874	97,820
Machinery, equipment and vehicles	13,513,433	11,983,517	1,529,916
Buildings-in-progress	421,411	-	421,411
Vehicles-in-progress	286,572	947,692	(661,120)
Total capital assets	$ 25,762,127	$ 23,850,628	$ 1,911,499

The increase in the land category of $523,472 represents new land purchased and prepared for use and construction of Fire Station #5 at 1541 Pflugerville Loop in Pflugerville, Texas. The purchase of the land was budgeted in fiscal year 2018.

There were two major building improvements that increased the value of the District's buildings category by $97,820: a network upgrade project at the Education Building and Pfluger Hall of $15,048 and a new HVAC system at Fire Station #2 of $82,772. Both of these projects were budgeted in fiscal year 2018 and funded with unrestricted cash.

The machinery, equipment and vehicles category represents the largest quantity of the District's assets and reflects additions of $1.7 million and deletions of $133,762 for a net increase of $1.5 million for fiscal year 2018. They represent the $133,762 deletion in fiscal year 2018. No vehicles were disposed from capital assets in fiscal year 2018.

The District acquired a number of new vehicles and equipment, which contributed to the net increase in the machinery, equipment and vehicles asset category in fiscal year 2018, including:

- Two new 2018 Ford C-Max vehicles for use by staff doing field work that does not require an emergency response vehicle
- Two new 2018 Ford Transit vans to replace two 1996 vans being retired in 2019
- Nine new 2018 Ford F-250 trucks for use by operations to equip and deploy new EMS squads and to replace existing aged trucks
- A scissor lift for use by logistics staff in maintenance of the District's buildings in the amount of $18,070
- Cabinetry and lockers for Fire Station #4 for creation of a new bunker room in the amount of $25,800
- Extractors for Fire Stations #3 and #4 to allow staff to wash and dry uniforms at each station in the amount of $62,000; previously extractors were only available at Fire Stations #1 and #2

- A vocal system for the District's boardroom to improve the quality of the live stream of the monthly Board of Commissioners meetings in the amount of $5,300

- A Polaris UTV and pump for $21,011 for use in response locations not easily traversed by the District's large and heavy equipment

- A 2018 Ford Cargo van for use by staff to move equipment in a covered environment in the amount of $29,645

- Air-tow single axle trailer in the amount of $9,650 for transport of the scissor lift

- Purchase of annual replacement and new radios $88,468

- A storage container for $7,100 for use at the training field to store items in a covered environment

The first three Ford items listed above were debt financed (described below). The rest of the items listed above were purchased with unrestricted funds.

The buildings-in-progress asset category increase/balance of $421,411 represents multiple projects in progress as of September 30, 2018. The planning work for design and construction of Fire Station #5 and the central warehouse represents $332,000 and are funded with debt. The District acquired a $6.1 million loan from Government Capital Corporation, with annual payments of $457,474 beginning July 2019 and concluding July 2038.

Additional information on the District's capital assets can be found in Note 5 on page 25 of this report.

The District typically makes its large vehicle purchase using debt financing. In fiscal year 2018, debt increased by $4.8 million from fiscal year 2017. The District does not have any outstanding bonds or pension related debt.

	September 30		
	2018	2017	Variance
Debt categories:			
Notes payable	$ 8,283,316	$ 4,791,989	$ 3,491,327
Capital leases	4,183,375	2,830,392	1,352,983
Total long-term debt	$ 12,466,691	$ 7,622,381	$ 4,844,310

As previously discussed, the District obtained a $6.1 million loan for construction of a new fire station and central warehouse and obtained a capital lease for $368,056 in fiscal year 2018.

Additional information on the District's capital leases and notes payable can be found in Note 6 on pages 26 through 27 of this report.

Economic Factors and Next Year's Budget

Looking forward to fiscal year 2019, the District will continue to progress on the construction of Fire Station #5 and the central warehouse, which will decrease the cash balance and overall net position from the September 30, 2018 balance. The debt payments for this project will begin in July 2019.

The District will also continue planning for construction on a sixth fire station, but that likely will not impact the financial statements until fiscal year 2020, as the project is planned to be debt financed and will likely not begin until late fiscal year 2019 or even early fiscal year 2020. In fiscal year 2019, the District will be pursuing other capital projects other than the construction projects; the rest are planned to be funded with cash from fiscal year 2019 revenue and available fund balance.

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Basic Financial Statements

Travis County Emergency Services District No. 2

Governmental Funds Balance Sheet and Statement of Net Position
September 30, 2018

	General Fund	Adjustments (Note 10)*	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	$ 6,119,250	$ -	$ 6,119,250
Investments	5,689,706	-	5,689,706
Receivables:			
Property taxes, net of allowance for uncollectibles	65,716	-	65,716
Sales taxes	1,824,978	-	1,824,978
Ambulance and fire services	133,417	-	133,417
Other	45,372	-	45,372
Prepaid items	252,305	-	252,305
Total current assets	14,130,744	-	14,130,744
Noncurrent assets:			
Cash restricted for capital projects	5,814,297	-	5,814,297
Security deposit	3,326	-	3,326
Pension asset	-	265,702	265,702
	5,817,623	265,702	6,083,325
Capital assets:			
Capital assets—nondepreciable	-	1,627,000	1,627,000
Capital assets—depreciable, net	-	12,540,910	12,540,910
Total capital assets	-	14,167,910	14,167,910
Total noncurrent assets	5,817,623	14,433,612	20,251,235
Total assets	19,948,367	14,433,612	34,381,979
Deferred outflows of resources—pension plan	-	1,379,662	1,379,662
Total deferred outflows of resources	-	1,379,662	1,379,662

See notes to financial statements.

*Note 10 provides the details for the main components of the adjustments.

	General Fund	Adjustments (Note 10)*	Statement of Net Position
Liabilities			
Current liabilities:			
Accounts payable	$ 481,499	$ -	$ 481,499
Accrued payroll and employee benefits	778,667	-	778,667
Accrued interest	-	98,187	98,187
Unearned revenue—other	10,435	-	10,435
Deposits	27,720	-	27,720
Due within one year:			
Notes payable	-	859,229	859,229
Capital leases payable	-	1,007,619	1,007,619
Compensated absences payable	-	587,235	587,235
Total current liabilities	1,298,321	2,552,270	3,850,591
Noncurrent liabilities:			
Notes payable	-	7,424,087	7,424,087
Capital leases payable	-	3,175,756	3,175,756
Compensated absences payable	-	507,358	507,358
Total noncurrent liabilities	-	11,107,201	11,107,201
Total liabilities	1,298,321	13,659,471	14,957,792
Deferred inflows of resources:			
Pension plan	-	415,810	415,810
Unavailable property tax revenue	55,744	(55,744)	-
Unavailable charges for service revenue	38,328	(38,328)	-
Total deferred inflows of resources	94,072	321,738	415,810
Fund balances:			
Nonspendable—prepaid items	252,305	(252,305)	-
Unassigned	18,303,669	(18,303,669)	-
Total fund balances	$ 18,555,974	(18,555,974)	-
Net position:			
Net investment in capital assets		7,515,516	7,515,516
Unrestricted		12,872,523	12,872,523
Total net position		$ 20,388,039	$ 20,388,039

Travis County Emergency Services District No. 2

Governmental Fund Revenues, Expenditures and Changes in Fund Balances and Statement of Activities
Year Ended September 30, 2018

	General Fund	Adjustments (Note 10)*	Statement of Activities
Revenues:			
Program revenues:			
Charges for services	$ 1,752,623	$ 38,328	$ 1,790,951
Operating grants and contributions	196,015	-	196,015
General revenues:			
Property taxes, including penalties and interest	10,466,371	(228,024)	10,238,347
Sales tax	10,617,743	-	10,617,743
Interest income	101,032	-	101,032
Total revenues	23,133,784	(189,696)	22,944,088
Expenditures/expenses:			
Emergency response services—operations	19,697,288	608,921	20,306,209
Debt service:			
Principal retirement	1,623,747	(1,623,747)	-
Interest	213,618	2,893	216,511
Capital outlay	2,045,262	(2,045,262)	-
Total expenditures/expenses	23,579,915	(3,057,195)	20,522,720
Excess (deficiency) of revenues over (under) expenditures	(446,131)	2,867,499	2,421,368
Other financing sources (uses):			
Issuance of debt and capital leases	6,468,056	(6,468,056)	-
Total other financing sources (uses)	6,468,056	(6,468,056)	-
Net change in fund balances/net position	6,021,925	(3,600,557)	2,421,368
Fund balances/net position at beginning of year	12,534,049	5,432,622	17,966,671
Fund balances/net position at end of year	$ 18,555,974	$ 1,832,065	$ 20,388,039

See notes to financial statements.

*Note 10 provides the details for the main components of the adjustments.

Note 1. Nature of Operations, Reporting Entity and 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 (U.S. GAAP) as applied to governmental entities. U.S. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), which constitutes the primary source of U.S. 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.

The District considered the guidelines specified by the GASB Codification Section 2100, *Defining the Financial Reporting Entity*, when determining which entities to include in the accompanying basic financial statements. Under these guidelines, the reporting entity consists of the primary government (all funds of the District), organizations for which the primary government is financially accountable, and any other organizations for which the nature and significance of their relationship with the primary is such that exclusion could cause the District's basic financial statements to be misleading or incomplete. Entities other than the primary government, which are included in the primary government's financial statements, are called component units. Under the guidelines established by GASB Codification Section 2100, no legally separate organizations met the necessary criteria for inclusion as component units in the basic financial statements.

Government-wide financial statements: The government-wide and fund financial statements are presented on one schedule and are interrelated. The statement of net position and the statement of activities display information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net position presents the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The governmental activities are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by revenue. Direct expenses are those that are clearly identifiable with a specific function. Revenue includes (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, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items are reported as general revenues.

Fund financial statements: The fund financial statements of the District are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows/outflows, fund balance, revenues and expenditures. Government resources are allocated to and accounted for the purpose of carrying on specific activities in accordance with laws, regulations or other appropriate requirements.

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies (Continued)

Governmental funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund.

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

Measurement focus and basis of accounting: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Sales taxes are recognized as revenues in the year in which the underlying exchange occurred. Charges for services are recognized as revenue when the District receives the cash.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. For this purpose, the District considers all revenues to be available if the revenues are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, if measurable, except for debt service expenditures, compensated absences and pension-related amounts, which are recognized as expenditures 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.

Property taxes when levied and sales taxes associated with the current period are all considered to be measureable and are recorded as revenue, if available. All other revenue items are considered to be measurable and available in the fiscal period the District receives the cash.

Cash and cash equivalents: The District's cash and cash equivalents are considered to be cash on hand, external investment pools and demand deposits. External investment pools are valued at amortized cost pursuant to GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

Restricted cash: Restricted cash consists of proceeds received from a note payable, which is restricted for the use of capital projects.

Investments: Investments are carried at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investment in negotiable certificates of deposit (CDs) are recorded at fair value in accordance with GASB Statement No. 72. Accordingly, the change in fair value of the investments is recognized as an increase or decrease to investment assets and investment income. Shares of money market mutual funds are valued at net asset value (NAV) per share, and these money market mutual funds invest primarily in short-term United States Treasury and government agency securities. The redemption frequency is one day, and there are no unfunded commitments as of the year ended September 30, 2018. The District reports its investments in local government investment pools at amortized cost.

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies (Continued)

District investment practices are governed by state statutes, the District's own investment policy, bond indentures and the Texas Public Funds Investment Act.

Receivables: 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. At September 30, 2018, a property tax allowance for uncollectibles totaled approximately $273,000.

Unearned revenue: Unearned revenue—other consists of customer advances to rent a facility owned by the District.

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 or more 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 acquisition 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

Deferred outflows/inflows of resources: In addition to assets, the governmental funds balance sheet and statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of differences between projected and actual actuarial experience, changes in actuarial assumptions and contributions from the District to the pension plans after the measurement date, but before the end of the District's reporting period.

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the governmental funds balance sheet and 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 deferred inflows of resources of the general fund on the balance sheet primarily related to unavailable property tax revenue and unavailable charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position primarily related to deferred inflows of resources related to the pension plan.

Compensated absences: Vested or accumulated vacation, holiday and sick leave that is expected to be liquidated with expendable available resources and has become due is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure of this type 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 liability in the statement of net position. Union and nonunion employees begin to accrue vacation once eligibility requirements are met. Hours are accrued monthly based on years of service. For union employees, vacation and holiday time earned and not used by December 31st will be paid out by no later than March 31st of the following year. For nonunion employees, holiday time earned and not used will be forfeited. Any unused accrued vacation will be carried forward to the next benefit year for nonunion employees. For both union and nonunion employees, upon termination of employment any unused accrued vacation will be paid out. Union and nonunion employees accrue sick leave hours monthly based on years of service and will be allowed to accumulate and carry forward to the next benefit year. For both union and nonunion employees, upon termination of employment any unused accrued sick leave hours will be paid out. For union employees, the District has various payout categories depending on hours/schedule groupings. The District's liability for accrued vacation, holiday and sick time at September 30, 2018, totaled $1,094,593.

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. Issuance costs are reported as an expense in the year the costs are incurred.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension: For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the District's participation in the Texas County & District Retirement System (TCDRS), an agent plan, and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds to employee contributions) are recognized in the TCDRS net pension liability calculations when due and payable in accordance with the benefit terms. The investments are stated at fair value.

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund balance: In the governmental fund financial statements, the District reported the following types of governmental fund balances.

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

***Restricted**:* The portion of fund balance that is restricted to specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.

Unassigned: All amounts not included in other spendable classifications. The general fund is the only fund that would report a positive amount in unassigned fund balance.

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.

Net position: Net position represents the difference between assets plus deferred outflow of resources less liabilities plus deferred inflows of resources in the government-wide financial statement. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those capital assets. Unrestricted net position is comprised of the remainder of net position that has no restrictions.

Sometimes, the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

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 U.S. GAAP requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Deposits and Investments

The District's Board has adopted an investment policy to set forth the factors involved in the management of investment assets of the District. The investment policy allows for various types of investments, including depositories which must be insured by the Federal Deposit Insurance Corporation (FDIC). Depositories must fully insure or collateralize all demand and time deposits and securities collateralizing time deposits that are held by independent third-party trustees.

Note 2. Deposits and Investments (Continued)

As of September 30, 2018, the District's cash and investments were as follows:

Cash	$ 6,119,250
Restricted cash	5,814,297
Texas Local Government Investment Pool (TexPool)	2,219,383
Investments—CDs	3,444,126
Investments—mutual funds	26,197
	$ 17,623,253

Custodial credit risk—deposits: Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits. The District has a deposit policy for custodial credit risk, which requires bank deposit accounts to be collateralized with pledge securities. There is no limit on the amount the District may deposit in any one institution. As of September 30, 2018, the District had cash on hand and demand deposits had a carrying balance of $11,933,547 and a total bank balance of $12,155,122, of which the bank balances were covered by the FDIC for $250,000. A portion of the balance was covered by collateral pledged in the District's name, and $5,564,297 was exposed to custodial credit risk because it was uninsured. The District does not have funds that are held in foreign currency.

Fair value measurements: The District uses various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72 established a hierarchy that prioritizes inputs to valuation methods. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the District has the ability to access at the measurement date.

- Level 2 inputs are observable and other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

- Level 3 inputs are unobservable inputs for an asset or liability, to the extent relevant observable inputs are not available, representing the District's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Note 2. Deposits and Investments (Continued)

As of September 30, 2018, the fair value of investments were:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level—CDs	$ 3,444,126	$ -	$ 3,444,126	$ -
Total investments by fair value level	3,444,126	$ -	$ 3,444,126	$ -
Investments measured at NAV—mutual funds	26,197			
Investments measured at amortized cost—TexPool	2,219,383			
Total investments	$ 5,689,706			

CDs classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including, but not limited to, quoted prices for similar securities.

Custodial credit risk—investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all investments are collateralized, as required by the Collateral Act for Public Funds, Chapter 2257, of the Texas Government Code. The District has no exposure to investment custodial credit risk at September 30, 2018, because all investments were fully covered by pledged securities.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy requires an investment that does not meet the minimum required rating to be liquidated. At September 30, 2018, the District's investments in TexPool were rated AAAm by Standard & Poor's. The mutual funds are not rated.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District is authorized to invest funds in accordance with its investment policy, bond indentures and the Texas Public Funds Investment Act. Authorized investments include, but are not limited to: United States Treasury and federal agency issues, CDs issued by a state or national bank domiciled in the state of Texas, Securities and Exchange Commission registered no-load money market mutual funds and local government investment funds.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses due to interest rate fluctuations, the District's investment policy requires investment maturity of 60 days after the date of purchase for the general fund and no later than 12 months after date of purchase for the debt service fund. TexPool has a weighted average maturity of 28 days and mutual funds—bonds funds have a weighted average maturity of eight years.

TexPool: TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and subject to the provisions of the Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Government Code. In addition to other provision of the PFIA designed to promote liquidity and safety of principal, it requires pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the values of its shares.

Note 2. Deposits and Investments (Continued)

The District's investments in TexPool are reported at share value, which equals amortized cost. The District believes the pools in which it invests operate as required under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, to be valued at amortized cost.

The Texas 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 Texas State Comptroller 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.

Note 3. Ad Valorem Property Taxes

In accordance with Texas statutes, the Board of Commissioners approves a tax rate and order to levy taxes in September of each year. Property taxes are billed by the county tax assessor-collector as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are payable upon receipt of the tax bill and are delinquent if not paid before February 1 of each year following the year in which imposed. On January 1 of the year following the District's order to levy taxes (the assessment date), a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. The assessment date represents the date on which an enforceable legal claim arises and attaches as the lien on the assessed property. In the basic financial statements, property tax revenues are considered available when they become due and receivable within the current period, including those property taxes expected to be collected during a 60-day period after the close of the District's fiscal year.

The total assessed value for real and personal property on the tax roll was initially approximately $10,525,036,000 and subsequently updated to approximately $10,501,210,000, as of September 30, 2018, as certified by the Travis Central Appraisal District.

The District's assessed tax rates approved by the Board for 2018 general fund operations and the payment of principal and interest on general obligation long-term debt were $0.1000 per $100 valuation.

At September 30, 2018, unavailable property tax revenue totaled $55,525. Property taxes receivable at September 30, 2018, consisted of the following:

	General Fund
2017 levy	$ 55,525
Prior-year levy	283,247
	338,772
Less allowance for uncollectibles	273,056
	$ 65,716

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

Note 4. Fund Balance

On July 14, 2016, the governing board adopted a resolution to maintain a minimum level of unassigned fund balance in the general fund of $3,500,000, which approximates three months of general fund annual expenditures. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur.

Note 5. Capital Assets

A summary capital asset activity for the year ended September 30, 2018, is as follows:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not depreciated:				
Land	$ 395,545	$ 523,472	$ -	$ 919,017
Buildings-in-progress	-	421,411	-	421,411
Vehicles-in-progress	947,692	286,572	(947,692)	286,572
Total capital assets not depreciated	1,343,237	1,231,455	(947,692)	1,627,000
Capital assets being depreciated:				
Fire vehicles	8,972,330	1,457,094	(133,762)	10,295,662
Fire and communication equipment	2,280,698	88,468	-	2,369,166
Office furniture and equipment	730,488	118,117	-	848,605
Station #2	1,269,299	-	-	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	996,544	97,820	-	1,094,364
Total capital assets being depreciated	22,507,390	1,761,499	(133,762)	24,135,127
Less accumulated depreciation for:				
Fire vehicles	(4,542,812)	(722,362)	133,762	(5,131,412)
Fire and communication equipment	(1,983,517)	(86,950)	-	(2,070,467)
Office furniture and equipment	(571,752)	(58,041)	-	(629,793)
Station #2	(418,613)	(31,732)	-	(450,345)
Station #3	(285,832)	(18,713)	-	(304,545)
Station #4	(306,123)	(18,553)	-	(324,676)
Training center	(433,956)	(30,209)	-	(464,165)
Central station	(519,021)	(29,282)	-	(548,303)
Administrative building	(503,438)	(57,002)	-	(560,440)
Education building	(505,951)	(53,258)	-	(559,209)
Pfluger Hall	(74,015)	(5,921)	-	(79,936)
Improvements	(380,405)	(90,521)	-	(470,926)
Total accumulated depreciation	(10,525,435)	(1,202,544)	133,762	(11,594,217)
Capital assets being depreciated net	11,981,955	558,955	-	12,540,910
Total capital assets, net	$ 13,325,192	$ 1,790,410	$ (947,692)	$ 14,167,910

Depreciation expense charged to emergency response services—operations totaled approximately, $1,200,000.

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 2,830,392	$ 6,100,000	$ 647,076	$ 8,283,316	$ 859,229
Capital leases payable	4,791,989	368,056	976,670	4,183,375	1,007,619
Compensated absences payable	950,606	1,116,266	972,279	1,094,593	587,235
Total long-term debt	$ 8,572,987	$ 7,584,322	$ 2,596,025	$ 13,561,284	$ 2,454,083

Compensated absences are liquidated by the general fund.

Notes payable: The District has entered into note agreements with Wells Fargo to finance certain construction projects. The District has pledged futures sales tax collections to repay these note payables. Total principal and interest remaining to be paid on the note payables is $2,279,994 through 2032.

Notes payable is comprised of the following items at September 30, 2018:

Note payable to Government Capital; interest at 4.215%; secured by land and improvements; due in annual installments of approximately $458,000 through July 2038	$ 6,100,000
Note payable to Wells Fargo; interest at 2.250%; secured by sales tax revenues; due in annual installments of approximately $199,000 through February 2021	571,324
Note payable to Wells Fargo; interest at 2.400%; secured by sales taxes; due in quarterly installments of approximately $95,000 through July 2021	1,101,649
Note payable to Wells Fargo; interest at 2.400%; secured by sales taxes; due in quarterly installments of approximately $33,000 through July 2022	510,343
	8,283,316
Less current portion	859,229
	$ 7,424,087

Maturities of long-term debt for notes payable for the fiscal years subsequent to September 30, 2018, are as follows:

	Principal	Interest	Total
Years ending September 30:			
2019	$ 859,229	$ 308,867	$ 1,168,096
2020	887,467	280,493	1,167,960
2021	921,425	255,441	1,176,866
2022	365,038	233,007	598,045
2023	236,450	221,294	457,744
2024-2028	1,340,415	948,303	2,288,718
2029-2033	1,647,747	640,972	2,288,719
2034-2038	2,025,545	263,175	2,288,720
	$ 8,283,316	$ 3,151,552	$ 11,434,868

Note 6. Long-Term Liabilities (Continued)

Capital lease payable: The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled $7,329,458 at September 30, 2018, and accumulated amortization at September 30, 2018, totaled $2,584,091. The amortization of assets held under capital leases is included with depreciation expense. Lease obligations are repaid with general revenue sources.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

Years ending September 30:	
2019	$ 1,102,546
2020	1,013,612
2021	626,634
2022	490,675
2023	777,255
2024-2028	457,846
Minimum lease payments for all capital leases	4,468,568
Lease amount representing interest at the District's incremental borrowing base	285,193
Present value of minimum lease payments	4,183,375
Less current portion	1,007,619
Capital leases payable—long-term	$ 3,175,756

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year, the District maintained commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 8. 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 457(b) Plan after meeting defined requirements. The 457(b) 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 457(b) Plan, following a recommendation from the District's Investment Workgroup. The District was not making contributions to the 401(a) plan for payroll earned after May 31, 2015 through January 1, 2017. Effective January 1, 2017, the District will match $0.25 of each $1.00 contributed by the employee, up to 7 percent of compensation. The District's match will go into the 401(a) plan continuing with the five-year vesting schedule.

The District's contribution to the 401(a) Plan for the year ended September 30, 2018, totaled $59,119. Participant contributions to the 457(b) Plan for the year ended September 30, 2018, totaled $305,321.

Note 8. Employee Retirement Plans (Continued)

Deferred compensation plan: In June 2016, the Board adopted a nonqualified deferred compensation plan for an executive held in the District's name. The Board will make annual discretionary contributions into an investment account that the District will direct to ensure it earns a rate of interest equal to the interest crediting rate of 7 percent. At September 30, 2018, the market value of the investments totaled approximately $26,000. The District's contributions for the year ended September 30, 2018, totaled $9,731. The investment account held by the District in the general fund for the executive shall become 100 percent vested upon the first to occur of the following events: (i) the fixed payment date of September 15, 2020, (ii) the executive's separation from service for good reason, (iii) the executive's involuntary separation from service (other than for cause), (iv) the executive's death or (v) upon the determination of the executive's disability.

Defined benefit plan:

Plan description: Beginning on June 1, 2015, the District began its participation in TCDRS. TCDRS is a statewide, agent multi-employer, public employee retirement system. TCDRS is a nonprofit 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.org.

Benefits provided: Effective the date of employment, the District provides retirement, disability and death 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 percent and has elected a matching rate of $2 to $1. The employee's savings grow at a rate of 7 percent, 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.

Any TCDRS member who is a vested member who is totally and permanently disabled is eligible for a disability retirement benefit. A member who is not vested is eligible for disability retirement benefits if the total and permanent disability was a result of an on-the job injury.

Any TCDRS member who has four or more years of service credit with the District is eligible for purposes of the survivor annuity death benefit.

Note 8. Employee Retirement Plans (Continued)

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.

Any amendments to the plan would be approved by the District.

Employees covered by benefit terms: The following employees were covered by the benefit terms as of the valuation date December 31, 2017:

	2018	2017
Inactive employees or beneficiaries currently receiving benefits	2	1
Inactive employees entitled to, but not yet receiving benefits	24	14
Active employees	134	100
Total	160	115

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 the period from October 1, 2017, through September 30, 2018, the contribution rate for the plan members was 7 percent of gross pay. The District pays a matching portion to the pension plan and elected to contribute 10 percent of gross pay for 2018, rather than 7 percent, which totaled $1,147,815. Participant contributions totaled $803,461.

Net pension asset: The District's net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions: The actuarial assumptions that determined the total pension asset as of December 31, 2017, was based on the results of an actuarial experience study for the period, January 1, 2013, through December 31, 2016, except where required to be different by GASB Statement No. 68.

The total pension asset in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Payroll growth for funding calculations (made up of 2.75% inflation and 0.50% productivity increase assumptions)	3.25%
Long-term investment return	8.10%

Mortality rates were based on the following:

Depositing members: 90 percent of the RP-2014 Active Employee Mortality Table for males and 90 percent of the RP-2014 Active Employee Mortality Table for females, projected with 110 percent of the MP-2014 Ultimate scale after 2014.

Note 8. Employee Retirement Plans (Continued)

Service retirees, beneficiaries and nondepositing members: 130 percent of the RP-2014 Healthy Annuitant Mortality Table for males and 110 percent of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110 percent of the MP-2014 Ultimate scale after 2014.

Disabled retirees: 130 percent of the RP-2014 Disabled Annuitant Mortality Table for males and 115 percent of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 100 percent of the MP-2014 Ultimate scale after 2014.

Long-term rate of return on assets: The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

The capital market assumptions and information shown below are provided by TCDRS' investment consultant based on December 31, 2017, information for a 7-10 year time horizon.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index (3)	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities—Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities—Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment—Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	7.50%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	18.00%	4.10%

(1) Target asset allocations adopted at the April 2018 TCDRS board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.95 percent per Cliffwater's 2018 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Note 8. Employee Retirement Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability was 8.1 percent for December 31, 2017. In order to determine the discount rate to be used by the employer, TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

(1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

(2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

(3) The employer's assets are projected to exceed accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

(4) Any increased cost due to the adoption of a cost of living adjustments is required to be funded over a period of 15 years, if applicable.

Change in net pension liability (asset): Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for the purpose of calculating the total pension liability and net pension liability of the District is equal to the long-term assumed rate of return on investment.

Note 8. Employee Retirement Plans (Continued)

Changes in Net Pension Liability (Asset)

Changes in Net Pension Liability (Asset)	Increase (Decrease) Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)–(b)
Balance as of September 30, 2017	$ 1,954,703	$ 1,986,577	$ (31,874)
Changes for the year:			
Service cost	1,125,863	-	1,125,863
Interest on total pension liability (1)	249,386	-	249,386
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	498,913	-	498,913
Effect of assumptions changes or inputs	(21,194)	-	(21,194)
Refund of contributions	(2,235)	(2,235)	-
Benefit payments	(1,307)	(1,307)	-
Administrative expenses	-	(2,707)	2,707
Member contributions	-	719,807	(719,807)
Net investment income	-	318,032	(318,032)
Employer contributions	-	1,028,309	(1,028,309)
Other (3)	-	23,355	(23,355)
Balance as of September 30, 2018	$ 3,804,129	$ 4,069,831	$ (265,702)

(1) Reflects the change in the liability due to the time value of money, TCDRS does not charge fees or interest

(2) No plan changes valued

(3) Relates to allocation of system-wide items

Sensitivity analysis: The following presents the net pension liability (asset) of the District, calculated using the discount rate of 8.1 percent, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1 percent) or 1 percentage point higher (9.1 percent) than the current rate.

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$ 4,567,904	$ 3,804,129	$ 3,184,806
Fiduciary net position	4,069,831	4,069,831	4,069,831
Net pension liability (asset)	$ 498,073	$ (265,702)	$ (885,025)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS report.

Note 8. Employee Retirement Plans (Continued)

Pension expense: The District recognized the following pension related expense (income) during the year ended September 30, 2018:

Description	Pension Expense (Income)
Service cost	$ 1,125,863
Interest on total pension liability (1)	249,385
Effect on plan changes	-
Administrative expenses	2,707
Member contributions	(719,807)
Expected investment return net of investment expenses	(231,012)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	8,202
Recognition of assumption changes or inputs	(1,599)
Recognition of investment gains or losses	(179)
Other (2)	(23,355)
Pension expense	$ 410,205

(1) Reflects the change in the liability due to the time value of money, TCDRS does not charge fees or interest

(2) Relates to allocation of system-wide items

Deferred inflows and outflows of resources: As of September 30, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 371,966	$ 499,386
Changes of assumptions	19,428	1,834
Net difference between projected and actual earnings	24,416	-
Contributions made subsequent to measurement date	-	878,442
	$ 415,810	$ 1,379,662

Contributions made subsequent to the measurement date are eligible employer contributions made from January 1, 2018 through September 30, 2018. The $878,442 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

Note 8. Employee Retirement Plans (Continued)

The deferred outflows and deferred inflows resulting from the difference between expected and actual experiences on pension plan investments will be recognized as a reduction in pension expense over five years. The other deferred outflows will be recognized in pension expense using the average remaining service life for all active, inactive and retired members. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Years ended September 30:	
2019	$ 6,424
2020	6,424
2021	(53)
2022	(10,801)
2023	6,603
Thereafter	76,813
	$ 85,410

The remaining balance to be recognized in future years (and included in the thereafter category), if any, will be impacted by additional future deferred inflows and outflows of resources.

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 9/30/2018 Expense*	Balance of Deferred Inflows 9/30/2018	Balance of Deferred Outflows 9/30/2018
Investment or losses	$ (87,019)	12/31/2017	5	$ (17,404)	$ 69,615	$ -
Investment or losses	53,744	12/31/2016	5	10,749	-	32,246
Investment or losses	32,382	12/31/2015	5	6,476	-	12,953
Subtotal of net difference of investment or losses					24,416	
Economic/demographic or losses	498,913	12/31/2017	12	41,576	-	457,337
Economic/demographic or losses	(446,360)	12/31/2016	12	(37,197)	371,966	-
Economic/demographic or losses	53,516	12/31/2015	14	3,823	-	42,049
Assumption changes or inputs	(21,194)	12/31/2017	12	(1,766)	19,428	-
Assumption changes or inputs	2,334	12/31/2015	14	167	-	1,834
Total	$ 86,316			$ 6,424	$ 415,810	$ 501,220

* Investment losses are recognized in pension expense over a period of five years; economic/demographic losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive and retired members.

Note 9. Commitments

Effective October 15, 2015, the District entered into an agreement with Fire Recovery EMS to provide billing services for the District's fees charged to respond to EMS calls and other related departmental services provided to the general public. The District may terminate this agreement at any time upon 90 days' prior written notice to Fire Recovery EMS. The agreement called for the District to pay a 20 percent fee of all payments collected on behalf to the District. Effective January 1, 2018, the District and Fire Recovery EMS entered into an agreement that adjusted the fee to 4.5 percent.

Note 9. Commitments (Continued)

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 $26.40 per call. Either party may terminate this agreement with 90 days' prior written notice to the other party. Effective January 3, 2017, the District entered into an Agreement with the City of Austin Emergency Medical Service Department to provide ambulance services to the District service area at a rate of $20,000 per ambulance annually. Either party may terminate this agreement with 30 days' prior written notice to the other party. Expenditures from these commitments totaled approximately $148,000 during 2018.

Note 10. Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

Total governmental fund balances		$ 18,555,974
Amounts reported for governmental activities in the governmental funds balance sheet and statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not reported in the funds		14,167,910
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period		
Unavailable revenue		
Property tax	55,744	
Charges for service	38,328	
Pension plan	(415,810)	
		(321,738)
Deferred outflows represent the consumption of net position that are applicable to a future reporting period—pension		1,379,662
Certain assets and liabilities, including bonds, notes and capital lease payables, are not due and payable in the current period and, therefore, are not reported liabilities in the funds. These assets and liabilities at year-end consist of:		
Pension asset		265,702
Accrued interest payable		(98,187)
Notes payable		(8,283,316)
Capital leases payable		(4,183,375)
Compensated absences payable		(1,094,593)
Total net position of governmental activities		$ 20,388,039

Note 10. Reconciliation of Government-Wide Financial Statements and Fund Financial Statements (Continued)

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

Net change in governmental fund balances	$ 6,021,925
Governmental funds report capital outlays as expenditures. However, in the governmental funds revenues, expenditures and changes in fund balances/net position and statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period and other transactions involving capital assets:	
Capital outlay	2,045,262
Depreciation expense	(1,202,544)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in deferred inflows of resources—unavailable revenue	(189,696)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds:	
Issuance of debt and capital leases	(6,468,056)
Repayment of notes payable principal	647,076
Repayment of capital lease principal	976,670
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 governmental funds:	
Increase in compensated absences	(143,987)
Increase in accrued interest payable	(2,894)
Pension expense	737,612
Change in net position of governmental activities	$ 2,421,368

Note 11. New Pronouncements

The District adopted the following statement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period:* In June 2018, the GASB issued this statement, which will be effective for the District beginning with its fiscal year ending September 30, 2021, with earlier adoption encouraged. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify the accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Note 11. New Pronouncements (Continued)

The GASB has issued several statements not yet implemented by the District. The statements which might impact the District are as follows.

GASB Statement No. 87, *Leases*: In June 2017, the GASB issued this statement. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about an entity's leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, with early application encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*: In March 2018, the GASB issued this statement, which will be effective for the District beginning with its fiscal year ending September 30, 2019, with earlier adoption encouraged. GASB Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. This statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

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Required Supplementary Information

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Travis County Emergency Services District No. 2

Budgetary Comparison Schedule—General Fund—Budgetary Basis
Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Adjustments	Actual Budget Basis	Variance With Final Budget
Revenues:						
Property taxes, including penalties and interest	$ 10,186,182	$ 10,186,182	$ 10,466,371	$ -	$ 10,466,371	$ 280,189
Sales tax	10,175,000	10,175,000	10,617,743	-	10,617,743	442,743
Charges for services	785,750	785,750	1,752,623	100,000	1,852,623	1,066,873
Interest income	27,000	27,000	101,032	-	101,032	74,032
Miscellaneous	-	-	196,015	-	196,015	196,015
Total revenues	21,173,932	21,173,932	23,133,784	100,000	23,233,784	2,059,852
Expenditures:						
Operations	2,108,187	2,083,187	1,806,653	-	1,806,653	276,534
Prevention	67,950	122,950	101,425	-	101,425	21,525
Administrative:						
Professional services	1,238,000	1,238,000	1,057,146	-	1,057,146	180,854
General and administrative	2,168,150	2,168,150	1,432,894	100,000	1,532,894	635,256
Salaries	10,835,825	12,568,060	12,505,687	-	12,505,687	62,373
Employee benefits	2,807,780	2,874,457	2,793,483	-	2,793,483	80,974
Debt service:						
Principal retirement	1,682,905	1,682,905	1,623,747	-	1,623,747	59,158
Interest	222,896	222,896	213,618	-	213,618	9,278
Capital outlay	1,265,000	2,365,000	2,045,262	-	2,045,262	319,738
Total expenditures	22,396,693	25,325,605	23,579,915	100,000	23,679,915	1,645,690
Excess (deficiency) of revenues over (under) expenditures	(1,222,761)	(4,151,673)	(446,131)	-	(446,131)	3,705,542
Other financing sources:						
Issuance of debt and capital leases	-	6,100,000	6,468,056	-	6,468,056	368,056
Total other financing sources	-	6,100,000	6,468,056	-	6,468,056	368,056
Net change in fund balances	$ (1,222,761)	$ 1,948,327	$ 6,021,925	$ -	$ 6,021,925	$ 4,073,598

Note to Required Supplementary Information—Budgetary Comparison Schedule—General Fund—Budgetary Basis

Note 1. Basis of Presentation

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund.

For the fiscal year beginning October 1, a proposed budget is adopted by the Board in September. Once adopted, the budget can be amended by the Board. The budget is prepared at the division level. The District may make transfers of appropriations within a division. Transfers of appropriations between divisions require the approval of the Board. Appropriations in all budgeted funds lapse at the end of the fiscal year.

Adjustments are made to the actual budget basis to eliminate inter-District accounts and cash basis for sales tax.

Travis County Emergency Services District No. 2

Schedules of Changes in Net Pension Assets and Related Ratios
Years Ended September 30

	2018	2017	2016
Measurement date	**December 31, 2017**	December 31, 2016	December 31, 2015
Total pension liability			
Service cost	**$ 1,125,863**	$ 749,537	$ 444,088
Interest on total pension liability	**249,385**	110,060	15,607
Effect of plan changes	**-**	1,079,552	(53,422)
Effect of economic/demographic gains or losses	**498,914**	(446,360)	53,516
Effect of assumptions changes or inputs	**(21,194)**	-	2,334
Benefit payments/refunds of contributions	**(3,542)**	(209)	-
Net change in total pension liability	**1,849,426**	1,492,580	462,123
Total pension liability at beginning of year	**1,954,703**	462,123	-
Total pension liability at end of year (a)	**$ 3,804,129**	$ 1,954,703	$ 462,123
Fiduciary net pension:			
Benefit payments/refunds of contributions	**$ (3,542)**	$ (209)	$ -
Administrative expenses	**(2,707)**	(548)	(247)
Member contributions	**719,807**	509,383	274,573
Net investment income	**318,032**	50,430	(5,665)
Employer contributions	**1,028,309**	727,691	392,247
Other	**23,355**	38,952	(30)
Net change in plan fiduciary net pension	**2,083,254**	1,325,699	660,878
Fiduciary net position at beginning of year	**1,986,577**	660,878	-
Fiduciary net position at end of year (b)	**4,069,831**	1,986,577	660,878
Net pension asset at end of year = (a) - (b)	**$ (265,702)**	$ (31,874)	$ (198,755)
Fiduciary net position as a percentage of total pension liability	**106.98 %**	101.63 %	143.01 %
Pensionable covered payroll	**$ 10,282,955**	$ 7,276,907	$ 6,724,234
Net pension liability (asset) as a percentage of covered payroll	**(2.58)%**	(0.44)%	(2.96)%

The schedule of changes in net pension assets and related ratios disclosure is required for 10 years. The schedule noted above is only for the years which the new GASB Statements have been implemented.

Travis County Emergency Services District No. 2

Schedule of Employer Contributions
Years Ended December 31

Calendar Years Ending December 31:	Actuarially Determined Contributions (1)	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
2008	$ -	$ -	$ -	$ -	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	208,283	392,247	(183,964)	3,922,470	10%
2016	386,404	727,691	(341,287)	7,276,907	10%
2017	979,966	1,028,309	(48,343)	10,282,955	10%

1. TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates that employer should report employer contribution amounts on a fiscal year basis.

2. Payroll is calculated based on contributions as reported to TCDRS.

Note: Beginning on June 1, 2015, the District began its participation in TCDRS.

Notes to Required Supplementary Information—Pension Plan
Year Ended September 30, 2018

Actuarial methods and assumptions used: Following are the key assumptions and methods used in these schedules.

Valuation Timing	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Individual entry age normal cost method, as required by GASB Statement No. 68, used for GASB calculations. A slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Economic Assumptions	
Inflation	2.75 percent
Salary increases	3.25 percent (made up of 2.75 percent inflation and 0.50 percent productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.60 percent per year for a career employee.
Investment rate of return	8.00 percent
Cost of living adjustments (COLAs)	COLAs for the District are not considered to be substantively automatic under GASB Statement No. 68. Therefore, no assumption for future COLAs is included in the GASB calculations. No assumption for future COLAs is included in the funding valuation.
Changes in Assumptions and Methods	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.

Demographic assumptions-related to December 31, 2017, valuation:

Annual Rates of Service Retirement*

Retirement Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	20%	20%
45-49	9	9	63	15	15
50	10	10	64	15	15
51	9	9	65	25	25
52	9	9	66	25	25
53	9	9	67	22	22
54	10	10	68	20	20
55	10	10	69	20	20
56	10	10	70	22	22
57	10	10	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	12	12	74 **	22	22
61	12	12			

* Deferred members are assumed to retire (100 percent probability) at the later of: (a) age 60 or (b) earliest retirement eligibility. These assumption relate to the December 31, 2017, valuation.

**For all eligibility members ages 75 and later, retirement is assumed to occur immediately.

Other terminations of employment: The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4 and vary by length of service, entry-age group (age at hire) and sex. No termination after eligibility for retirement is assumed.

Notes to Required Supplementary Information—Pension Plan (Continued)
Year Ended September 30, 2018

	Annual Rates of Termination							
Years of	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
Service	Male	Female	Male	Female	Male	Female	Male	Female
0	26.7%	29.0%	22.2%	24.2%	19.0%	20.5%	17.8%	19.3%
1	18.2	19.8	15.4	16.6	13.0	14.2	12.3	13.3
2	13.6	14.7	11.5	12.5	9.8	10.6	9.2	10.0
3	10.8	11.7	9.2	10.0	7.8	8.5	7.4	8.0
4	8.9	9.7	7.7	8.3	6.6	7.0	6.2	6.6
5	7.9	8.6	6.9	7.5	5.8	6.4	5.5	6.0
6	7.0	7.6	6.2	6.6	5.2	5.7	4.9	5.4
7	6.2	6.8	5.5	6.0	4.7	5.1	4.4	4.8
8	5.2	5.6	4.6	5.0	3.9	4.2	3.7	4.0
9	5.0	5.4	4.5	4.8	3.8	4.1	3.6	3.8
10	4.4	4.7	4.0	4.3	3.4	3.7	3.2	3.4
11	3.8	4.2	3.5	3.8	3.0	3.3	2.8	3.0
12	3.5	3.8	3.2	3.5	2.7	3.0	2.6	2.8
13	3.1	3.4	2.9	3.2	2.5	2.7	2.3	2.6
14	2.8	3.0	2.6	2.8	2.2	2.4	2.1	2.2
15	2.4	2.6	2.3	2.5	1.9	2.2	1.8	2.0
16	2.1	2.2	2.0	2.2	1.7	1.8	1.6	1.8
17	1.8	2.0	1.8	1.9	1.5	1.6	1.4	1.5
18	1.6	1.7	1.5	1.7	1.3	1.4	1.2	1.4
19	1.4	1.5	1.4	1.5	1.2	1.3	1.1	1.2
20	1.3	1.4	1.3	1.4	1.1	1.2	1.0	1.1
21	1.1	1.3	1.1	1.3	1.0	1.1	1.0	1.0
22	1.0	1.2	1.0	1.2	0.9	1.0	0.9	1.0
23	1.0	1.1	1.0	1.1	0.8	0.9	0.8	0.9
24	0.9	1.0	0.9	1.0	0.8	0.9	0.8	0.8
25	0.9	1.0	0.9	1.0	0.7	0.8	0.7	0.8
26	0.9	0.9	0.9	0.9	0.7	0.8	0.7	0.7
27	0.8	0.8	0.8	0.8	0.6	0.7	0.6	0.6
28	0.8	0.7	0.8	0.7	0.6	0.7	0.6	0.6
29	0.7	0.6	0.7	0.6	0.5	0.6	0.5	0.5
30 & Later	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Withdrawals: Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in table below. For nondepositing members who are not vested, 100 percent are assumed to elect a withdrawal.

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100	16	38
2	100	17	36
3	100	18	33
4	100	19	30
5	50	20	28
6	49	21	26
7	48	22	24
8	47	23	22
9	46	24	20
10	45	25	18
11	44	26	16
12	43	27	14
13	42	28	12
14	41	29*	10

*Members with more than 29 years of service are not assumed to refund.

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